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# China Report

RED FLAG

No. 6, 16 March 1985

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6 June 1985

# CHINA REPORT RED FLAG

No. 6, 16 March 1985

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

## CONTENTS

Ideals and Discipline Are the Guarantee of Victory for Our Cause (pp 2-3).....	1
Create Favorable Social Conditions for Reform (pp 3-4).....	3
Make Efforts To Increase the Production of Consumer Goods (pp 4-5).....	5
Cai Hesen and the Dissemination of Marxism in China (pp 6-8, 14) (He Guzhi).....	7
Science Stems From History (pp 9-12) (Yan Zhongping).....	12
The 'Collected Works of Yang Gang' Are Overflowing With Lofty Sentiments (pp 13-14) (Xu Dixin).....	18
Seriously and Properly Carry Out Reform in Education, Taking the 'Three Orientations' as the Guiding Principle (pp 15-17) (Zhang Chengxian).....	20
The Scientific Meaning and Characteristics of 'One Country, Two Systems' (pp 18-20) (Yan Jiaqi).....	26
Communist Party Members Must Pay Attention to Party Spirit (pp 21-22) (Zheng Shi).....	31

Resolutely Check the New Unhealthy Tendencies (pp 23-24) (Zhao Lin).....	34
Discussion on Reforming the Teaching of Political Economy (Section on Socialism) (pp 25-30).....	39
It Is Imperative To Reform Teaching Materials (pp 25-28) (Wei Xinghua, Yu Xueben).....	40
Tentative Ideas on Reform in Education (pp 28-30) (Zhang Youren).....	45
In Perfecting the Economic Responsibility System, It Is Necessary To Solve the Problem of 'Beating the Fast Ox' (pp 31-34) (Sun Xiaoliang).....	50
The Relationship Between Reforming the Pricing System and Maintaining Basically Stable Prices (pp 35-36) (Wang Zhenzhi).....	58
Making Prices Flexible Is Conducive To Improving the People's Livelihood (pp 36-37) (Yang Qixian).....	60
Enterprises Should Absorb as Much as Possible Increased Expenditure Resulting From Raised Prices of Raw Materials (p 37) (Liu Zhuofu).....	62
Thoughts on 'Granting Loans and Issuing Bonuses' (p 38) (Wu Hao).....	64
On Talking of Threes and Fours (p 39) (Li Xin).....	66
Reputation Is the Foundation of Operation (p 40) (Zhang Shaorong).....	68
Tremendous Changes Are Taking Place in the World's Economic Structure (pp 41-44) (Li Changjiu, Guo Yong).....	70
Pondering the 'Popular Literature Craze' (pp 45-47, 22) (Feng Jicai).....	77
She Calls for Sincerity--Recommending the Feature Film 'Girl in a Red Dress' (p 48) (Li Wenbin).....	83

## IDEALS AND DISCIPLINE ARE THE GUARANTEE OF VICTORY FOR OUR CAUSE

Beijing RED FLAG in Chinese No 6, 16 Mar 85 pp 2-3

["Forum"]

[Text] We have made marked progress and achievements in the theory and practice of building socialism with Chinese characteristics. Recently, Comrade Deng Xiaoping seriously put forward another important issue that all of us must face squarely. That is, every one of us, and first of all every Communist Party member and cadre, should have lofty ideals and should abide by discipline.

For our socialist cause, it is a matter of great importance that our people, our party members and cadres, and our children can genuinely establish lofty ideals and beliefs. Ideals and beliefs give us spiritual sustenance, a soul, and the motivation to carry forward our cause and to ensure its healthy and successful development. In the past we could carry on the revolution in an indomitable spirit, one stepping into the breach as another fell, despite untold hardships and setbacks, and win final victory. What did we rely on in doing so? We relied on our lofty belief in Marxism-Leninism and on our great ideals of communism for which we were ready to sacrifice ourselves to struggle. Today, as we are working for the four modernizations, implementing the policy of opening up to the outside world and enlivening the domestic economy, and carrying out overall economic reforms, we should also have a firm belief in Marxism-Leninism and lofty ideals of communism. We must always bear in mind this principle: What we are striving for is socialist modernization, which represents the premise and orientation for all of our undertakings. Opening up and enlivening the economy by itself is not our ultimate goal. It is just a step that serves our purpose of development of our socialist cause and realize communism in the future. To build socialism, we must first insist on the socialist public ownership system. At present there are diversified economic forms in our country, but the economy under the socialist public ownership system will always be the main body of our national economy, and developing and consolidating this main body will be our constant objective. On this point we cannot have any ambiguous ideas. Second, we must adhere to the road of becoming rich together. This is the purpose and end-result of our socialist construction. We advocate that some people and some areas should be allowed to become rich ahead of others, because they can play a leading role and can promote and help relatively poor people and areas to change their poor

and backward conditions. So this policy, in the final analysis, serves the purpose of really making all people rich together. This will not lead to "polarization," and we are not allowed to engender "polarization." The socialist principle of becoming rich together is incompatible with "polarization." This is a fundamental socialist principle that we must firmly adhere to. In the course of implementing the present policies, the whole party must strengthen education on communist ideals among our people, our party members and cadres, and especially among the younger generations so as to help them establish the lofty ideals of communism and to guard against inroads of the concept of commodity exchange into our political life. That is to say, we should not allow some people to barter away our principles, honor, and morality as commodities, and should never allow our youngsters to fall captive to capitalist ideology. The more open and more dynamic our economy becomes, the more necessary it is for us to maintain the soundness of our political life, to attain a lofty realm of thought, and to develop ourselves along the correct and healthy course. Otherwise some people will degenerate into "money worshippers" who only believe in the "omnipotence of money" or into egoists who think that "so long as I can reap some gains, it does not matter if you suffer great losses."

Discipline is a guarantee for the victory of our cause. Without discipline, there would not be a unified will. Discipline and freedom are the opposite sides of unity. Neither side is dispensable. Discipline without freedom will ossify people's minds and destroy their creativity; and freedom without discipline will completely disorganize the whole nation. Old China was in an extremely disorganized situation, and suffered from repeated aggression and humiliation by foreign countries. The revolution to smash the old world requires the unity of the party and of the people; the drive to build a new world also requires such unity. Unity is maintained by two things--one is common ideals, and the other is discipline. With ideals but without discipline, the situation would still be disorderly and the revolution would still not be able to succeed. Therefore, discipline is the source of our strength. "With discipline being enforced, the revolution will certainly be successful." This is a scientific conclusion made by Comrade Mao Zedong on the basis of the Chinese revolution, and it is still applicable to our present socialist cause. Now some people have been blinded by lust for selfish gains, and they put money above everything else without regard to the interests of the party, the state, or the people. They have stirred up some new irregularities by taking advantage of the opportunity of reform. Some of them have even declared that no matter what policies the authorities may lay down, I will have my countermeasures. All this is absolutely intolerable. Here we must remind these comrades that state laws and party discipline must never be defied. All Communist Party members must always put the party's policies in the primary position, must be the models in carrying out the party's policies and in abiding by law and discipline, and must safeguard the brilliant image of Communist Party members among the people. This is an important task for the ongoing party rectification. Punishments should be meted out to main responsible people in the irregularities as they deserve. Some of them should be dismissed from their official posts or expelled from the party. They must return what they have unlawfully gained or pay compensation for them. Those who have violated state laws should be severely punished according to law. None of these people can be tolerated.

## CREATE FAVORABLE SOCIAL CONDITIONS FOR REFORM

Beijing RED FLAG in Chinese No 6, 16 Mar 85 pp 3-4

["Forum"]

[Text] This year is the first year in comprehensively implementing the decision of the 3d Plenary Session of the 12th CPC Central Committee. In order to ensure that the reform will develop soundly and steadily according to the unified plan and requirements of the central authorities, it is necessary to create favorable social conditions for the reform.

First, it is necessary to have a political environment of stability and unity. Political stability and unity is the basic guarantee for achieving victories in the various reforms. In considering questions and handling affairs in the course of reform, we must proceed from safeguarding the overall situation of stability and unity and should never seek private gain or the interests of a small collective, or do anything wrong or foolish which would harm stability and unity. We should advocate keeping the overall situation in mind. We should not pay attention only to the present and ignore the future, or pay attention only to a part and ignore the whole. Otherwise, the policy decisions and plans of the central authorities will be interfered with. Political stability and unity is the prerequisite for doing a good job in reforming the economic structure and success in the reform of the economic structure will in return consolidate the material foundation of socialism, thus further promoting stability and unity. These two supplement each other.

Second, it is necessary to have coordinated developing economic conditions. Only when the relations of major proportions in the national economy are relatively coordinated will it be possible to carry out the reform of the economic structure. At present, a good momentum of sustained, steady, and coordinated development has appeared in our country's economy. In this very favorable situation, we must seize the opportunity and make an important step forward in the reform of the economic structure. The economic structure is an interrelated organic whole and it is often the case that "a slight move in one part may affect the situation as a whole." Therefore, in taking concrete steps in reform, we must pay attention to the urgent importance of each step, take one step and look around before taking another, "feel the stones in crossing the river," and give full consideration to

possible chain reactions which may result from each reformative measure. We must take more precautions and should not attempt to complete all things at one go no matter what benefits we may get from them. Microcosmically, we should pay attention to opening up and invigoration, but at the same time, we should assure proper management and administration macroscopically. Only in this way can we avoid the phenomenon of losing control over things. In the course of reform, we must not act with undue haste, rush headlong into mass action, start doing everything at once, or indiscriminately deal with all things in the same manner. Otherwise, we will interrupt the normal economic order and hamper the smooth progress of the reform.

Third, it is necessary to have a social environment in which the people's minds are set at ease. The fundamental aim of economic reform is to promote the development of social productive forces so that the country will become strong and prosperous and the people will become rich and happy. Therefore, before taking any reformative measures, we must conduct in-depth investigation, make well-conceived plans, carry out repeated theoretical proofs, patiently make explanations, properly do propaganda work, make "a notice to reassure the public," extensively solicit the opinions of the masses, and pay attention to the reactions of people of various social strata so that the various reforms we are carrying out will be clearly understood and fully supported by the broad masses of the people.

Reform is work of a pioneering nature. There are no ready forms or patterns for us to copy. We must boldly carry exploration and creation in practice. At the same time, reform is arduous and complicated work which is closely related with policies. We must be careful and prudent and should never act rashly. With the progress of reform in depth, the situation will become more and more complicated and we must increase our sense of policies and our sense of organization and discipline. We must strictly observe party and administrative discipline. We must do what we are ordered to do and must not do what we are forbidden to do. The most harmful unhealthy trend at present is not carrying out orders or doing what is forbidden. On the one hand, we must stress reform, opening up, and invigoration. On the other hand, we must stress management, regulations, and discipline. We should not stress only one aspect and belittle the other. Here, it is necessary to clearly draw two demarcation lines: one is between reform and blazing new paths and violating law and discipline; the other is between invigorating the economy and involvement in unhealthy trends. We must resolutely support all correct measures in reform, blazing new paths, and invigorating the economy. We must explicitly forbid violations of law and discipline, unhealthy practices, and various undesirable phenomena. In the past, we depended on strict proletarian discipline to triumph over our enemy who was stronger than we. Today, we certainly can also depend on a high degree of organization and discipline based on self-consciousness to score victories in reform.

CSO: 4004/22

## MAKE EFFORTS TO INCREASE THE PRODUCTION OF CONSUMER GOODS

Beijing RED FLAG in Chinese No 6, 16 Mar 85 pp 4-5

["Forum"]

[Text] Over the past few years, along with the increase in the people's consumption, great progress has also been achieved in light industrial production, which is closely bound up with the people's livelihood. Not only has the quantity of the products been increased by a big margin, but also their quality has been improved, and a greater variety of products have been produced. There has been ampler supplies in the market. However, at present the production of consumer goods still cannot suit the increase of the people's purchasing power and the changes in the consumption structure. It is still a pressing task for us to vigorously develop the production of consumer goods, especially to increase the production of those brand-name, high-quality, and marketable products.

In developing the production of consumer goods, it is necessary to pay great attention to studying the trends of changes in the demands of the market and in the structure of the people's consumption, and continue to take as our purpose satisfying the increasing needs of the people in their material and cultural life. Recently some new changes have taken place in the consumption market. As the people in both the cities and the countryside have basically solved their problems concerning food and clothing, they have changed their ideas and ways of consumption, from economizing on food and clothing to requiring more varieties of consumer goods. The traditional habits and structure of consumption are changing. At the same time, they have more and higher demands for daily necessities in their cultural life.

In view of this new situation, the light industrial departments must attach great importance to the feedback of market information, improve the product mix in good time, and endeavor to increase production so as to satisfy the needs of the market. It is necessary to make some changes in production in order to suit the changes of the market and to promote the changes in production in light of changes in the market. While increasing the quantity of products, our stress should be laid on improving their quality and variety and continuously creating new products so that our products can become really marketable and can satisfy the needs of society.

In order to accelerate the development of light industry, it is necessary to grasp reform, transformation, and management. To grasp reform means to expand the decisionmaking power of the enterprises in accordance with the "Decision of the CPC Central Committee on Reform of the Economic Structure" and relevant concrete regulations of the State Council so that the power belonging to the enterprises can really be exercised by themselves and the vitality of the enterprises can be enhanced in independent operations. To grasp transformation means to carry out technological transformations in the existing enterprises in a planned way, to eliminate obsolete equipment and improve outdated technologies, and to transform old enterprises with advanced technical equipment and productive technology so as to enhance the strength and staying power of the enterprises and promote the upgrading and change of generations of products. To grasp management means to continue to do a good job in enterprise consolidation, to reorganize the leading groups in accordance with the "four requirements" for cadres, to establish a powerful guidance system in production based on the system of the director assuming full responsibility, to strengthen various management systems and quality control, to improve management and operations, to pay attention to economic accounting and endeavor to reduce the consumption of raw materials and fuel and production costs, and to achieve better economic results so as to increase the financial strength of the enterprises and to make more contributions to the state.

Vigorously developing the production of consumer goods is an important bearing on the whole situation. Apart from the light industrial departments, which should endeavor to do a good job in this respect, all departments concerned must also enthusiastically support it. Recently, the State Council reiterated the principle of giving priority to light industry with respect to supplying raw materials, fuel, and electric power, tapping potentials and carrying out technical innovations and reforms, making arrangements for forces engaging in capital construction, providing loans, using foreign currencies and importing advanced technologies, and using communications and transport facilities. All departments and localities must effectively implement this principle. We must continue to make great efforts to promote the production of consumer goods, especially the production of those brand-name, high-quality, and marketable products, make our urban and rural markets more prosperous, and maintain and develop the excellent situation so as to ensure the smooth progress of reform of the entire economic structure mainly carried out in the cities.

CSO: 4004/22

## CAI HESEN AND THE DISSEMINATION OF MARXISM IN CHINA

Beijing RED FLAG in Chinese No 6, 16 Mar 85 pp 6-8, 14

[Article by He Guzhi [0149 7711 1807]]

[Text] Marxism is the powerful ideological weapon guiding the victory of China's revolution and construction. Disseminated, studied, and applied by our party for the past few decades, Marxism has now won the confidence of hundreds of millions of Chinese people and has exerted its immense practical strength. However, it was no easy job for the Chinese people to discover the truth of Marxism. Like Prometheus, who, according to Greek myth, stole fire from heaven, gave it to man, and consequently faced extreme torture, the revolutionaries of our older generation who disseminated Marxism in China also experienced the same tribulations. The Chinese people will always remember their historical contributions. Comrade Cai Hesen was one of the important figures who disseminated Marxism in China.

During the May Fourth Movement, there was a large-scale ideological emancipation campaign in China. At that time, all sorts of ideas streamed into China from all directions. Some advocated "saving the nation by means of education or industry," some maintained "total acceptance of Western ideas" and following the American road, and some advertised anarchism, guild socialism, and the second international reformism. However, some intellectuals saw the bright future of the October Revolution and started to accept and vigorously propagate Marxism, Leninism, and scientific socialism. Cai Hesen also looked forward to "saving the nation through industry or education," and he thought about seeking a way to reform the society by establishing "new villages." With Mao Zedong and others, he formed a revolutionary organization called the "Xinmin Society" to conduct investigations in the rural areas and to explore a path to transform China. His writings included the lines: "Although I am not armed with the powerful weapon carried by Lu Yang, I will make vigorous efforts to turn the tide," which expressed his heroic spirit of wanting to wholeheartedly save the nation. Nevertheless, he was not definite then on what he should do to save the nation. Later, as he began to adopt Marxism, he became enlightened and extremely excited, and was immediately infatuated with the compact theoretical and ideological system. In his letters to Mao Zedong and others, he expressed his determination to "follow the example of Lenin, disseminate Lenin's ideas, believe in communism, and sacrifice for the world." From then on, Cai Hesen resolutely chose the road of Marxism and Leninism.

By the end of 1919, along with his mother Ge Jianhao, his sister Cai Chang, Xiang Jingyu, and others, Cai Hesen moved from Shanghai to France to continue his work and study program. In France, he read and translated Marx' works with great enthusiasm. He also collected and intensively studied nearly 100 books on Marxism. Recalling the days Cai Hesen assiduously studied the works of Marx and Lenin in France's Montargis in the first half of 1920, Cai Chang said: "In spite of his chronic asthma, he was always to be found in the school dormitory in shabby clothes looking through dictionaries and considering the significance of every sentence." In this way, he accomplished the transformation from a democrat to a communist, which also laid a solid foundation for him to publicize Marxism later.

Marxism must experience struggle in every step of its advance. The process of disseminating Marxism is in fact a process of waging struggle against non-Marxism and anti-Marxist tendencies. As small producers occupied a dominant position in old China, anarchism and other non-Marxist tendencies had an extensive social basis. The influence of anarchism and trade unionism was also deep-rooted among the young people engaged in work and study in France. While disseminating Marxism, Cai Hesen did his utmost to fight these tendencies. In the debate on what road China should follow, conducted among the Chinese students in Montargis Park, Cai Hesen clearly expounded that China should follow the road of the "Russian revolution" under the guidance of Marxism. At the meeting to discuss the purpose of the "Xinmin Society," he put forward the idea of "organizing a communist party and exercising proletarian dictatorship." During August and September 1920, Cai Hesen translated into Chinese the French editions of "Communist Manifesto," "Socialism--Utopian to Scientific," and other Marxist works and also edited some materials publicizing the October Revolution and the revolutionary movements of other countries for the Chinese students studying in France. Due to his patient help, the young people of the "International Work-Study Society," who did not fully understand and believe in Marxism at first, began to accept Marxism. Meanwhile, he wrote letters to Mao Zedong and other comrades, took an active part in the struggles between Marxists and anti-Marxists like Hu Shi and Zhang Dongsun taking place in China, and thoroughly criticized the anti-Marxist erroneous views.

Comrade Cai Hesen accepted and disseminated Marxism for the sake of solving the practical problems in China's revolution. Facing a series of major problems in China's revolution at that time, he applied the basic principles of Marxism and put forward a number of correct ideas and proposals. In his letters to Mao Zedong, Chen Duxiu, and others, written during his work-study program in France, he systematically proposed the idea of establishing the Communist Party of China. During August and September 1920, he pointed out that "a Chinese Communist Party must be established." This party must have "correct doctrines and proper methods and must be united with Russia." It should be the "initiator, leader, vanguard, headquarters, and the nerve center of the proletarian movement." Later, he detailed the party's nature, guiding ideology, program, tactics, and organizational principles; the struggles between two lines within the party; the methods and measures for party building; and the party's theoretical system. These ideas were of theoretical and guiding significance to the founding of our party and were

later an important component part of Mao Zedong's thoughts on party building.

Cai Hesen was among the first to propose the idea of establishing a proletarian dictatorship in China. He said: "The direction of the revolutionary movement in the world has changed; that is, 'the proletariat will seize political power to reform the society.'" "Dictatorship is an indispensable means for the transition from capitalism to communism." In addition, he further expounded the historical role and tasks of the proletarian dictatorship and explained the conditions for the abolition of proletarian political power. These expositions were of immediate significance to China's revolution at that time.

Cai Hesen returned to China in the winter of 1921. With fervent enthusiasm, he plunged into the torrent of the Chinese revolution and spared no effort in disseminating Marxism. In July 1922, the Second CPC Congress decided to initiate a theoretical weekly magazine XIANG DAO [GUIDANCE] for the party. Cai Hesen, a young CPC Central Committee member elected by the congress, was appointed editor in chief of the magazine. During the 3 years from 13 September 1922 when XIANG DAO began publication to Cai Hesen's visit to Moscow in October 1925, he was fully engaged in the party's theoretical and propaganda work. He wrote more than 150 theoretical articles and published them in XIANG DAO. He also delivered speeches at some schools or wrote articles to extensively disseminate Marxism and enlighten the people. During the period of the Great Revolution and the brewing of the first cooperation between the KMT and CPC, he gave correct answers to many important problems demanding prompt solutions. Like Comrade Mao Zedong, Comrade Cai Hesen thoroughly analyzed the question of the objectives and motivating force of China's revolution. In one article, he clearly pointed out: "The correct path of China's national revolutionary movement is to internally overthrow the warlords and externally overthrow foreign imperialists who have invaded China and supported China's warlords." Later, he regarded the comprador bourgeois class as the target of China's revolution. He pointed out that this class came into being under the aegis of imperialism. Although it has not fully taken shape, it depends on imperialism and is "a counterrevolutionary bastard" of international capitalist-imperialism in China. He raised the call "down with imperialism" and held that the CPC was the leader and the workers and peasants were the "main force" and "mainstay" of China's revolution. He further pointed out: The key to this revolution lies with the peasants, while the issue of peasants lies in land. Although the program for land revolution drafted by Cai Hesen during the Fifth CPC Congress has its limitations when viewed today, it is still the first program for land revolution in our party's history. His original ideas also included: "The infantile bourgeoisie, that is, the middle class, which has failed to make advances due to oppression by foreign capitalism, is also an important factor in the revolution." This showed that the national bourgeoisie could also take part in revolution and it was possible to form a revolutionary united front with the national bourgeoisie.

With regard to China's revolutionary road, Cai Hesen carefully studied the experience of the October Revolution. In regard to China's characteristics,

he pointed out with foresight in 1922: China should follow the road of armed struggle, use revolutionary means to destroy the old military organizations, and use the arms of the people to disarm the warlords. "The key to the question lies in arming the peasants." After the failure of the Great Revolution, he delivered a speech at the Sixth CPC Congress further expounding the road of rural armed struggle in China by proceeding from the uneven development of China's revolution. He said: "The development of China's revolution has its characteristics. This is what we call unevenness. The development of such unevenness is certainly an important factor for estimating the revolutionary situation." Thus, he called for expanding rural guerrilla struggles, set up a separatist regime by force of arms, and established a Red army. These ideas were identical with Mao Zedong's conclusion on setting up "an armed independent regime of workers and peasants."

XIANG DAO was enormously influential in the country's press circles and was a Red banner of the progressive periodicals at that time. The articles published in this weekly were clarion calls to the revolutionaries and sharp daggers to the enemy. XIANG DAO played an important role in encouraging and organizing the dissemination of Marxism and mobilizing the people in carrying out the national revolution against imperialism and feudalism. At that time, many readers from throughout the nation wrote letters speaking highly of XIANG DAO and regarding it as "the dim light under the mass of dark clouds," "the organ of the Chinese people," "an indispensable vanguard of China's revolutionary movement," and "the gospel" for the Chinese nation. In January 1925, the Fourth CPC Congress highly appraised the work of XIANG DAO since its publication and pointed out that it had obtained "the guiding position in the public opinion" of the country. These historical achievements of XIANG DAO were indispensable for the efforts made by Cai Hesen.

In the revolutionary years, one had to run risks and even sacrifice his life to disseminate Marxism and Leninism. From the day he accepted Marxism, Cai Hesen made up his mind to fight all his life and not hesitate to give his all for the cause.

During the period of his work-study program in France, Cai Hesen led the students of Montargis and other places in waging the 28 March struggle striving for the right to study and survival. His indomitable spirit of heroically fighting for the truth was manifested in the struggle against the northern warlords who tried to obtain loans by betraying the country. As a result, he was arrested and put in prison by the French armed police and was sent back to China under charges of "engaging in Bolshevik activities" and "disseminating communism."

The imperialists and warlords utterly hated XIANG DAO and tried by every means to persecute Cai Hesen. However, Cai Hesen gave no thought to his personal safety. He worked hard for the publication of XIANG DAO and personally participated in soliciting contributions, selecting articles, editing, publication, and distribution. In October 1922, Cai Hesen, Mr and Mrs Xiang Jingyu, and XIANG DAO moved together with the CPC Central Committee from Shanghai to Beijing. Due to a shortage of funds at that time, it was difficult to continue the publication of the magazine. Cai Hesen

risked his life to sponsor a donation drive among readers. As many readers ardently cherished and respected XIANG DAO, they immediately responded to the drive and generously donated money to help XIANG DAO ride out its financial difficulties.

The 7 February massacre which shocked the country and the whole world took place in early 1923. Beijing was then enveloped by the White terror. While the enemies were trying by every means to find and arrest Cai Hesen, he continued to secretly edit and publish the magazine. Moreover, he published in the 20th issue a "Letter From the CPC to the Working Class and the People of the Whole Country on the Massacre of the Railway Workers by Wu Peifu," "The Whole Course of the 7 February Massacre," and three other articles thoroughly exposing the reactionary crimes and ugly features of the warlord Wu Peifu and calling on the workers and people of the whole country to unite and overthrow feudal warlords.

Following the Sixth CPC Congress, Cai Hesen wrongly suffered severe attacks and was removed from the posts of member of the Political Bureau of the CPC Central Committee and director of the Propaganda Department. However, he gave no thought to personal gains or losses and continued to fight for the party's cause. In the fall of 1931, the party sent Cai to work in Hong Kong. Unfortunately, he was arrested and murdered by the enemies. He was only 36. "The final victory will certainly belong to us!" were his last words, which expressed the firm stand of a great Marxist and his lofty spirit of giving his life for truth.

When Marxism was regarded as a "great scourge" in China more than 60 years ago, Cai Hesen held that Marxism would "establish itself in an unassailable position," and thus he devoted all his life to the dissemination and practice of Marxism. Thanks to the unremitting efforts of Cai Hesen and a large number of proletarian revolutionaries of the older generation and to the protracted and arduous struggles waged by hundreds of millions of people under the leadership of the party, Marxism was finally won victory in China. We, young communists in particular, should follow the example of the young Marxist Cai Hesen, study hard, disseminate Marxism, integrate the universal truth of Marxism with the practice of China's revolution and construction, and build socialism with Chinese characteristics. Herein lies the significance of commemorating the 90th anniversary of Comrade Cai Hesen's birth.

CSO: 4004/22

## SCIENCE STEMS FROM HISTORY

Beijing RED FLAG in Chinese No 6, 16 Mar 85 pp 9-12

[Article by Yan Zhongping [0917 0022 1627]]

[Text] In the current period of reform, scientific and research work also need to be reformed. However, when people talk about reform of scientific and research work, those in natural science circles mostly refer to the problem of the management of "science and technology," that is to say, the problem of reform of technical management in production while those in social science circles refer to the actual economic problems, that is to say, problems concerning the existing concrete policies. In short, they are all problems of applied science. As for the basic sciences which are quite widely separated from actual uses at the moment, the field is relatively deserted. But, in our modernization of science and culture, is it possible to take up only research on applications and abandon research on the fundamentals?

### I. Research on Fundamentals and Research on Applications

Comrade Nie Rongzhen said: "Modern science and technology are complex things. It is necessary to go about them in various ways and there is no 'short-cut' method. We should not refute the study of basic science. The studies of basic science and applied science supplement each other. We must look a little farther and must not overlook the study of certain basic sciences just because we cannot discern the economic results for a time. The study of basic science is the foundation of the study of applied science. It will not do if we study only applied science without a definite amount of work in the study of basic science." (RED FLAG, No 24, 1982) What Marshal Nie said here about the study of the foundation and application of natural sciences also applies in reasoning to the study of the foundation and application of social sciences.

The science of history belongs to the realm of the basic sciences. I am engaged in work on China's contemporary economic history. Some young people have asked me: "What is the use of your engaging in this work?" I reply: "It all depends on what you mean by the word 'use.'" If "use" refers to seeking concrete answers to real questions from history, then in history there were no such systems as contracted responsibilities with payment linked to output or the system of distribution according to work and the study of

economic history would then seem to have no use. Nevertheless, in the world, which country and which people do not study their own history? Why should Comrade Mao Zedong take to task those "who are not ashamed of themselves but feel glorified for knowing nothing, or only very little, about their own history"? ("Collected Works of Mao Zedong," Vol 3, p 756) I imagine that the study of history does have certain uses.

Following armed struggles, in 1949 we liberated the whole of our mainland. Since 1949, many ancient things have been unearthed from the ground in the mainland, such as the female corpse at Ma Wang Dui, the wood or clay figures of warriors and horses buried at Qin Shi Huang's tomb, the cultural relics in Turfan, and others all of which have astonished the whole world. Prior to 1949, basically we had never known of their existence, but, as usual, we overcame the three big mountains. From the significance of the armed struggles having helped in the seizure of political power, the existence or non-existence of these cultural relics had nothing to do with the success or failure of the revolution, or, in other words, they were entirely useless. However, in the study of the scientific and cultural history of mankind, these cultural relics are our trump cards. Could it be entirely useless to study them?

Marx and Engels devoted their whole lives to the struggles for the liberation of the proletariat. They engaged in theoretical studies and also in political struggles. They also turned out many volumes of writings on history. Engels compiled the book "The Family, System of Private Ownership and the Origin of the State" and the book "Ancient History and Language of Germany." The former studied the history of the primitive communes up to the slave society, but in their history there was nothing about the proletariat. The latter was a discourse on the history and languages of the ancient times in Germany and there were no such concepts as socialism and communism. Why should Engels decide not to devote his entire energy to the theoretical study of modern capitalism and to the political struggles of the proletariat at that time, but rather to studies which had no bearing on the realities of the moment? Was this not being separated from reality and from politics? It appears that utility, insofar as scientific research is concerned, cannot be judged simply by whether or not it is able to solve the concrete problems in actual life.

## II. History Stems From Science

The founder of Marxism conceived of two notions of historical science. One of them is that "any science that is not a natural science is a historical science." ("Collected Works of Marx and Engels," Vol 13, p 526) The other is that "we know that there is only one science and this is historical science. History can be studied from two angles, and can be divided into the history of nature and the history of mankind." (Ibid., Vol 3, p 20) We may say that the former refers to historical science in the narrow sense and the latter, to historical science in the broad sense.

Engels said: "Hegel's form of thinking differs from that of all other philosophers in that it has an enormous historical sense as its basis." (Ibid., Vol 13, p 531) The enormous historical sense of Hegel, Marx'

successor, summed up the objective laws of the history of mankind in the course of the historical development of the human society and it was this that refuted the ideas which had for a long time dominated historical studies, that is, the historical idealism that emperors, generals, and premiers dictated the history of mankind and created historical materialism which holds that material production and reproduction in reality dictate human history. Historical materialism is really a big ideological revolution enabling the proletariat to achieve liberation. If the proletariat did not completely break with historical idealism, there would never be liberation. I believe that Marx' purpose in studying the history of the primitive communes and Germany's ancient languages was enrichment of historical materialism through these studies. Thus, the studies which in appearance had been useless to the liberation enterprise of the proletariat really had their uses. Engels was never divorced, in the slightest, from reality, or from politics. Seen from this context, all historical studies which propagate, enrich, and develop materialism have great uses.

Scientific research work mainly adopts two methods, that is, the historical method and the logical method. Because people wish to avoid many irrelevant materials which might disturb their thinking, "the logical method is the only suitable method. However, in reality, this method is the method of historical research, except that it separates itself from the historical form and the fortuity of disturbances of thinking. Where history begins the course or process of thinking also begins and the further development of the process of thinking is only a reflection of the historical process in an abstract and theoretical form in the order of sequence. This reflection has gone through a revision which, however, is in accord with the laws of the actual historical process itself. At this juncture, each and every crucial factor may be examined at its fully matured, and exemplary, development point." "The development of logic is not entirely confined to the realm of pure abstraction. On the contrary, it requires historical evidence and also requires constant contact with reality." (Ibid., Vol 13, pp 532-533, 535)

What is said here is "wherever history begins the process of thinking also begins" and that "the development of logic requires historical evidence and constant contact with reality." In a word, we need to employ a historical sense to study problems; to cast historical sense aside in taking up logical thinking would only be empty talk in the game of concepts. In his study of surplus value of capitalism, Marx started with the use value and value of commodities, then proceeded to studying the dual character of labor, the simple value form, and the general value form of commodities and ended up with an analysis of the nature of money. Outwardly, this form of expression seems to be the process of thinking of a purely logical deduction type but in reality it is the historical summation of the development processes of commodity and money. Thus, the course of Marx' thinking precisely started from where the historical process began.

Marx' classification of natural history as a historical science was reasonable. The purpose of scientific research is to sum up the laws of development of things. Darwin discovered the theory of the evolution of living things through making a comparative study of different species of living things and

tracing the tracks of the development and evolution of the species. If geologists do not study the signs and tracks of the changes of the earth layers, then there will be no laws of geology to speak of. Even in the case of experiments in physics and chemistry, it is the observations, under conditions of human control, of the changes and evolution of matter that have led to the discovery of the laws of physics and the laws of chemistry. Mentioned in this context, they may all be interpreted as historical studies, or, the science of history. In short, only through embodying a historical sense, or historical concept, in making a historical study of the processes of the development and evolution of things is it possible to sum up the laws governing the development of things. In one word, science stems from history.

### III. A Minor Suggestion

Materialist dialectics hold that all things are in a continuous process of development and change. In this process, some of their internal contradictions are intensified, some are moderated, while some are temporarily or partially resolved, but new contradictions crop up. "Hence, the process is shown in different stages." ("Collected Works of Mao Zedong," Vol 1, p 289) Scientific research requires "probing, via a circuitous route, into the various development stages of the process according to their order and, through various chance occurrences, revealing the inner laws governing the process." ("Collected Works of Marx and Engels," Vol 19, p 223)

"Demarcation of scientific research is based on the special contradictory nature of the objects of science. Hence, the research on a certain contradiction specially found in the sphere of a certain phenomenon constitutes the object or target of a certain science." ("Collected Works of Mao Zedong," Vol 1, p 284) For example, the contradictions between the forces of production and production relations and the contradictions between the various classes of society constitute the research objects of the social sciences. But "an important affair, in the process of its development, embodies many contradictions. For example, in the course of the democratic revolution of China's capitalist class, there were contradictions between the various oppressed classes of the Chinese society and imperialism, the contradictions between the masses of people and feudalism, and the contradictions between the proletariat and the capitalists, and so on and so forth." ("Collected Works of Mao Zedong," Vol 1, p 286) The normal order of the process of human understanding is from the particular to the general and from the special law to the general law. Scientific research must investigate the law of development of the contradiction of a certain "big thing or big affair" and also investigate the law of development of the many contradictions of this "big thing or big affair." Only after summing up the laws of development of the many contradictions of big things or big affairs is there any basis for summing up the law of development of the big contradictions of big things or big affairs. And these big and small contradictions all have different stages of development. They denote the various special social and economic statures in human history over hundreds and thousands of years, such as the primitive commune system, slave system, feudal system, and so on and may also denote the development stages over several years or several decades of the

same social and economic formation. In short, they all denote certain development stages of the special contradictions of things. In order to correctly analyze problems, we should correctly pick out from the passage of history the whole course of the originating and development of the special contradictions as independent research objects, otherwise it would be difficult to sum up the laws governing the special contradictions.

Marx pointed out that in political economy at no time should we formulate a general law on the basis of the statistical materials of a single year. Rather, usually the average figures over 6 or 7 years should be taken. This is to say, we need to base ourselves on the average figures over a certain period of the cycle completed by the various inevitable stages of development of modernized industry (namely, stages of prosperity, surplus production, stagnation and crisis). In fact, conclusions based on average figures of one cycle may at times not be sufficiently convincing. The time exposure of 6 to 7 years had been the tentative conclusion derived by Marx and Engels on the basis of the lapse of years in between the different economic crises in England since 1825. Subsequently, Marx, based on the lapse of years between the economic crises in England from 1842 to 1867, extended the period of the cycle to 10 years.

In 1873, the first world economic crisis erupted in the United States and Germany and by 1879 it had spread to England. In his letter to Danielson in April that year, Marx wrote: "Before England's current industrial crisis has reached the peak, I shall not publish Volume 2 (meaning the second volume of 'Das Kapital'). The phenomenon this time is extremely special, as in many respects it differs from the past phenomena. Leaving aside all other conditions that are presently in the process of changing, this can be explained by the following facts: Prior to the occurrence of the crisis in England, a crisis of an enormous magnitude and lasting in a sustained manner for nearly 5 years broke out in the United States, South America, Germany and Austria and was an occurrence that had never happened before." "Therefore, it is necessary to see through the progress of this crisis up until its full maturity before we can 'consummate' it in 'production,' I mean, in the 'theoretical field.'" (Marx and Engels: "Collection of Correspondences on 'Das Kapital,'" p 359) "Regardless of how this crisis may eventually develop, a careful examination of it is extremely important to research workers on capitalist production and to the professional theorists." (Ibid., p 361) In June 1880, Marx, in his letter to (Newmanhoods) [4781 2429 5170 2448], wrote: "Under present conditions, it is not possible to publish in Germany the second volume of 'Das Kapital' (referring to 'Das Kapital' Vol 2). I am glad that precisely at this moment certain economic phenomena have reached a new stage of development and it is necessary to study them anew." (Ibid., p 366)

Marx' attitude of being happy about not publishing Volume 2 of "Das Kapital" in April 1879 is of a great educational significance to us. Marx had used the materials on the many and recurring cyclical economic crises in England before 1873 in compiling Volume 2. Materials which had recurred many times should have been sufficient for summing up the laws governing economic crises but all these materials concerned crises in only one country--England.

After 1873, there appeared the new condition of a world economic crisis which "had never happened before" and which made capitalist economic phenomena "enter into a new stage of development." As a result, Marx believed that his theory on crisis "must be studied anew." But in 1879, the progress of the event had not yet reached "full maturity" and England's industrial crisis had not yet reached the "peak." The time for making a renewed study had still not matured and Marx was happy to delay the publication of Volume 2. This attitude of Marx' taught us that in scientific research we should at all times closely watch new conditions and collect new materials as the basis for examining our theoretical research. In particular, his attitude taught us that we must find out the full course of the originating and developing stages of things and take it as the object of independent research, since only by so doing is it possible to sum up the laws governing the development of things.

The reason why scientists take the whole course of the originating and developing of things as the object for independent research can be easily understood. That the development of things and events is in stages is due to the fact that internally in the things or events the contradictions have been intensified, or moderated, or solved, or have newly arisen. If we do not study the whole course of the originating and developing stages of things and events, we shall be unable to grasp the internal contradictions of the things or events and hence it will not be possible to observe the special character and the changes of the contradictions on various sides and to map out a correct program to solve the contradictions. In economic problems, from a single and general survey of the population we can obtain only a plain picture of the population structure but cannot discern the trend of development of the population structure. Various countries of the world have compiled commodity price indices and cost of living indices and have accumulated the index figures for a prolonged period, precisely because without so doing it would be impossible to observe the trend of development of commodity prices and of the cost of living. In a word, it is only through bringing along a historical sense, or a historical concept, in doing historical researches on economic problems is it possible to sum up the economic laws.

On the basis of the above observations, I believe that in our research on actual economic problems, simply carrying out investigations at selected points is not sufficient and that it is necessary to carry out surveys at fixed points, that is, determining the fixed survey points and recurring surveying work once after each lapse of time. Only by so doing is it possible to grasp the materials on the vertical side of economic development to carry out research on the economic laws. I am a complete outsider in economic problems. This point I have raised should be treated as an extraordinary proposition from an outsider.

CSO: 4004/22

THE 'COLLECTED WORKS OF YANG GANG' ARE OVERFLOWING WITH LOFTY SENTIMENTS

Beijing RED FLAG in Chinese No 6, 16 Mar 85 pp 13-14

[Article by Xu Dixin [6079 3321 2450] on the day following the Spring Festival, 1985]

[Text] The "Collected Works of Yang Gang," edited and compiled by Comrade Xiao Qian, has been published, providing a vivid and profound answer for those who have been longing to know of the sufferings and feelings of the Chinese people during the 8-year war of resistance against Japan.

I came to know Comrade Yang Gang at the editorial department of the Chongqing TA KUNG PAO during the war of resistance against Japan. The TA KUNG PAO, under Mr Zhang Jiluan, adopted the attitude of "making light criticisms while offering great help" toward Chiang Kai-shek's Nationalist Party, trying to show that it was "just and selfless." However, all smart people could tell at a glance that the "light criticisms" were meant to serve better the purpose of "offering great help," so as to make it more striking and deceitful. It was fortunate that some of the TA KUNG PAO editors were able to see through the trick of "making light criticisms while offering great help" and they raised objections through clever means. Among them was Comrade Yang Gang, who was thought highly of when Comrade Zhou Enlai was talking about contemporary talent. I remember once when I went to see Comrade Li Chunqing of the editorial department of the Lizhiba TA KUNG PAO, Comrade Yang Gang was also present. I talked with her and came to know that she was really very learned and eloquent. But she was quite slovenly. I remember she was still in her pajamas when it was nearly noon. More than four decades have elapsed but she was so impressive that she remains fresh in my memory.

At that time Yang Gang was the literary supplement editor of the TA KUNG PAO. She made use of that small amount of freedom given by her boss who tried to draw the readers in. She actively publicized the idea of launching a war of resistance, advocated democracy, and objected to capitulation. Her various ways of condemning the crazy fascist aggression and massacres were majestic, dauntless, vivid, and penetrating. The literary supplement of the TA KUNG PAO did have an impact on the mountain city. Her actions attracted for her boss a group of readers. But sometimes she went beyond the limit of "making light criticisms." That was her ability and also her contribution to her readers.

Yang Gang was a fearless female warrior who, in the light of Japan's imperialist aggression and the Nationalist Party's surreptitious capitulation, went from Guilin to Jiangxi, Zhejiang, and Fujian and wrote a series of newsletters, depicting the people's suffering under Japanese rule and the will for launching a war of resistance, unveiling the corrupt side of the Nationalist Party's army and politicians, and revealing how those who oppressed the people came to terms with their enemy while exploiting the people. The meaningfulness of her realistic essays will never pass away with time.

Yang Gang was a poetess. Her poems were roses with thorns and erupting volcanoes. I do not know how to write a poem, but as a reader I have some sense of appreciation. In "Twilight" she was furious when condemning the killings by the Japanese invaders. In it she wrote: "Even though today we are in their hands,/ Tomorrow, they should beware our counterattack!" Yang Gang's elder brother, Yang Zao, was a celebrated international affairs expert and a military critic who was killed by the secret agents of the Nationalist Party. Yang Gang wrote a striking long poem to castigate the secret agents' cruelty and to describe her elder brother's guilelessness. "Why did you die in jail/ When they could accuse you of nothing/ When they ran short of talent in spreading rumors/ When they were unable to explain your death?!" After the assassinations of Wen Yiduo and Li Gongpo she wrote in America a poem filled with grief and indignation: "Our enemies were so happy that they applauded/ They took a lovely bath in your blood/ They were dancing like mad dogs/ And licking the boots of the Americans/ Sniffing their trousers/ Shouting: 'Great, great, kill more! Kill more!'" This is a vivid depiction of the secret agents' subservience to their American masters and their cruelty toward Chinese patriots. Yang Gang was not pessimistic. She had high hopes for her motherland. While reading her poem "I have an invulnerable heart!/ I am space/ I am time/ I am standing on the last line of defense and carrying out the mission of giving a new life to the world!" I could sense that she is still alive and will live forever!

Yang Gang was a poetess, a renowned political writer, and an essayist who was well versed in both Western and Chinese classics. The interpretations appearing in her essays such as "Gongsun Yang" and "On Su Shi" were unique. She was also a gifted public figure in foreign affairs. During the 8-year war of resistance against Japan and during the war of liberation, she stood on the people's side and served the public with her sword-pointed pen. According to Chinese tradition, it is not incorrect to regard her as a talented woman. By calling her such we might play down her achievements. She was a tireless communist marching on the rough road of revolution and an indomitable cultural warrior!

Comrade Hu Qiaomu has made a comprehensive and fair assessment of the "Collected Works of Yang Gang." Comrade Xiao Qian has done a fabulous job in editing and compiling the works. As a reader, I would like to send my best regards to both of them. Anyone living in the eighties who wants to know of the miserable feelings of the Chinese during the war of resistance against Japan, of the tyranny of the secret agents within the territory under nationalist rule after Japan had surrendered, of all walks of life in American society and of Yang Gang's unique interpretations of classical Chinese literature is requested to read the "Collected Works of Yang Gang."

SERIOUSLY AND PROPERLY CARRY OUT REFORM IN EDUCATION, TAKING THE 'THREE ORIENTATIONS' AS THE GUIDING PRINCIPLE

Beijing RED FLAG in Chinese No 6, 16 Mar 85 pp 15-17

[Article by Zhang Chengxian [1728 0015 0341]]

[Text] Comrade Deng Xiaoping's advocacy of "orientating education toward modernization, toward the world, and toward the future" indicates the strategic direction of the building and development of the socialist educational enterprise in our country and also constitutes the main guideline in educational reform. At present, reform in education has become an important problem with which countries of the world are universally concerned. The "Decision of the CPC Central Committee on Reform of the Economic Structure" pointed out: "Following the reform in the economic structure, reform of the scientific and technological structure and the educational structure has increasingly become a strategic task urgently demanding solution." It is necessary for us to start with reform in the educational structure to proceed with reform of the overall system including reform in teaching and studying. To solve this problem, it is necessary to take the "three orientations" as the guideline, to earnestly sum up historical experiences, to study the new conditions and new problems that have arisen in socialist modernization, and learn from the new experiences of the world's developed countries in their carrying out of educational reform in the midst of the new technological revolution, and, starting from the realities in our country, to boldly search for, bravely renovate and reform, and gradually create a socialist educational system with Chinese special characteristics, and to train up new socialist personages who have a creative spirit.

At present, the localities are all carrying out investigations and experiments in educational reform. In the course of these experiments, certain diverse views have emerged. I feel that the several problems below deserve further investigation and research.

I. Correctly Treating the Relations Between Passing on Knowledge and Developing Intellect, Particularly the Creative Power

A person, in his childhood and youth, has great potential for studying and has a strong ambition to learn. If he can build a good foundation at this time and attention is paid to developing the intellect and building up his

capability and creative spirit, he will be benefited throughout life. In the schools at present, the teaching method is mostly one of forced-feeding or cramming. The teacher talks, the student listens and remembers everything by heart. This had led to increasing the student's burden and while he may get high marks his real ability is low. The formation of a situation of this kind is closely related to the influence of the traditional teaching ideology of only stressing the training and teaching of basic knowledge and basic skill and putting the development of the student's intellect in a spontaneous or secondary position. Defects of this kind have become all the more apparent with the development of the new technological revolution. The urgent task at present is to strive to enliven educational work and to effectively train up and fully develop the student's intellect and capability. The problem of training up the capability is also a problem of universal concern among the educational circles in various countries of the world. It is the crucial point in the reform of teaching in middle schools and primary schools in many countries. Teachers no longer confine themselves to teaching the students how to simply store up knowledge. They also guide the student to grasp the method of learning and studying and place the training of ability, centered on the power to create, in first place. New teaching methods are continuously appearing. However, placing the emphasis on developing the student's intellect does not signify that teaching of basic knowledge can be overlooked. Basic knowledge constitutes the source. Without it, the student's intellect and ability are like water without a source or timber without its origin; they cannot be developed or trained up and far less can there be any real accomplishment. At present, certain viewpoints believe that traditional teaching is centrally devoted to passing on knowledge while modern teaching is based on developing the intellect. Passing on knowledge and developing the intellect are thus placed in antithesis to each other. Views of this kind are inclined to be biased. In our reform in education, it is necessary to rationally bring together the passing on of knowledge and the development of the intellect. We should avoid the historical pitfall of "education in form" and "education in reality" being opposed to each other.

## II. Correctly Handling the Relationship Between Teaching and Learning

The teacher plays the principal role in teaching. This is a universal law in education. The quality and quantity of the student's learning and to what extent his intellect and creative power have been developed are to a large extent determined by whether or not the teacher's ideology in education has been correct and also by the level of his capability and the attitude and method of his teaching. To carry out the spontaneous type of teaching, to bring the initiative of the student in learning into full play, and to develop the student's intellect require all the more that the teacher strengthen his work and think out more ways and means. This is precisely an important indication of teaching playing the principal role. The defect in traditional teaching theory is exactly paying attention to studying only how the teacher teaches and neglecting to study how the student learns. At present, our reform in teaching is to study and securely grasp the law in teaching work, to integrate the full display of the teacher playing the principal role with bringing the initiative and activism of the student into full play, to pay attention to training up the student's ability, particularly

the ability of self-studying, to guide the student to grasp the correct method of learning and to foster good learning habits. In a word, it is necessary to make the students become the masters in learning and form a new generation which possesses creative power.

### III. Correctly Handling the Relationship Between Teaching and Production and Labor

The combination of education with production and labor is the Marxist theory of education and is also an important aspect of the educational guideline of our country. It is necessary to train, from childhood, the students' habits in labor and to train up their ability in using their brains and hands. We must teach them to apply their knowledge in the sciences to production and labor and at the same time to learn in production and labor actual knowledge and technology. Production and labor comprise an extensive field for linking theory with reality and developing the intellect and creative ability. The greater the development in knowledge and in science and technology, the greater is the need for integration of teaching with production and labor. If under the guidance of a correct world outlook, our youths can use their hands and brain, they will grow into a new generation which has attained an all-round development in morals, intellect and physique. Comrade Deng Xiaoping said: "We must earnestly study how, under the new conditions, to better implement the principle of integrating education with production labor." He also said: "The rapid development in modern economy and technology demands a rapid improvement in education's quality and efficiency and demands a continuous and new development in the content and method of the integration of education with production and labor." We must steadfastly insist on the guideline of integrating teaching with production and labor and rectify the situation of certain schools separating education from production and labor. Naturally, in laying the stress on labor, it is not possible to replace systematic teaching with production and labor. Educational administrative departments and schools should, on the foundation of summing up past experiences, gradually formulate an educational outline and system of teaching materials on production and labor for schools in the urban and rural areas, actively promote activities in part-work and part-study, and create conditions for their perfection.

### IV. Correctly Handling the Relationship Between Collective Teaching and Individual Guidance and Teaching Students According to Their Aptitude

In the teaching work, it is necessary to implement, in an overall manner, the party's guideline on education and to be orientated toward the entire student body and perform well the job of collective teaching. But overall development is not equivalent to average development and collective teaching is not putting everything into the same pattern, or "at one stroke," or making everybody take the same steps, since this would only be harmful to bringing up talent. Hence, while orienting teaching work to the entire body of students and doing a good job in collective teaching, we should also pay close attention to individual guidance and to teaching the students according to their aptitude so as to open a road to simultaneously promote students' overall development in morality, intellect, physique and aesthetics, and to

give full scope to the development of their individual interests, likings and creativity. Current international educational circles are also discussing strengthening the vitality and efficiency of education in the schools. The 39th International Educational Congress reached a common conclusion: It is necessary to highly regard the need to strengthen education on science and technology but is also necessary not to increase the student's burden too heavily. The contents of teaching should be of a "purposeful" character as well as of a "flexible" character. The former means that the contents of teaching should be aimed at "coordinating the objectives of society and those of the individual," being "unanimous with the objectives of the state and conforming with the conditions of the locality." As for the latter, or "flexibility," it is meant that the student's curriculum of studies should be extended and particularly "that the intermediate stage of education should embrace more courses with a bearing on professional life." In our country in recent years, many schools have been probing in this direction and have gathered certain experiences. For example, many of the primary schools and middle schools have reduced schoolroom teaching, increased the time for extracurricular activities, and developed interest groups in various courses and in recreational and sports activities, while some of the senior high schools have increased the number of elective courses. The senior high school of Beijing's Jingshan school gave elective courses, and adopted the credit system. In its curriculum, required courses make up 75 percent with elective courses making up 25 percent. In the subsidiary middle school of Nanjing's Teachers College, students ranging from those in the 2nd term of Senior High 1 to the 1st term of Senior High 3 are allowed to freely choose, in accordance with their likes and special talents, two to three courses from some 20 elective courses. Elective courses widen the student's vision, enrich his knowledge, develop his intellect, and train up his ability. At the same time, they enhance the student's capability to study the required courses well and reap the good results of integrating all-round development with teaching the students according to their aptitude. From now on, we must continue to probe in this direction and bring about the integration of teaching in classes with teaching in small units and with individuals, thus providing a character of uniformity and flexibility. It is necessary to arouse the enthusiasm for learning on the part of the whole body of students, enabling a minority of brilliant students and the great majority of students to achieve a better development each according to his or her actual conditions and also enabling the small number of students who have not fared well in their studies to receive commensurate help from the teachers and to keep pace with their classes as a whole. This will avoid the appearance of the phenomenon of having to abandon schooling because of difficulties in studies.

#### V. Correctly Handling the Relations Between Activities Inside the Classroom and the Campus and Activities Outside the Classroom and the Campus

It is correct to place the emphasis on classroom teaching but to treat extracurricular and outside-the-campus activities as being only "supplementary" to the regular studies would not be wholly appropriate. At present, many schools have the habit of arranging the student's curriculum full to the brim, even using the time outside the classes for supplementary studies in the classroom and giving the student little or no free time. This completely

violates the law of education. To counter this erroneous tendency, in the reform of teaching we should first of all reform teaching in the classroom, improve the standard of classroom teaching, lighten the student's load, and make it possible for the student to find time to enjoy flexible and diversified forms of education outside the classroom and outside the school campus and thus to undertake certain beneficial and healthy activities. Rich and multicolored extracurricular activities constitute the second channel in education. They are the indispensable constituent parts of the work to achieve the student's all-round development in morals, intellect, physique and appearance, and also are good forms of self-education and reciprocal education for the students. In this connection, the educational departments and schools should closely cooperate with the various sides of society and obtain their support and help so that the various phases of education inside and outside the classroom and inside and outside the school campus may be well linked together and so as to bring about an organic union of school education and social activities. At present, this is still a weak link in our work. It must definitely be strengthened.

The key to doing a good job in teaching reform lies in the possession of a stable and qualified contingent of teachers and also a contingent of cadres who are adept in educational management. A vast number of instances have demonstrated that given the same kind of teaching texts and the same kind of teaching conditions, students taught by teachers of diversified standards of proficiency vastly differ from each other in the level of their acquired knowledge and ability. As for the cadres of educational departments at various levels, only those who are conversant with the inner relations between education and social and economic development, who know the special features and law of educational work itself, and who can earnestly carry out the various guidelines and policies of the party, can truly arouse the enthusiasm, wisdom, and creative power of the extensive masses of teachers and fulfill the tasks of education and teaching. Only they can truly give the students scientific and rational education and help them to grow and develop in a healthy manner. At present, our contingents of teachers and of administrative cadres in education do not conform, either in number or in quality, with the needs of development of education. The situation in the countryside is even more serious. We must adopt various effective measures to continuously improve the ideological and professional level of the existing teachers and educational cadres and elevate their social status and economic treatment. We must absorb the most superior talents to engage in the educational enterprises of the middle schools and primary schools. Only by so doing is it possible for reform in education to progress smoothly and for the educational enterprises to achieve a relatively greater development.

In order to build up and perfect a contingent of qualified teachers, the important measures are to strengthen teachers training courses and to train up and provide new teaching forces to middle schools and primary schools. This is a major point in educational construction. Over many years, the position and role of teachers training schools have not been fully understood by people. The status of many senior teachers training schools has been below that of comprehensive colleges while in status, middle-grade teachers schools are below that of regular senior high schools, particularly the major senior middle schools. This situation should be rectified. To

suit the demands in the reform of teaching, the specialized equipment, curriculum, teaching texts, and so forth, of teachers training schools should be readjusted and renovated, the sphere of knowledge of the students should be widened, and the capacity of the students to meet contingencies must be strengthened. The double-course system tried out in the higher teachers training schools is a relatively good method to meet the teaching needs of middle schools in the countryside. Teachers training schools must be oriented toward the middle schools and primary schools and the training of the ability in educational practices must be strengthened. It would be erroneous to harbor the view that by stressing the nature of teachers training as being oriented toward middle schools and primary schools, a high level of teaching is not necessary. Middle school and primary school education is the foundation of educational work in its entirety and teachers education is the basis of this foundation. Only in running teachers training schools well and training up a large number of qualified teachers will it be possible to ensure improvement of the quality of education in the middle schools and primary schools, thus providing graduates of superior quality to schools of a higher level and providing society with superior reserves. In our opinion, in scholastic level, teachers training schools should not be lower than the average higher institutions of learning but must be above others in the science of education. In their teaching and scientific and research work on pedagogy, psychology, and methods of teaching of various courses, teachers training schools should emphasize integration with the lively and actual practices of the middle and primary schools. They should join forces with the first-line teachers to study the new problems that have emerged in the reform of education and also to sum up the new experiences. The extensive masses of educational workers should harbor this grand aspiration: In the course of firmly implementing the strategic guideline of the "three orientations" and through the actual practices in educational reform, to try, in a better way, to find certain educational laws and to compile a volume on Marxist pedagogy which truly possesses Chinese special characteristics. We firmly believe that, guided by the spirit of the 12th CPC National Congress, the educational workers, dedicated in heart and soul to the same cause and fully displaying their wisdom and talents, will certainly be able to triumphantly realize this aspiration.

CSO: 4004/22

THE SCIENTIFIC MEANING AND CHARACTERISTICS OF 'ONE COUNTRY, TWO SYSTEMS'

Beijing RED FLAG in Chinese No 6, 16 Mar 85 pp 18-20

[Article by Yan Jiaqi [0917 1367 0366]]

[Text] The Joint Declaration on the future of Hong Kong signed by the Chinese and British Governments is a document with great historical significance. The Chinese Government has formulated some principles and policies concerning Hong Kong and has made arrangements for it. They are stated in the Joint Declaration and will be put into effect after Hong Kong becomes a special administrative region. The Joint Declaration has made known to the whole world a politically far-sighted idea or pattern, namely, "one country, two systems." This provides a solid basis for the successful solution of the problem of China regaining its sovereignty over Hong Kong as well as for Hong Kong's long-term prosperity and stability. The Taiwan problem and the Hong Kong problem differ in nature. However, the successful solution of the Hong Kong problem indicates that the Taiwan problem can definitely be solved on the basis of "one country, two systems." Scientific concepts and scientific ideas cannot be resisted in the course of their dissemination. The scientific idea of "one country, two systems" has imparted to the masses of Taiwan compatriots the message concerning the peaceful reunification of China and how it can be achieved. The idea has become a common concern and common aspiration shared by Chinese people on both sides of the Strait.

Scientifically, "one country, two systems" means a country which, according to its constitution and laws, enforces in some areas political, economic, and social systems different from those in force in other parts of the same country. However, the governments in these areas are either country's administrative units or local administration, and they do not exercise sovereign power over the country.

Therefore, "one country, two systems" includes the following four ideas:

1. The implementation of "one country, two systems" is constitutionally and legally guaranteed. The different systems in force in some regions are stable and will be retained for a fairly long period of time. If disputes among regions with different systems occur, they should be properly settled by peaceful and legal means.

2. "One country, two systems" means the enforcement of different systems in different regions. The coexistence of an hereditary monarchy and parliamentary democracy in Britain, and of the coexistence of multiple economic forms with public ownership as the basis in the economic ownership system pursued in mainland China cannot be regarded as "one country, two systems."

3. "One country, two systems" is implemented in two regions which are markedly different in terms of political, economic, and social systems, and so on. It is not implemented in regions which are only slightly different in some of their systems, or where the differences in their various systems are not great or marked enough. For example, the law enforced in England is based on common law, whereas the law in force in Scotland is based on continental law. This cannot be regarded as "one country, two systems." There are 13 states and 1 federal territory in Malaysia. The governors of four states are appointed by the supreme head of the federation, whereas the other nine states are ruled by hereditary sultans. This cannot be regarded as "one country, two systems." The coastal special economic regions in China are only slightly different economically from other regions in the interior. This also cannot be regarded as "one country, two systems."

4. Regions of a country in which different systems are implemented are component parts of the unified country. They are not entitled to exercise state sovereignty or the power of the entire country in terms of diplomacy, national defense, declaring war, making peace, and so on.

From the viewpoint of political science, the idea of "one country, two systems" put forward by Comrade Deng Xiaoping is a brand-new idea without precedence in history.

In the contemporary era, when the history of the human race is transiting toward its third millennium, efforts must be exerted to the full to settle disputes through legal and peaceful means. The five principles of peaceful coexistence are the best basis for handling relations between nations. In a seriously divided country, its internal contradictions and disputes can also be settled through peaceful and legal means provided that there is no interference, control, or infiltration by any foreign power. Different countries have different histories and actual conditions. Thus, their ways of achieving peaceful reunification should accord with their own characteristics. For example, peaceful reunification can be realized under a federal system as well as under a unitary state system. China's peaceful reunification can definitely be achieved by means of "one country, two systems." It will have the following two basic characteristics:

1. It will be realized under a unitary state system and with some characteristics of a compound system.

2. The dominant system will be the socialist system. The socialist system will continue to be in force in most areas, yet the capitalist system previously in force in Hong Kong and Taiwan will be preserved.

"One country, two systems" is a new model for a state structure. Generally, the formal characteristic of a unitary state structure is that the unified representative of the country is its central government, which vests the local governments with their authority and autonomy. The characteristics of a federal system are that the existence and jurisdiction of the federal central government and of the member states of the federacy are dictated by a constitution, that the power of the federal government is conceded by the member states of the federacy, and that in order for the power relationship between the federal government and the member states of the federacy to change, it is first necessary to revise the constitution. Normally, a local government under a unitary state system is less powerful than a member state government under a federal system. "One country, two systems" is a breakthrough in regard to the traditional jurisdiction of a local government under a unitary state system. From the Sino-British Joint Declaration on the future of Hong Kong and its annexes, it can be seen that after it becomes a special administrative region, Hong Kong will enjoy a high degree of autonomy. After the peaceful reunification of the motherland, Taiwan will also enjoy a high degree of autonomy. This power exceeds that of the member states in countries with a federal system. We can compare their legislative power, diplomatic power, judicial power, and so on.

A special administrative region has legislative power. The laws formulated by the legislative organs of a special administrative region can differ from those in force in other parts of China and, so long as they are formulated in accordance with the special administrative region's basic law and legal procedures, they are valid. In the country with a federal system, the division of legislative power between the federal government and the states is usually stated in the constitution. The states usually have some legislative power. However, their laws must be in agreement with the federal laws, otherwise, they are invalid. For example, the USSR Constitution states: "The laws of the USSR are equally applicable in the republics. In the event that the laws of a republic are in conflict with the laws of the union, the laws of the USSR shall rule." In the FRG, the constitution states that both the federal government and the states have the power to make law in 24 areas and that if the federal government has not made a certain law, the states can exercise their legislative power. However, once the republic has made the law, the law made by the states must be subordinate to the law made by the federal government. Under the "one country, two systems" policy, the capitalist social and economic systems will continue to be in force in the Hong Kong Special Administrative Region, and the ownership of property, including the rights to acquire, dispose, allocate, and inherit property, will be protected by law. The special administrative region can make the laws governing all this in accordance with the basic law and legal procedures. However, these laws will be different from those in force in the mainland.

In foreign relations, the power to handle external affairs can be subsumed under two categories. The first category, normally referred to as diplomatic power, is the power to represent a country and its central government in handling external affairs and in diplomatic intercourse. The second category is the power to handle external affairs. In a country with a unitary state system, diplomatic power is in the hands of its central government. Even in a

country with a federal system, diplomatic power is also in the hands of the federal government and not to be shared by the member states of the federacy. After Hong Kong's return to its motherland and after the reunification of Taiwan and the mainland, diplomatic affairs will be subject to the central people's government's centralized management and only the PRC can represent China in international affairs. At the same time, however, the central people's government will vest Hong Kong and Taiwan with great power to handle external affairs and they will be empowered to handle certain foreign affairs. Taiwan's power to handle foreign affairs has yet to be defined. Those foreign affairs which can be independently handled by the Hong Kong Special Administrative Region have been explicitly stated in the annexes to the Sino-British Joint Declaration.

Like the government of a country with a unitary state system, the federal government of a federal state has great power to manage a series of affairs, such as financial affairs, military affairs, the issuance of currencies, and taxation. For example, the U.S. Constitution stipulates that the state governments are not empowered to mint coins or to keep an army. The power to mint and to fix the exchange rate between the country's currency and those of other countries belong to the federal government. Post-1997 Hong Kong and post-reunification Taiwan will have greater power than the member states of a country with a federal system. For example, the Hong Kong Special Administrative Region will maintain its financial independence and can issue its own currency and formulate its own monetary and financial policies. Taiwan can formulate its own internal policy and keep its own army on the condition that the army does not pose a threat to the mainland.

In exercising judicial power, the verdicts made by the supreme court of a country with a federal system, such as the United States, are effective throughout the country. It is the duty of the state governments, the courts, and the citizens to obey these decisions. Post-1997 Hong Kong will be different from other parts of China in that it will have judicial independence. The power to pass final judgments will go to the special administrative region's court with jurisdiction over the issue.

Thus it can be seen that after China's peaceful reunification, as far as its state structure is concerned, China will become a country with a unitary system with some of the characteristics of a compound system. On one hand, the structure of the Chinese state is still a unitary system. The leaders and representative figures of various circles from Hong Kong and Taiwan can hold leading posts in national political institutions and participate in state administration. However, the existence and jurisdiction of various administrative units in Hong Kong and Taiwan are vested by the central government, rather than being innate in these regions. On the other hand, after the peaceful reunification, the state structure in China will have some characteristics of a compound system. The implementation of special systems in Hong Kong and Taiwan is protected by the constitution. Although this should be stipulated in the basic law, it is intrinsic in these special regions, rather than being newly stipulated by the central government. Furthermore, within a stipulated period of time, the principle of keeping social and economic systems intact and the capitalist way of life will not be changed.

Basically, after the peaceful reunification of China, a completely new state structure will occur in the world. This is the form of reunification which the people on both sides of the Taiwan Strait will most readily accept. We believe the successful settlement of the Hong Kong issue and the wide spread of the idea of "one country, two systems" will greatly speed the historical process of China's peaceful reunification.

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## COMMUNIST PARTY MEMBERS MUST PAY ATTENTION TO PARTY SPIRIT

Beijing RED FLAG in Chinese No 6, 16 Mar 85 pp 21-22

[Article by Zheng Shi [6774 1395]]

[Text] A Communist Party member must pay attention to party spirit at all times. In the current reform, this problem is especially worth noting.

Our economic reform calls for getting rid of those fixed patterns incompatible with the development of social productivity. This takes a lot of doing. Involved here is a matter of promotion and destruction and of what is to be promoted and what is to be destroyed and how to do so. The central guideline calls for firmness and prudence in fighting the initial battle and for victory as a certainty. Every party member and every party cadre must act from the standpoint of the party and strictly follow party requirements in a spirit of being highly responsible toward the party's cause.

Now, the innermost core of what we think and do is how to develop social productivity and make the country rich and powerful and the people prosperous. This is the starting point and the end of all our tasks. Here lies the aim of reform. In reform, all ideas, measures, methods, and steps must be judged by the criterion of whether they are compatible with this aim. All those that fit must be resolutely carried out and handled well. All those that do not must be resolutely rejected. Our party's aim is to serve the people wholeheartedly. To serve the people wholeheartedly is to join in a struggle to make the country rich and powerful and the people prosperous. Every Communist Party member and every party cadre must consciously link their own words and deeds with the future and destiny of the state. This is a manifestation of strong party spirit.

What is worth noting is that some party members and party cadres in the reform have completely forgotten their wholehearted devotion to the party's aim of serving the people. What they think and do is calculated not to make the country rich and powerful and the people prosperous but to serve the interests of a small group or individuals. For example, some party and government organs and party and government cadres get involved with trading and enterprise operations, repurchasing or reselling things for a profit. Some units wantonly distribute things or freely raise wages. Some randomly mark up commodity prices in violation of relevant policies. Some run

unhealthy tabloids and magazines. Some freely operate lotteries. All these and other cases using the reform as an excuse are actually aimed at grabbing money. This is the very opposite of what reform calls for. These practices seriously interfere with and obstruct the reform, doing serious damage to the party's reputation and the interests of the state and the people. Why do these comrades involved in these practices not think: Why is the party spirit in you as a Communist Party member or a party cadre gone?

In the past, we often called for establishing the party to serve the public and not establishing the party to serve private ends. Now it seems that it is also necessary to make a concrete analysis of the matter of "serving the public." This involves the problem of whether to serve the larger or smaller public interest. To take care of the interests of the state and the people is to serve the larger public. To take care of the interests of a given department or unit is to serve the smaller. Now there are not a few people who only serve the smaller public not the larger. Some people try to profit at the expense of the state, unhesitatingly sacrificing the interests of the larger public to those of the smaller and even practicing fraud and deceiving the higher levels. Ignoring the interests of the state, some state enterprise directors or managers keep only the narrow interests of a given enterprise in mind when planning and promote only the "welfare" of its own workers--doing so by taking advantage of the reform and spending at the expense of the state. Some even do things that only serve to ruin the foundations of socialism. Some use the reform and the need to enliven the economy as an excuse to do something evil and unorthodox in an attempt to make a fast buck. Whether for the benefit of individuals or a group, none of this can be tolerated. We should note the difference that sets apart the new unhealthy practices from the unhealthy practices of occupying more housing than allowed or arranging work opportunities for children by less than honest means. This is that apart from its great fascination as something done on the pretext of reform and devotion to enlivening the economy, the practice brings benefits to not just a small number of cadres and their dependents but also to the cadres and the masses of a whole department or unit. It is in essence a matter of abusing authority to serve private ends.

Of course, the reform is an extremely complicated thing. There is no ready-made experience for a guide. We can only advance by groping our way. There can be no clearcut regulations at the very outset about what can and what cannot be done. On certain problems, policies cannot be defined very clearly at once. Making some mistakes can hardly be avoided. It will also not be difficult to correct them. But it can never be said that involvement with unhealthy practices is beyond reproach. CPC members are the vanguards of the Chinese working class with communist consciousness. Every party member must wholeheartedly serve the people and can seek no personal gain or privilege. This is clearly laid down in the party constitution. The masses of party members are not unaware of what should and what should not be done. Some comrades think nothing of the provisions of the party constitution and consciously take advantage of reform as a process of the new replacing the old. What is the explanation for this if not a manifestation of the lack of party spirit?

The serious part of it is that some comrades do not just take advantage of less than perfect regulations and systems or ill-defined policies but also openly run afoul of the party's general and specific policies and the state's relevant stipulations, going their own way. The CPC Central Committee, the State Council, and the Discipline Inspection Commission of the CPC Central Committee have repeatedly made known the things that cannot be done. But some people have turned a deaf ear and do these things just the same. These people are not just short on party spirit. They have basically no party spirit in them. Their acts are not just 108,000 li short of meeting party requirements! If such a situation is allowed to continue in our party, how can there be any fight in the party? Comrade Hu Yaobang said: "We have laid down a rule for the party rectification: We should not 'wield the club.' Nor should we punish cadres too readily. This is right. But we cannot just stress one rule. Criticism must be made where it should. Punishment must be meted out where it should. Otherwise, evil trends cannot be stopped. If evil trends and unhealthy practices are allowed to go on as they are, our party will be corrupted!" There should be no compromise with anyone who refuses to enforce the orders that have been given and the prohibitions in force. On matters relating to party discipline and national laws, we cannot always play the role of nice people and be soft.

The economic system must be reformed. The economy must be enlivened. But party spirit, party principles, and party discipline must be upheld. Criteria for party membership must be upheld. There is no "loosening the grip" where party spirit, party principles, and party discipline are concerned. Party members cannot loosen the grip on the cart representing socialism and communism. The current new unhealthy practices are chiefly found in party members and party cadres. It can be seen that raising party members and cadres' political quality remains a very substantial problem. Meanwhile, we are also told that the influence of extreme individualism and anarchism left over from the "Great Cultural Revolution" still cannot be underestimated. The second stage of party rectification calls for the rectification of new unhealthy practices, the strengthening of party spirit, and the strengthening of party discipline as priorities and close and proper attention to such matters. In the process of party rectification, we must make clear what is party spirit and whether Communist Party members should be attentive to party spirit. This is related to the four tasks of unifying thinking, straightening out work style, strengthening discipline, and purifying organizations in the current party rectification effort and should be given adequate attention.

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## RESOLUTELY CHECK THE NEW UNHEALTHY TENDENCIES

Beijing RED FLAG in Chinese No 6, 16 Mar 85 pp 23-24

[Article by Zhao Lin [6392 2651]]

[Text] The current conscientious implementation by the whole party and the people throughout the country of the decision of the 3d Plenary Session of the 12th CPC Central Committee on reform of the economic structure has resulted in a fine situation of vigorous development on all fronts of endeavor all over the country. However, in this new situation, new unhealthy tendencies have cropped up in all localities in varying degrees. The most pronounced problem at present is that some units or people have amassed enormous ill-gotten wealth by capitalizing on the loopholes in the current reforms and by undermining the state, infringing upon the interests of the collectives, and cheating the masses.

The main manifestations of the malpractices are as follows:

Party and government organizations and party cadres and government functionaries engage business by abusing power and benefit themselves at public expense. In particular, some companies of an administrative character are engaged in the practice of big companies running small ones and of encouraging cadres and staff and workers to become stockholders entitled to enjoy dividends. Small companies use the party and government organizations' funds, storehouses, sites, and means of transport for their own purposes. Personnel in public employment who take part in the operating of enterprises still draw their pay from the organizations employing them. Some units transfer the core members of their professional contingents to run small enterprises. Managers of some big companies are concurrently persons in charge of small companies. Taking advantage of their power and positions and convenience provided by their work, they provide small enterprises with favorable conditions for their development in various ways. This is, in fact, an act of lining their pockets by undermining the state.

Most-sought-after state-controlled commodities are illegally bought up and black-marketed. Some units and government functionaries illegally buy up state-controlled motor vehicles, rolled steel, and other most-sought-after commodities and resell them at inflated prices or engage in speculation, through various relations and by every possible means.

Commodity prices are wantonly increased, thus disturbing the market. Some enterprises or units seek illegal gains by relying on wanton price hikes rather than concentrating their efforts on improving operations and management, increasing product quality, and providing better service.

There is both indiscriminate dispensing of funds, gifts, and prizes and every form of tax evasion. Some enterprises or units "contract for a low quota but seek a high percentage in profitsharing." This is in violation of the policy stipulation that "the state should receive the biggest share of the profit, the enterprise a large share, and the staff and workers the remainder." This is because the growth of bonuses has considerably outpaced that of economic results. Bonuses, gifts, and prizes are issued not only under a multitude of names but also in large quantities and, moreover, they are distributed equally on a per capita basis. Hence, fundamentally speaking, the distribution of bonuses has lost its function as a reward for the advanced. To grant bonuses and clothes to their staff and workers, some enterprises operating at a loss or with a marginal profit simply resort to deception, arbitrarily apportion production costs, illegally withhold the profits to be handed over to the state, and sell off their manufacturing equipment or raw materials. Tax evasion has made fresh headway among industrial and commercial enterprises. More seriously, some units use state funds for their own purposes or distribute them among themselves without permission through fraud and deception.

Some units seek excessive percentages in retained profits and indiscriminately ask for "charges for doing someone a favor" and even receive bribes or resort to extortion. In carrying out the commercial dealings of enterprises, some party cadres and government functionaries invariably ask for money, gifts, and prizes; as people put it: "A carton of cigarettes for a telephone call and a wad of banknotes for a piece of information."

Some units and people engage in extravagant eating and drinking and hold dinner parties at which gifts are presented by squandering public money. At present this unhealthy practice is still spreading, in particular escalating to the extent that in economic dealings, nothing can be accomplished in the absence of eating and drinking. Treating people to dinners has become a common practice on various occasions, such as holding business talks or sales fairs, checking enterprises before acceptance, and checking up on work and, moreover, standard of dinner parties held is getting higher and higher and the number of guests invited to keep the guest of honor company is becoming larger and larger.

Promotion of cadres, both in position and in grade, is arbitrarily carried out, disrupting the reform of the state's wage system. Some units promote in haste cadres who have not met the requirements of the "four transformations" of cadres, both in position and in grade. In some units there has even occurred the phenomenon of "officers" outnumbering "soldiers."

Compared with such unhealthy practices pursued by party member cadres as occupying excessive housing space by abusing position and power and seeking jobs for their children through back-door dealing, the above-mentioned

unhealthy tendencies are more harmful. This is because some people carry out these activities to seek personal gain under the pretense of "conducting reforms" and "invigorating the economy." Hence, their activities are of a very fraudulent nature. In particular, leading cadres of some departments and units, proceeding from the local and partial interests of specific units and departments, gain money by improper means and then hand it out to their staff and workers under various pretexts. This practice causes the state to suffer losses and some people to think that it is the advantage resulting from reform. If this unhealthy practice is allowed to spread unchecked, not only will it bring about huge economic losses to the state but it is also bound to disrupt and sabotage reform, to rot the fabric of the party, and to ruin a large number of cadres.

Objectively, in addition to the inroads of corrupt bourgeois ideas existing in society, the misuse of many and varied prices and regulatory means is attributable to the newly occurring unhealthy tendencies and, subjectively, they are mainly caused by the following factors, judged from the viewpoint of the ideological soundness of party member cadres and our work in the past:

1. Party member cadres lack a clear understanding of the purpose and guiding ideology of reform. The fundamental purpose of reform is to develop the productive forces in society entirely for the sake of the interests of the state and the people. Nevertheless, some party member cadres have one-sided or erroneous views on this issue rather than a thorough understanding. Asserting that "reform means the institution of a contract system and the latter means gaining money," they regard reform as a mere redistribution of interests and thus work hard to seek personal gain for themselves or for a small group of people at the expense of the interests of the state and the people by every conceivable means. That some of our leading cadres have made remarks not in line with the spirit of central directives, and that publicity work through the press and broadcasting network has been carried out in a somewhat one-sided way has given those at the lower levels a false impression and encouraged selfish departmentalism and individualistic thinking within the party and the contingents of cadres.

2. No clear lines of demarcation are drawn in regard to some policies and some rules and regulations are far from complete. For example, there are no clear stipulations concerning the relationship between necessary entertainment services in business dealings and extravagant eating and drinking, between collection of service charges and acceptance of bribes or extortion, and between proper business operations through the mastery of information and speculation and profiteering. For those engaging in unhealthy tendencies this provides loopholes to exploit in seeking their own gains. Moreover, some leading comrades, afraid of being blamed for hindering reform, fail to do their best in combating the new unhealthy tendencies and even remain indifferent and allow them to spread unchecked.

3. Political and ideological work is weak. In particular, the conducting, among party member cadres, of education in observing discipline and abiding by the law has been relaxed. There is failure to investigate and handle properly and to deal effectively with some violations of discipline and the

law and grave cases. Consequently, some comrades have forgotten about the party's sole purpose of serving the people wholeheartedly and its general task and goal and have concentrated on making calculating selfishly for specific departments or units and individuals and have even gone so far as to set reform against the rectification of the party work style and against the strengthening of discipline for the sake of the interests of a small group of people or individuals, and have mistakenly argued that to enliven the economy, discipline should be "relaxed." They are unscrupulous in promoting the new unhealthy tendencies.

In order to solve the problem of new unhealthy tendencies, apart from resolutely implementing the relevant stipulations of the CPC Central Committee and the State Council and further drawing clear lines of demarcation in regard to some policies, special attention should be focused on the following three aspects of endeavor:

1. We should conduct thoroughgoing ideological education. First of all, it is necessary to organize the vast numbers of party member cadres, in particular, leading cadres at various levels, to conscientiously study relevant documents and speeches by leading comrades at the central level, to acquire a clearer understanding of the purpose of reform and correct the guiding thinking of reform in the light of the new problems cropping up currently, and to conduct reforms effectively in accordance with the central arrangements and stipulations. Meanwhile, it is also necessary to repeatedly propagate our party's fundamental purpose, and to educate party members and cadres to firmly foster the idea of serving the people wholeheartedly and to resolutely overcome selfish departmentalism and individualistic thinking in close conjunction with the current party rectification.

2. We should handle any case which has been discovered in a proper way and on its merits. 1) Our handling of problems must, above all, benefit reform. Attention should be paid to drawing a demarcation line between the new unhealthy tendencies and justifiable economic activities. The checking of the new unhealthy tendencies should on no account affect the restructuring and invigorating of the economy. 2) We should have a sound grasp of policies. As far as those who have made mistakes in work because of their understanding are concerned, they should be helped to draw a lesson therefrom mainly through education and criticism. 3) The irregularities in economic affairs should be handled in accordance with state stipulations. That which has been unlawfully taken should be returned with compensation paid, and that which ought to be confiscated should be confiscated. On no account should those who are engaged in unhealthy tendencies be allowed to be let off lightly. 4) Those who undermine the state, infringe upon the interests of the collectives, and cheat the masses to enrich themselves or a small group of people and whose cases are grave and harmful should be severely punished. If decisions are made by organizations, they and their principal leaders should be investigated and held responsible for the consequences resulting from their decisions, and if decisions are made by individuals, they should also be investigated and held responsible. Those whose mistakes are grave should be discharged from their posts or dispelled from the party and those who have violated the criminal law should be severely punished according to law.

3. We should strengthen organizational discipline. At present laxity in discipline exists fairly grossly within the party. Disregarding organizational discipline, some party and government organizations and party member cadres completely ignore the stipulations, policies, and directives of the CPC Central Committee and the State Council and disobey orders and defy prohibitions. Some people take the odious attitude of "you have your policies and we have our countermeasures" and have even gone so far as to violate party discipline. These developments should be resolutely checked. It is necessary to educate party members to enhance the willingness to observe party discipline and, in particular, party members assuming leadership positions should rigorously implement the various policies and stipulations of the CPC Central Committee and the State Council and strive to carry out all orders and to curb what is prohibited.

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DISCUSSION ON REFORMING THE TEACHING OF POLITICAL ECONOMY (SECTION ON SOCIALISM)

Beijing RED FLAG in Chinese No 6, 16 Mar 85 pp 25-30

["Cadres' Theoretical Study" column]

[Text] Editor's note: Since the "Decision of the CPC Central Committee on the Reform of the Economic Structure" was published, the question of how we are to reform the teaching of political economy (section on socialism) in the light of the spirit of the decision has already become a problem that urgently needs to be solved in our cadres' theoretical education and the political theory courses in our party schools at various levels and in our colleges and universities. In order to push this reform forward, it is necessary for us to exchange opinions, enlighten one another, conduct debates and pool our wisdom. Therefore, beginning with this issue, this journal will carry a special column to discuss the problems related to reforming the teaching of political economy (section on socialism), and we hope that our readers will actively contribute to this column.

The key to reforming the teaching of political economy (section on socialism) is reforming the contents of the teaching materials. At present the problem with first priority is to write a relatively satisfactory teaching program. Therefore, we should first fully understand the significance of the "Decision" in guiding the teaching of political economy (section on socialism), analyze, in the light of the new understanding of socialism in the "Decision" and in the manner of seeking truth from facts, the problems in the contents, system, and methods in the previous textbooks, and discuss the question of how we are to enable the new edition of textbooks (first the teaching program) to very satisfactorily embody the spirit of the "Decision." We should make preparations for discussing these problems first. The articles contributed to this discussion can expound on the writers'

views on some of the above-mentioned problems or can analyze and expound on a certain point, provide actual experience, or give the writers' tentative opinions. We welcome our readers to put forth views that are different from those that have already been published here and discuss these views.

### It Is Imperative To Reform Teaching Materials

(By Wei Xinghua [5898 5281 5478], professor and director of the Department of Economics in the China People's University, and Yu Xueben [0151 1331 2609], associate professor and director of the Economics Research Institute of the China People's University)

The "Decision of the CPC Central Committee on the Reform of the Economic Structure" is not only an important policy document for guiding our practical work, but also an economic theoretical document of a high level. It will bring new vitality and stimulus to the teaching of and research in socialist political economy.

The teaching program and materials of political economy (section on socialism) should implement the spirit of the "Decision" and be revised in the light of the economic theory expounded by the "Decision." But if we only divide what the "Decision" expounds on concerning economic theory into many small pieces and put these pieces into the original system and structure of the teaching program and materials, we will only revise minor points and will not change the features of the original program and materials. Then it will be difficult for us to systematically absorb and assimilate in totality the tremendously great development in our economic theory that has been achieved by the "Decision."

Does the above mean that we are imperatively required to quickly establish a mature and scientific system of political economy? No, it does not.

We all know that as yet there has been no strictly logical structure and scientific system in the teaching program and materials for socialist political economy and such a structure and system can hardly emerge in the near future. There are two fundamental causes for this: First, the history of the development of the socialist economic system is not very long, therefore, the internal laws of socialist economy have not fully revealed themselves. In particular, in our country, socialist society is still at an initial and immature stage and there are still many aspects of the realm of necessity in the development of our socialist economy that are waiting for us to continuously discover and understand. It is impossible for an immature socialist society to reflect and give rise to a mature and highly scientific theory and system of socialist economics. Second, we have not yet made sufficient research into practical socialist economic problems and theoretical socialist economic problems. There are objective causes for this. The major cause is that during the more than 20 years before the 3d Plenary Session of the 11th CPC Central Committee, because of the influence of the "leftist" guiding ideology and the lack of an atmosphere and conditions for carrying out

economic scientific research with a scientific attitude, it was difficult to provide the necessary foundation for establishing a scientific system of socialist political economy. There are also subjective causes. Since the 3d Plenary Session of the 11th CPC Central Committee, while there has already been a radical change in the objective conditions for our economic scientific research, the subjective conditions for it, namely, research into the system and the basic contents of this branch of learning, are still weak. Precisely because of the above-mentioned causes, it is not practical to demand a quick establishment of a scientific system of socialist political economy.

However, the teaching of socialist political economy cannot be suspended and thus a teaching program and materials are indispensable. A relatively practical method is that we should proceed from reality and make efforts to write a teaching program and teaching materials that can reflect the requirements and law of socialized mass production, and reflect the experiences and lessons that we have drawn from our socialist economic construction, in particular, these great achievements of research in socialist economic theory and the economic theoretical problems that the "Decision" puts forth and has solved.

Regarding the existing teaching materials, we should not negate them indiscriminately. Some of the teaching materials accumulate and reflect certain achievements of research at home and abroad in socialist economic theory, and to a certain extent reflect a certain scientific understanding of the progress of the movement of socialist economy. For example, since the smashing of the "gang of four," through bringing order out of chaos, we have established the understanding about the goal of socialist production, about the socialist nature of distribution according to labor, about the necessity to adhere to the principle of distribution according to labor and about increasing socialist economic results and profits. Naturally, we should affirm and write into our new teaching materials those in the original teaching materials that in our opinion are still correct and scientific.

At the same time, we should also admit that there are many defects in the basic content and structure of the previous teaching materials. Since the 3d Plenary Session of the 11th CPC Central Committee, we have done some work to improve the previous teaching materials and scored relatively marked achievements, but generally speaking, what we have done falls far short of the ideal standard. Regarding the logical structure, there is little organic relation between the various chapters and sections, therefore, the arrangement of these chapters and sections becomes a simple classification and fails to form a scientific systematic structure. Regarding their content, to various degrees, they continue to stick to some unpractical traditional theories and concepts and rigid patterns of economic system. Establishing a scientific system of socialist political economy is a long-term task with a relatively large number of difficulties, therefore, we should not raise exacting demands at present. But we should and can manage to satisfy the demand that a reform be carried out in the previous system in order to make it more suited to our times and more practical. However, the problem related to the logical structure of our teaching materials is not an isolated problem related to the system, but is a problem that is closely related to the

understanding about the object of socialist political economy, the mastery of the law governing the movement of socialist economy, and the depth and level of the research in socialist economic theory.

Political economy, whether the section on capitalism or on socialism, is the study of socialist relations of production and discloses the laws that govern the movement of socialist economy. However, we should also see that the task for the section on capitalism differs from that for the section on socialism. The former is to disclose the essence of the economic relations in the exploitation of wage labor by the capitalist class, expound on the objective law governing the emergence, development, and inevitable extinction of capitalism, and provide the proletariat with a theoretical weapon to overthrow the capitalist system and establish the socialist system, while the latter is to serve socialist economic construction, to serve the development and continuous improvement of socialist economic relations, and to serve the establishment of a concrete form of economic relations namely, the pattern of the socialist economic system that is most suited to and can most satisfactorily promote the development of social productive forces and that is not conducive to make the country and its people rich. Therefore, the concrete object of study for socialist political economy should not be restricted to the abstract exposition on the three aspects and four links in socialist relations of production or to the presentation and listing of socialist economic laws. We should not only deeply and concretely study all aspects of the socialist relations of production, but should also study socialist economic laws and the laws of the commodity economy; the socialist economic structure, socialist administration and management, and the economic results of enterprises and society; and the question of how we are to fully apply economic levers. We should put the exposition of the "Decision" on these problems into the system of socialist political economy.

A vital problem for organizing this system is the question of how we are to understand the relations between the various laws that govern the movement of socialist economy and that play their interacting role in our socialist economy. For example, in some of our previous teaching materials and practices, as we failed to regard the planned economy and the commodity economy as an organic unit in studying them and even pit the former against the latter, the socialist economic relations expounded by them were in fact relations in a product economy. Therefore, it was impossible for us to fully and scientifically understand the role and position of the commodity economy and the law of value in our socialist economy. There has been some improvement in the teaching materials published in the past few years, but all these teaching materials fell far short of the theoretical level reached by the "Decision." For example, they said little about the necessity of vigorously developing the socialist commodity economy and failed to fully understand that a socialist economic structure should be a planned commodity economy or to very satisfactorily analyze the question of how we are to consciously follow and apply the law of value in realizing regulation by our plans. They expounded on the aim of socialist production, but failed to expound on the complexity and the nature of being governed by concrete law of realizing the aim of socialist production under the conditions of a commodity economy based on public ownership. They expounded on the relations of distribution

according to labor, but failed to analyze the concrete characteristics of the process in which this kind of relation of distribution is integrated with the relation of the value of commodities. Some comrades have even stuck to the following view for a long time: The wages for staff and workers in the sector owned by the whole people are labor coupons and the consumer goods that these staff and workers use their wages to purchase are not commodities. This situation must be changed.

What should we establish and what eliminate in reforming the contents and system of socialist political economy in accordance with the relevant spirit of the "Decision"?

1. From the point of view of the relations in the sphere of production, the "Decision" clearly points out that we should implement the principle of allowing the state, collective, and individuals to develop the economy together under the guidance of the policy and plans of the state, persist in developing diverse economic forms and management methods, and conscientiously develop external economic cooperation and technological exchanges. Our teaching materials should not only reflect this content, but it is also necessary for our teaching materials to make a theoretical analysis of this content. In the past, we customarily called enterprises owned by the whole people state-run enterprises and regarded "being owned by the state" as identical to "being run by the state." This is the case in both our theoretical and practical work. The reformed teaching materials should expound on the economic theory about the question of whether ownership can be appropriately separated from the power of management. They should also make theoretical analysis of the different actual forms of the appropriate separation between ownership and the power of management and the question of whether and how this separation changes under different economic conditions.

2. From the point of view of the distribution sphere, the "Decision" clearly stipulates that within an enterprise disparity in wages should be widened with an increase in the number of grades in order to fully embody the principle of paying more to those who do more work and less to those who do less work. At present, we should particularly change the situation of the excessively low remuneration for mental labor. The wages and bonuses of the staff and workers should be more satisfactorily linked with improvements in the economic results of their enterprises. These regulations are both policies and theoretical principles. We should use them to supplement and reform the exposition on the question of distribution according to labor in our existing teaching materials. In the field of macro policy decisions on the relations of distribution, in the past in our understanding we in fact regarded socialist economic equality as egalitarianism and regarded the requirement of making the people rich together a requirement for the people to become rich simultaneously. The "Decision" clearly expounds on the necessity to allow and encourage some areas, enterprises, and people to become rich through their hard labor earlier than others. This is a road we must follow in the process of making the whole society become rich together. This problem is a major theoretical and practical problem that has a bearing on the development of our socialist economy and on the prosperity of our state and the happiness of our people. Our previous teaching materials had little or no discussion of

this problem and now we should attach importance to it, and fully expound on it.

3. From the point of view of the exchanges sphere, in the teaching of and research in our political economy, there has been a long-standing influence of the "thesis that commodities should be eliminated in socialism," the thesis that there is no commodity economic relationship in the sector owned by the whole people, and the thesis that means of production are commodities only in forms. Our existing teaching materials also fail to give necessary and full exposition on the following problems related to the commodity economy: All the links of socialist reproduction need the ties of commodity circulation; all the aspects of our socialist relations of production have to be realized by means of the relationship of commodity exchanges; the adequate development of the commodity economy is an unavoidable state of the development of social economy; vigorously developing socialist commodity economy is of great significance in developing our country's social productive forces and enlivening the economy in our society; competition is unavoidable as long as there is a commodity economy, but this kind of competition is different in nature from that under capitalist conditions; the widespread development of the socialist commodity economy will also give rise to a certain kind of blindness; a rational price system is of great significance in readjusting the activities of production and management and the relations of economic interests of our enterprises; and so on. All these problems should be dealt with and theoretically analyzed in our teaching materials.

4. From the point of view of the consumption sphere, the existing teaching materials have no chapters or sections that expound on the relations of socialist consumption and we should perhaps consider whether some chapters or sections on these relations should be added to the teaching materials. We should not only study the problem of how we are to increase, on the basis of the development of production, consumption funds in order to satisfy the daily increasing consumption demands of our people and the problem related to the quantitative limit of the relations between the increase in production and that in the consumption funds, but should also study the relationship between the labor income and consumption of our people as individuals and the problems related to the direction, structure and trends of consumption. We should give theoretical guidance on consumption. We should not indiscriminately uphold thrift under the conditions of economic development, but we also should not pursue luxury or waste money. From the point of view of macro policy decisions, at present we should be on our guard against the loss of control over the growth of consumption funds that may be caused by the malpractice of unauthorized increases in wages and payment of bonuses in some of our units.

5. From the point of view of the macro readjustment of the socialist economy as a whole, the teaching materials that were written in the past few years did mention guidance plans and the regulation by the market mechanism, but they continued to stress giving a predominant position to mandatory plans and failed to deeply expound on the relations that unify the planned economy and the commodity economy and the relations that unify the law of the planned and proportionate development of the national economy and the law of value.

The "Decision" points out that we should "establish a planning system that consciously applies the law of value and gives a summarized explanation of the basic aspects of our country's planning system." The problems in this field are fundamental problems for our socialist political economy and must occupy an important position in our teaching materials. We should also revise certain outdated views in existing teaching materials. Furthermore, regarding the problems related to socialist commodity economy and the question of how we are to consciously follow and apply the law of value, there are still many difficulties and different theoretical views which demand further research and discussion. In developing the teaching materials for socialist political economy, everyone can air their views in accordance with the principle of letting a hundred schools of thought contend.

#### Tentative Ideas on Reform in Education

(By Zhang Youren [1728 0645 0088], professor and director of the Beijing University's Socialist Political Economy Teaching and Research Office)

The "Decision of the CPC Central Committee on Reform of the Economic Structure" is not only of great guiding significance for our country's economic structural reform, but also plays a tremendously great role in promoting the development of socialist political economy. The teaching of socialist political economy should be reformed under the guidance of the spirit of the "Decision." I think that completely discarding the old contents and system of the teaching materials and establishing a brand-new system and theory on the basis of a scientific understanding of the socialist relations of production is a priority requirement and should also be a goal that we will make efforts to achieve for a long time. Even now, it is worthwhile to encourage any attempt toward this goal. However, in order to satisfy the demands of the teaching work at present, we may first make some necessary revisions of the existing teaching materials. At present, it is relatively easy and feasible to remove the concepts in our existing teaching materials that have been proved by practice to be unscientific, to revise the concepts that are not entirely scientific, and at the same time preserve the contents that are scientific and conform to reality. In the light of this consideration, I have some tentative ideas on reforming the contents in the teaching materials of socialist political economy.

Socialist political economy should be permeated with two new fundamental ideas. First, the fundamental task of socialism is to develop social productive forces and continuously satisfy the daily increasing demands of the people. The laws that govern the development of socialist relations of production can only be correctly explained through the interacting role between the socialist relations of production and the productive forces. In researching the socialist relations of production, our final aim is to urge them to better satisfy the demands of the development of the social productive forces. In the past, we studied the relations of production in a one-sided manner and in isolation and failed to actually proceed from the fundamental task of socialism of developing social productive forces in studying the concrete forms of the relations of production. As a result, we blindly pursued "one large and two publics" and brought serious harm to the socialist economy. In

reforming teaching, we should clearly and firmly grasp a major clue, namely, developing and perfecting socialist relations of production so as to promote the development of social productive forces, allow the emergence of an increasingly larger amount of social wealth, and continuously satisfy the daily increasing material and cultural demands of our people. We should make this line permeate the entire socialist political economy.

Second, the socialist economic system should be perfected and developed in the continuous process of reform. A socialist society is not a set society without change, but is a society that constantly changes and needs reforms. The principal contradictions in a socialist society continue to be the contradictions between the productive forces and the relations of production and between the economic foundation and the superstructure. As the productive forces develop and people's scientific understanding about the socialist system deepens, we must continuously reform the traditional economic system that does not meet the demands of the development of the productive forces and establish a socialist economic system with Chinese characteristics. Therefore, one of the important problems that socialist political economy must solve is to expound on the idea that the socialist economic system should be perfected and developed in the continuous process of reform. As for the question of how a socialist system is established, this has already become history in our country, but it still should have its place in our teaching materials. Similarly, we should also expound on the inevitable trend of the development of a socialist society and the gradual transition into communism.

Among the various relevant themes, I think we should pay attention to the following six problems:

1. The socialist ownership continues to be an important problem in socialist political economy, but we should reform the content of teaching in accordance with the views clarified in the "Decision." We should correctly expound on the relevant theses in classic Marxist works such as those that the private ownership can only be abolished gradually, and that ownership and the power of management can be appropriately separated. We should clearly expound on the major views of the "leftist" ideology on the problem related to socialist ownership and the harm that it has caused us, admit that the form of ownership must be suited to the level of development and the structure of the productive forces, and expounds on the necessity for diverse forms of economy to coexist in a socialist society for a long time. Only by breaking the traditional concept that regards socialist public ownership as the direct combining of laborers with the means of production in the scope of the whole society and only by expounding on the diverse economic forms and management methods for a socialist society can we establish our theory on the planned commodity economy on a consolidated foundation.

2. We should overcome the traditional concept that pits the planned economy against the commodity economy and expound on the fact that a socialist economy is a planned commodity economy. History has already proved that the view that pits the commodity economy against the planned economy and the view and practice that uphold the abolition of the commodity relationship at the stage of

socialism hinder the development of the social productive forces, and that only by fully developing the commodity economy can we really enliven a socialist economy. Therefore, socialism does not mean the abolition of the commodity economy, but is a new stage in the development of it. Only by really recognizing the socialist economy as a commodity economy can we thoroughly free ourselves from a simplified understanding of the socialist relations of production. The process from denying the existence of the commodity economy in socialism to admitting that a socialist economy is also a kind of commodity economy reflects the deepening understanding of the people about the socialist relations of production. This will yield an extremely far-reaching impact on the development of socialist political economy.

3. We should proceed from the reality of the planned commodity economy and expound on the new characteristics in the mutual relations between people in a socialist economy. The relations between people in a socialist economy is first of all relations of mutual cooperation and mutual aid, but at the same time there are relations of material interests among the people. In the socialist relations of production the relationship of the material interests between the state, the collective, and the individual should all be correctly handled. We should not only satisfactorily handle the correct relations between the state and the enterprise, expand the decisionmaking power of our enterprises, and enable our enterprises to really become socialist commodity producers and operators that are managed independently and that shoulder sole responsibility for their profits and losses, but should also satisfactorily handle the correct relations between the staff and workers and their enterprises, ensure the laborers' position as masters in their enterprises, and make the material interests of the staff and workers closely related to the results of their work. We should also satisfactorily handle the relations of cooperation and competition between enterprises. The root cause of why in the past we did not admit that there was competition under socialist conditions lay in our failure to admit that our socialist economy is a commodity economy. In a commodity economy, the economic activities that an enterprise carries out in order to acquire favorable production and sales conditions are precisely competition. The material interests of commodity producers are the starting point and impetus for competition. As a mechanism of the movement of the commodity economy, competition plays a tremendously great role in promoting the development of the whole national economy. Though in the process of competition, some negative phenomena and illegal activities may emerge about which we should be sober-minded and strengthen education and administration, these negative phenomena are the consequence of the underdevelopment of competition rather than the consequence of competition. They will diminish as competition fully develops. Therefore, only by fully developing the competition between our enterprises on the basis of public ownership and under the administration of the state plans and decrees can we solve the problem in this sphere and more effectively promote the development of the whole national economy.

4. When we lecture on the problem of distribution related to consumer goods, it is imperative for us to get rid of traditional ideas and to expound on our socialist principle of distribution according to labor. The reasons for the existence of equalitarianism are not only due to the influence of the ideas of small production but also due to the state's centralized and unified

distribution of social products. Because the state controls in a centralized manner the criteria of distribution, it is impossible to accurately measure the economic results of several hundred thousand enterprises by means of a few indexes and it is also impossible to make the enterprises' incomes relate closely to their economic results. Thus, it is hard to avoid the emergence of equalitarianism. Under the conditions of our planned commodity economy and along with the establishment in our enterprises of various forms of the economic responsibility system, the state will no longer implement unified distribution for our enterprises and the incomes of our enterprises will be directly decided by their production and management. The wages and bonuses of our enterprises' staffs and workers should be decided by themselves under the guidance of the state's unified policies and according to the increase of their economic results. Only by so doing can our socialist principle of distribution according to labor be further implemented.

5. We should raise the position of circulation in our socialist political economy. In the past, people held that the commodity economy and the regulation by market mechanism did not exist in a socialist society and that economic activities were concentrated on production and distribution, and people regarded circulation as an insignificant link. This erroneous viewpoint has caused our socialist economic construction to incur great costs. In the prolonged process of developing our socialist society, there still exist commodity economy relations in essence but not in form and circulation may become the motive force in developing our social production. Our socialist circulation will still abide by the law of value and the relation between supply and demand will also play a certain role in our commodity circulation. Therefore, we should readjust our irrational rate of exchange and establish a rational price system in accordance with the demands of the exchange of equal value and the changes in the relations between supply and demand. When prices are rational, they can reflect changes in our social labor productivity and in the relations between supply and demand in our market, enliven our circulation, and promote the smooth operation of our social reproduction.

6. We should regard consumption as an important content of our socialist political economy. In our previous teaching materials, basically there was no position for consumption. This was obviously inappropriate. The fundamental task of socialism is to develop social productive force in order to continuously satisfy the people's material and cultural demands that are increasing day by day. Consumption is the motive force of our socialist production. Production determines consumption, and consumption also affects production and, in a sense, determines production. The increase in socialist consumption brings about new social requirements and urges on the greater development of socialist production. While establishing a correct viewpoint on our socialist consumption, we can neither put forth consumption demands that are too far above the possibilities of our production development, nor can we fail to adequately increase our consumption within the limit that is permitted by our production development. We should not only continue to adequately increase our consumption but should also control the amount and rate of increase of our consumption funds. Thus, we will give a big push to the development of our consumer goods industry and tertiary industry and to the development of the whole socialist economy.

We should do lots of work in conducting research and discussions and in reforming the teaching of socialist political economy according to the spirit of the "Decision" and the practical experiences gained in our socialist economic construction. The above-mentioned points are merely some of my tentative ideas and are put forth to be jointly studied and discussed by all.

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IN PERFECTING THE ECONOMIC RESPONSIBILITY SYSTEM, IT IS NECESSARY TO SOLVE THE PROBLEM OF 'BEATING THE FAST OX'

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[Article by Sun Xiaoliang [1327 2400 5328]--passages within slantlines published in italics]

[Text] Among the various defects in the current economic system, the lack of vitality in our enterprises is a major problem. The reason our enterprises lack vitality is because they do not have sufficient internal motivation, their power is too little, and there is not sufficient pressure on them. Of these reasons, the most basic is the lack of internal motivation.

The idea of giving play to the internal motivation of our enterprises has been around for many years. Practice has proved that the implementation of the economic responsibility system is a correct way to solve this problem, but to date, the concrete methods have not been perfected and the problem of "beating the fast ox" is still outstanding. The following are some views on this issue.

#### Significance of the Economic Responsibility System

For a long time, we have always regarded an enterprise owned by the whole people as an economic and accounting unit whose profits and losses are shouldered by the state in a unified manner. Therefore, we have implemented a financial system of centralizing income and expenditures in which the enterprises deliver all their profits and transfer all their losses to the state. Correspondingly, a system of distribution has been implemented in which the state directly conducts distribution among the staff and workers; in other words, in a unified manner, the state stipulates the grades and standards of wages, sets the duration of time needed for promotion and the percentage of workers to be promoted each year, and sets the maximum limit for welfare and bonus funds. However, under the conditions of socialized mass production, the staff and workers do not directly provide the society with labor products on an individual basis, but the enterprise as a collective of laborers provides products for the society. This causes a contradiction. As collectives of laborers, some enterprises can provide the society with more and better products, of which the variety meets the demands of the market; but because the state directly conducts distribution for individual

staff and workers, the staff and workers in these enterprises cannot get more income than those in other enterprises. On the other hand, the workers and staff in those enterprises that provide the society with fewer and lower quality products of a variety that does not meet the demands of the market, do not get less income for the poor performance of their enterprises. As a result, the labor remuneration of our staff and workers is severed from the results of the operation of their enterprises. This has given rise to the situation of "eating out of the same big pot" and deprived our enterprises of the internal motivation that urges them to continuously improve their administration and management.

Obviously, in order to solve the problem of "eating out of the same big pot" and in order to give play to the internal motivation of our enterprises, we must carry out distribution on two tiers: Through the state, the society sets the total amount of labor remuneration to be distributed to an enterprise in light of the quantity and quality of the useful labor products that the enterprise as a collective of laborers provides the society. This is the first tier of distribution according to labor. The second tier is that the enterprise pays its staff and workers corresponding labor remuneration in light of the amount and quality of the labor they provide the enterprise.

In the past, as we failed to recognize the first tier of distribution according to labor, we severed the direct relation between staff and worker labor remuneration and the performance of their enterprises. Since the implementation of the economic responsibility system and based on the initial form of the system of allowing enterprises to retain a share of their profits, we have in fact recognized the two layers of distribution according to labor and begun to establish different degrees of direct relations between the staff and worker labor remuneration and the results of their enterprises' operations. Although to date the economic responsibility system has only involved a part of labor remuneration (reward and welfare funds), /its significance lies in the discovery of the method to solve the contradiction of "enterprises providing products for the society while the society directly conducts distribution among individuals"; in other words, the discovery of a correct method to give play to the internal motivation of our enterprises./

The distribution according to labor conceived by classical writers is distribution according to labor after the abolition of the commodity and currency relationships when individual labor directly constitutes social labor. It is measured by the necessary labor time provided by each person and distributed directly by the society to the individuals. Our financial system of centralizing income and expenditure and our system of the state directly conducting distribution among individuals is in fact designed in accordance with the above tentative idea. However, under a situation whereby there is commodity production, distribution according to labor is much more complicated. First, we cannot conduct distribution directly according to labor time, but can only distribute according to the labor represented by a material form, in other words, according to labor products. Second, this does not mean that any person who has produced the products that used his labor can get remuneration. Only when the value of his products is realized through exchange and when his labor is thus recognized by the society can he get

remuneration. Third, for the economic sector owned by the whole people, an exchange of commodities is carried out on the basis of enterprises. Therefore, we cannot carry out the idea of the state directly conducting distribution among individuals, but must carry out two tiers of distribution. The existing financial system of centralizing income and expenditure and the existing system of the state directly conducting distribution among individuals fail to take into account the above complicated situation in our actual economic life. Therefore, they cannot give play to the initiative of our vast number of enterprises and of all our staff and workers. But the economic responsibility system that has emerged in the process of reform begun since the 3d Plenary Session of the 11th CPC Central Committee embodies this objective demand and has solved the major question of how distribution according to labor is to be carried out in a socialist society in which commodity production exists. The "Decision" approved by the 3d Plenary Session of the 12th CPC Central Committee has further clarified and affirmed the role of the economic responsibility system and provides a new development in and contribution to socialist economic theory.

#### Essential Characteristics of the Economic Responsibility System

During the past few years, in our industrial enterprises owned by the whole people, we have successively implemented the practices of enterprises and the state sharing the profits in excess of the planned targets and enterprises and the state sharing increased profits. In some of the enterprises, we have implemented the practice of the enterprise and state sharing all the profits earned by the enterprises, the practice of assigning by contracts all-round responsibility for fixed amounts of profit delivery, or the practice of assigning by contracts all-round responsibility for fixed rates of increase in profit delivery. Since 1983, we have implemented the first and second stages of substituting taxes for profit delivery. All the above are the diverse forms of the economic responsibility system. They all have the essential characteristics of the economic responsibility system. These characteristics are:

First, there is a direct relationship between the labor remuneration of the staff and workers and the results of the operation of the enterprises. The amount of labor remuneration is determined by the results of the operation of the enterprises. This embodies the idea that all the staff and workers should shoulder economic responsibility for the management results of their enterprises.

Second, there is a kind of "automatic" mechanism. The system differs from the practice of the upper level rewarding or punishing enterprises in that the labor remuneration of staff and workers "automatically" rises and falls as the operation of their enterprises varies. This is not a method of reward and punishment but is a distribution system. Precisely because of this, we can more satisfactorily augment the internal motivation of our enterprises and urge our enterprises to improve their administration and management.

Third, it includes the dual status of staff and workers both as laborers and as masters of their enterprises. As a laborer, every staff member or worker

gets his remuneration in accordance with the amount of effective labor that he provides society. As a master of his enterprise, he enjoys the good results when his enterprise is satisfactorily administered and managed and shares the losses when it is poorly administered and managed. This changes the previous situation whereby the staff and workers were "nominal masters of their enterprises" who neither enjoyed the good results nor shared the losses.

/The three essential characteristics are mutually related and among them, the one that plays a predominant role is the characteristic that the amount of labor remuneration is determined by the results of operation./ The other two characteristics are the extension and consequence of this characteristic. The concrete methods should always continuously develop and change. Several changes have taken place in the past, and in the future there may be other changes. However, as long as the amount of labor remuneration is determined by the operation of the enterprises, it is a method that embodies the requirement that all the staff and workers shoulder economic responsibility for the results of the operation of their enterprises and is a method that can be put into the category of an "economic responsibility system."

The theoretical significance of clarifying the essential characteristics of the economic responsibility system lies in clarifying the qualitative pattern of this concept so as to avoid regarding any method as a form of the economic responsibility system. The practical significance in so doing lies in providing the grounds for correctly evaluating the economic responsibility system and for finding concrete methods to improve the system. People currently differ in their views when evaluating the concrete methods of a single economic responsibility system and each of them sticks to his own specific view on how these methods are to be improved. When an enterprise says that this method of the economic responsibility system is better than that one, it bases its view on the fact that this method can make it retain a larger share of its profits; the relevant department says that this method is worse than that one because that one will allow the state to collect a larger share of the enterprise's profits. They actually regard as a criterion for evaluating a concrete method of the economic responsibility system whether or not the method can enable them to retain or collect a larger share of profits. This is an evaluation that departs from the essential characteristics of the economic responsibility system. /Since the essential characteristic of the economic system is to determine the amount of labor remuneration in the light of the results of operation, we should regard the link between the results of operation and labor remuneration as a criterion to judge whether the various kinds of methods are good or bad./

What kind of link is "correct"? There are two major criteria: 1) The horizontal comparison between various enterprises so that the enterprises that are satisfactorily managed will get more and those that are unsatisfactorily managed will get less; and 2) the vertical comparison between the past and the present of an enterprise so that when an enterprise is satisfactorily managed it will get more and when it is poorly managed it will get less. When the above two requirements are satisfied, the link between labor remuneration and results of operation is correct and the concrete methods

of the economic responsibility system are scientific. If these two requirements are not satisfied, it shows that there are problems in the concrete methods of the economic responsibility system and there must be improvement.

#### Problems in the Existing Economic Responsibility System and a Tentative Idea for Its Improvement

Judging by the actual situation at present, all the concrete methods of the economic responsibility system that have been implemented only make vertical comparisons between the past and the present operation of an enterprise, and thus make the enterprise get more when it operates well and get less when it operates poorly. They fail to make horizontal comparisons between various enterprises and thus make those that operate well get more and those that operate poorly get less. The actual manifestation of this problem is the practice of "beating the fast ox." In other words, some factories that have always been administered and managed relatively satisfactorily retain a smaller share of profits and pay less bonuses than those that have a lower starting point. The practice of "beating the fast ox" will inevitably end in the "fast ox" slowing down. The current economic responsibility system only involves the distribution of rewards and welfare funds, but the side-effect of "beating the fast ox" is so clear. When it is further developed in the future so as to make the labor remuneration, including wages, be determined by the results of the operation of our enterprises, the side-effect will be even greater if the problem of "beating the fast ox" is not solved.

The problem of "beating the fast ox" was discovered relatively early, yet the solution of the problem has been delayed for a long time. The main reason for this is that we have failed to find the root cause for it.

"Beating the fast ox" is not an inevitable consequence of the economic responsibility system itself, but is caused by the unscientific concrete methods of the system. The reason the agricultural economic responsibility system has succeeded in the past few years is first of all because we have implemented the "contract responsibility system with remuneration linked to output" and thus established a direct link between remuneration and output. This is what the economic responsibility system in our industrial enterprises failed to achieve. The second reason is that in agriculture, what determines the remuneration of labor is not the actual output nor the planned target for output, but the "standard output," which reflects the amount of socially necessary labor for tilling the contracted land. Generally, all the various concrete methods of the economic responsibility system in our industrial enterprises regard the realized profits of the preceding year as a basis for the calculation of the percentage for the profits that the enterprises are to retain. But the profit that an enterprise realized in the preceding year was similar to the actual output of the preceding year in agriculture and only reflected the specific amount of labor consumed by production. Regarding the specific amount of labor consumed as a base for the calculation of remuneration is precisely the root cause for the emergence of the problem of "beating the fast ox."

Since the implementation of the second stage of the substitution of tax payment for profit delivery, in deciding the rate of the readjustment tax which determines how large a share of profits an enterprise can retain, we have continued to regard the preceding year's realized profit as the basis of calculation. This means that we have continued to regard the amount of specific labor consumed in the production as the basis to determine the retained profit of the enterprise, which is precisely the root cause for the practice of "beating the fast ox."

Things have already become very clear: /The key to augmenting the vitality of our enterprises is to implement various forms of the economic responsibility system; the key to improving the economic responsibility system is to solve the problem of "beating the fast ox"; and the key to solving the problem of "beating the fast ox" is to determine the percentage of an enterprise's retained profit according to the amount of socially necessary labor./ However, the amount of socially necessary labor is an abstract concept. In order to turn this concept into something that we can use in our practical work, we must find the concrete indexes that can reflect or approximately reflect the amount of socially necessary labor and then formulate the concrete methods to determine the percentage of profits to be retained by our enterprises in accordance with these indexes.

The difficulty with this is that in order to find the indexes that reflect the amount of socially necessary labor, we must remove the effect of at least the following three factors: 1) We should remove the effect of the difference in products. Different amounts of labor are consumed in producing products of different kinds and we can only find a common amount of socially necessary labor for products of the same kind. Moreover, in order to conduct a comparison, this amount of socially necessary labor can only be expressed through value. 2) We should remove the effect of the difference in the production conditions in different enterprises. Even in the enterprises that produce products of the same kind, differences in equipment and size of the work force vary, and both of these factors may affect the amount of labor consumed. Whether or not the production conditions are satisfactory has not been the consequence of whether or not the enterprise itself is satisfactorily managed, but is caused by various kinds of historical reasons. 3) We should remove the effect of irrational pricing. In theory, the amount of socially necessary labor determines the value, and under the influence of the relationship between supply and demand, the price fluctuates around the value. Therefore, prices can roughly reflect the amounts of socially necessary labor for various kinds of products. However, in the circumstances whereby the prices of products are fixed in a unified manner by the state, the prices fixed for some products roughly conform to the value, but those fixed for others deviate from the value to different degrees. Therefore, before we carry out a reform of our price system, we must remove the effect of irrational prices.

In order to remove the effect of the factors of variety and price, we may think about reclassifying our enterprises and forming a small sector of the enterprises that produce products of the same kind. For example, our automobile industry can be divided up into the sectors that produce heavy vehicles,

that produce medium-sized vehicles, and that produce light vehicles; and our bearing industry can be divided into the large bearing sector, and the medium and small bearing sector. By so doing, the products of the enterprises in each of the small sectors are similar, as is the profit rate of these enterprises. Then it is possible to find the concrete indexes that can approximately reflect the amount of socially necessary labor.

In order to remove the effect of the differences in production conditions, we cannot use the index of total sum of tax payments and profits, but should use the index of the ratio of profits and taxes to capital employed and the per capita profits and taxes in an enterprise. The average value of the ratio of profits and taxes to capital employed and the per capita profits and taxes can reflect the comprehensive labor consumption for each unit of profit and tax payment. The average level of the "two ratios" for a small sector approximately reflects the amount of socially necessary labor for each enterprise. Comparing the average values of the "two ratios" for the small sector with those of each enterprise in the sector, we can calculate the coefficient of economic results for each enterprise. The value of this coefficient reflects whether the consumption of specific labor in an enterprise exceeds, is equal to, or is lower than the amount of socially necessary labor. From this we can judge whether or not the enterprise is satisfactorily administered and managed.

So far, we have not solved the problem of how large a share of realized profits an enterprise should retain. In order to solve this problem, the state has to fix the per capita standards for the amounts of welfare and reward funds and the amount of production development funds to be disposed of by the enterprises. The state has to fix the per capita standard for the amount of reward and welfare funds in light of the situation of the production of means of consumption and the equilibrium of consumption funds. As for the standard for the amount of production development funds to be retained by the enterprise, the state should fix these in light of the situation of the production of the means of production and the equilibrium of the accumulated funds. Multiplying the per capita standard amount with the enterprise's coefficient of economic results gives the actual per capita amount that an enterprise is allowed to retain, and multiplying the latter with the number of personnel in the enterprise gives the actual amount that the enterprise can retain.

When the "two ratios" of an enterprise are equal to the average "two ratios" of the sector it is in, its coefficient of results is one and the actual amount to be retained is equal to the standard one. When the former "two ratios" are higher than the latter "two ratios," the coefficient of results is larger than 1 and the actual amount to be retained is greater than the standard. When the former is lower than the latter, the coefficient of results is lower than 1 and the actual amount to be retained is lower than the standard. Thus a horizontal comparison is carried out among various enterprises so that those that operate well can retain more profits while those that operate poorly must retain less profits. When the present and past of an enterprise are compared, if its administration and management improve, the share to be retained by it will increase, and if its administration and management become worse, the share to be retained by it will decrease.

Before the implementation of substituting tax payment for profit delivery, an enterprise retained a share of its realized profits in accordance with the above method of calculation, and paid the rest to the financial department. Since the implementation of substituting tax payment for profit delivery, the tax rate has been readjusted in accordance with the above methods. Although the tax rate is readjusted for each and every factory and it varies as the enterprise's administration and management vary, it is not complicated to implement this method because we can calculate the rate according to quantitative data and we need not bargain with each enterprise in fixing the tax rate.

The concrete methods that are designed according to this idea are very different from the previous methods. 1) In the past, the percentage of retained profits for an enterprise was linked with the total amount of the enterprise's profit, but in the future it will be linked with the ratio of profit and tax to capital employed and the per capita tax and profit. 2) In the past, the percentage of retained profit for an enterprise was determined by the actual profit of the preceding year, but in the future it should be fixed according to the average ratio of profit and tax to average capital employed and the per capita tax and profit of the sector it is in. 3) In the past, an enterprise retained a certain percentage of its realized profits, but in the future, we will change the method and calculate the amount of retained profit in light of the standard amount fixed by the state and the enterprise's own coefficient of economic results.

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## THE RELATIONSHIP BETWEEN REFORMING THE PRICING SYSTEM AND MAINTAINING BASICALLY STABLE PRICES

Beijing RED FLAG in Chinese No 6, 16 Mar 85 pp 35-36

[Article by Wang Zhenzhi [3769 2182 0037]]

[Text] Whether the reform of our pricing system should be carried out under the precondition of maintaining basically stable prices or in a situation of sharp rises in prices, is a question that we should prudently study. I think that reforming the pricing system and maintaining basically stable prices are not in conflict with each other, even less are they opposed to each other. I am going to give a few aspects of my understanding of the relationship between reforming our pricing system and maintaining basically stable prices:

1. We should correctly understand the meaning of maintaining basically stable prices. In the past we often regarded stable prices as unchanged prices or even frozen prices. If we continue to hold this view in the future, then it is impossible for us to maintain the prices fixed and unchanged or to rationally readjust our pricing system. From the point of view of its scope, what we call a basic stability of prices denotes the basic stability of the general level of prices in our market. It does not mean that the price of each and every kind of commodity should be fixed and unchanged. The prices of various kinds of commodities should be raised or reduced and thus be readjusted in accordance with the change in labor productivity and the relationship between supply and demand. From the point of view of its nature, only a relatively great fluctuation in the general level of prices is its opposite. We do not exclude the normal fluctuation of the general level of prices within a certain limit. Therefore, basic stability is only a relative stability and it only shows that the movement of the general level of prices is in a state of unmarked and gradual change. In future, the general trend of prices is to a certain amount of increase, but we should control the average annual range of the rise. From the point of view of time, basically stable prices only show that for a relatively long period of development, the annual change in the general level of prices is not big, but this does not exclude a relatively marked change in the general level of prices in a small number of years in the period. In this sense, we can say that it is possible in our price reform to both rationally readjust our price system and maintain basically stable prices.

2. We should make a distinction between price hikes of two different natures. One kind is the price hike of the type of structural readjustment. Generally speaking, this type of price hike is conducive to production and exchange and favorable for the development of our national economy. For example, in order to reduce the disparity between the prices of agricultural and industrial products, we increased the purchase prices of agricultural products and in order to equalize the profits of various industrial departments, we raised the prices of some mining products and raw materials. Therefore, if we readjust the prices of some commodities in a planned and systematic manner and in the light of the reality in our country, there will be a slight increase in the general level of prices, but this is not only inevitable, but also necessary for developing production and promoting the balanced development of our national economy. The other type is an inflationary price hike, which is detrimental to the stability of the people's livelihood and the development of our national economy. For example, the increase in prices caused by the devaluation of our currency and the increase in prices and the price hike in disguise caused by violation of our policies. In order to enable the reform in our price system to develop smoothly, we should not only resolutely curb inflationary price hikes, but also effectively control the price hike of the structural readjustment type.

3. How are we to effectively control prices of goods and maintain basically stable prices during the price reform?

First, we should strictly control the volume of the currency issued, earnestly control the scale of capital construction, effectively control the rate of increase in consumption funds, and realize the balance between financial revenue and expenditure, between the supply and collection of credit, and between social purchasing power and the supply of commodities. Only by so doing can we continue to match the volume of currency issues with the supply of commodities and thus maintain basically stable prices.

Second, we should strengthen the administration and management in the various departments of our national economy and in our various enterprises, continue to lower costs, and raise labor productivity and economic results. When we increase the prices of some mining products and raw materials, our processing enterprises must vigorously reduce consumption and thus basically offset within the enterprises the increase in costs caused by the increase in the prices of mining products and raw materials. This is the most effective measure for maintaining basically stable prices.

Third, we should strengthen price management and market management, strictly impose discipline related to prices, and firmly check the practice of increasing prices without authorization and increasing prices in disguise. We should mete out disciplinary and even legal punishment to those who take advantage of the price reform, exploit their power of office, and adopt illegal means to raise prices in order to earn excessive profits.

## MAKING PRICES FLEXIBLE IS CONDUCIVE TO IMPROVING THE PEOPLE'S LIVELIHOOD

Beijing RED FLAG in Chinese No 6, 16 Mar 85 pp 36-37

[Article by Yang Qixian [2799 0796 0341]]

[Text] Now, quite a few of our comrades are worrying about whether or not the reform in our price system and price management system will cause the prices of goods in our market to increase universally and the real living standards of our people to drop. This worry is understandable and we should attach great importance to this problem. At present, the economic situation in our country is very good, the economic growth rate is relatively great, the proportional relationship tends to be rational, the people's living standards improve relatively quickly, and the supply and demand of commodities basically balance. In carrying out a price reform under such a situation, in the main, we should appropriately readjust the irrational price relations, make flexible the prices that the state has too rigidly controlled and make the prices of most of our products always meet the change in their production and administration costs and in the relationship between supply and demand. In other words, we should force down prices that are on the high side, and rationally force up prices that are on the low side. This structural change in prices is a normal phenomenon in the process of acting in accordance with the law of value. As long as we strictly control the volume of currency being issued and the scale of capital construction, and as long as we adopt the methods of making careful calculations, drawing up prudent plans, being prudent about the beginning of the reform and carrying out the reform step by step, it is entirely possible for us to reduce to the smallest possible extent the price fluctuations that may be caused by our reform and to avoid a general increase in prices.

Judging by the more than 30 years of the practice of our country's economic development, appropriately making prices flexible and correctly giving play to the role of the law of value is conducive to the healthy development of our national economy and thus is conducive to improving our people's living standards, therefore, it conforms to the fundamental interests of the masses of people. During the period of the First 5-Year Plan, as there were diverse economic forms in our country and as we paid relatively great attention to developing the commodity economy, the prices were generally allowed to be flexible and there was some increase in prices. According to our statistics, the 1957 cost of living index of our staff and workers was 10 percent higher

than that for 1952, the average annual increase being nearly 2 percent. However, in the same period, the average wage of our staff and workers rose by over 40 percent, the average annual increase being over 7 percent. This more than offset the increase in prices and thus the living standards of our staff and workers not only did not drop, but greatly improved. After 1958 on the contrary, because we time and again committed mistakes in our policy decisions, the growth rate of our production slowed, supply shortages emerged in our market so that the state was forced to strictly control prices and basically froze prices. From 1958-1977, on the surface, the prices of goods in our market was indeed very stable, only increasing less than 15 percent in 20 years, an average annual rate of increase of only about 0.6 percent which was hardly felt by the people. However, in this period, the wages of our staff and workers were also entirely frozen. During the 20 years, rather than increasing, the average wages of our staff and workers decreased from 637 yuan in 1957 to 602 yuan in 1977, a decrease of over 5 percent. As a joint effect of this decrease in wages and the slight increase in the prices of goods, real wages dropped by about 20 percent. It was only the increase in employment that prevented a decline in the real living standards of our urban residents. During the past few years, in order to solve the problem of seriously irrational prices caused by the prolonged violation of the law of value, we gradually carried out some reforms in our price system. We appropriately readjusted the prices of some goods. For example, we raised the prices of eight kinds of foodstuffs and the prices of cotton cloth and reduced the prices of synthetic fiber. We made flexible the prices of some goods such as small commodities, the third category of agricultural and sideline products, and some fresh and live products; basically the prices of these are no longer fixed in a centralized manner by the state, but are fixed independently by the enterprises or are fixed through negotiations between buyers and sellers. True, there was some increase in the price level. According to our statistics, from 1978-1983, the cost of living index of our staff and workers rose by about 18 percent, the average annual rate of increase being less than 3 percent. On the surface, this seemed to be too great an increase in prices over that in the past, but in that period, the average wage of our staff and workers rose from 602 yuan to 865 yuan, an increase of over 43 percent, and an average annual rate of increase over 6 percent, which greatly exceeded the rate of increase in prices. In addition, during those years, jobs were provided to more than 30 million people. As a result, the per capita annual income of the family members of our staff and workers rose to 526 yuan from 300 yuan in 1977, an increase of over 75 percent, which meant an average annual increase of about 10 percent. Therefore, the living standards of most of our staff and workers markedly improved. In fact, during those years, the growth rate of our gross output value was not much greater than in previous years. The key reason our people really benefited was because we rationally readjusted and reformed our economy, evened out various aspects of our economic relations, made our prices a little more rational, and to some extent raised our social economic results.

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ENTERPRISES SHOULD ABSORB AS MUCH AS POSSIBLE INCREASED EXPENDITURE RESULTING FROM RAISED PRICES OF RAW MATERIALS

Beijing RED FLAG in Chinese No 6, 16 Mar 85 p 37

[Article by Liu Zhuofu [0491 0587 3940]]

[Text] Our country's current price system is irrational, and without doubt this system must be reformed. The irrationality of our price system is mainly shown in the irrational price relations between some commodities, in the relatively low prices for some major mineral products and raw materials, and in the fact that the retail prices of agricultural and sideline products such as grain, oils and so forth are lower than their purchase prices. In solving these problems, an increase in the prices of many products is unavoidable. The range of increase in the prices of some products could be considered comparatively big. In addition, the general level of prices will rise. After the prices of these products are raised, some enterprises concerned will increase their income, while the enterprises which use these products as their raw materials will incur greater expenses. Who then will bear the burden of the increased expenditure resulting from the raised prices? This is a problem of extremely great significance.

The "Decision" of the 3d Plenary Session of the 12th CPC Central Committee points out: "In solving the problem of the state purchasing agricultural and sideline products at prices higher than their selling prices and in readjusting the prices of consumer goods, we must adopt effective measures to ensure that the real income of urban and rural inhabitants does not go down as a result of price readjustments." This means that we cannot let the masses bear the burden of price readjustments.

Can the state then bear the burden of the price increases? The state financial resources are limited; therefore, the state can only bear a part of the burden, not all of it. At present, the state should spend a considerable amount of funds to provide the masses with price subsidies in order to ensure that the real income of the masses does not go down as a result of price reforms. At the same time, the state should spend some money to carry out wage reforms. After the prices of some raw materials are raised, although some aspects of state revenue may increase and some financial subsidies provided by state finances may be reduced, a considerable part of the benefits resulting from increased prices will still be enjoyed by the broad links of

production and management. As a result, the state can only acquire a part of benefits, maybe even just a small part. Therefore, the state should make additional allocations of funds to provide our staff and workers with price subsidies and to increase their wages. When the state finances are not well-off, it is impossible for the state to spend more money to support price reforms.

Our enterprises (mainly the processing enterprises) have a comparatively large capacity to flexibly bear the burden of price hikes. There is a principle in the "Decision": "When the prices of some mineral products and raw materials are increased, the processing enterprises must substantially cut down their consumption so that the increased production costs resulting from the higher prices of such products and materials can be basically offset within the enterprises, with only a small part of the increase being borne by the state through tax reductions and exemptions. This will avoid a consequent rise in the market sales prices of manufactured consumer goods." This shows that our enterprises have potential to tap for bearing the burden of price hikes. We should let our enterprises (particularly those enterprises that sell their products at high prices and earn big profits) bear a little more of the impact of the increased prices.

At present, the level of our enterprises' management and administration is still comparatively low. As a result, our enterprises consume a large amount of energy and raw materials, employ large amount of funds, have low labor productivity, and incur high production costs. There is a great disparity between our enterprises. This shows that there is great potential to tap in our enterprises. The problem now is that the comrades of some departments and enterprises still do not see their own potential. Even less do they see the positive significance of the price reforms in their own absorption of the increased expenditure caused by increased prices of primary products. Therefore, they do not make great efforts to tap their potential and do not try to bear the impact of the increased prices of mineral products and raw materials. On the contrary, they blame God and man and only try to engage themselves in the practice of "when the river rises, the boat goes up," in order to shift the impact of the increased prices of mineral products and raw materials onto the vast number of consumers. Some of them even try to seize the opportunity to raise the prices even more in order to increase their own profits. This is extremely wrong.

When the processing enterprises absorb the impact of the increased prices of primary products, from a short-term point of view and from the point of view of local interests, they may suffer minor losses. But from a long-term point of view, by so doing, our enterprises are compelled to improve their management and administration and to reduce their production costs. As a result, they can retain their market share and achieve greater development. From the viewpoint of the overall situation, the processing enterprises may still earn rational profits during the price reforms, and our primary industries will no longer be unable to develop because of low prices. As the price relations become smooth, all sectors may achieve healthy development. We may say that price reform is the crux of success or failure for conducting the whole economic reform and that the problem of absorbing the increased expenditure resulting from increasing the prices of raw materials is the crux of success or failure for conducting price reform.

## THOUGHTS ON 'GRANTING LOANS AND ISSUING BONUSES'

Beijing RED FLAG in Chinese No 6, 16 Mar 85 p 38

[Article by Wu Hao [0702 8504] in "New Chat" column]

[Text] In December 1984, a glassworks in Xingan County, Guangxi Zhuang Autonomous Region, which was already more than a million yuan in debt, received a loan of more than 14,000 yuan from a lock bank and issued a "bonus" of 400 yuan to each of its workers. After that, the factory director posted a "resignation notice," saying that "from now on I will no longer be responsible for any matters relating to the post of factory director." (See GUANGXI DAILY, 9 January 1985) He then slipped out of the predicament by showing a clean pair of heels.

News headlines in bold type about capitalists "going bankrupt" and being "forced to jump out of windows" are common in the foreign press. The evil system which has resulted in a money-first world, speculation, intrigue, fraud, can turn millionaires into paupers overnight, and lead people who led a life of debauchery yesterday to hang or electrocute themselves today. A factory director in a socialist society need not run this risk. He leads a stable life no matter whether he does a good job or not. I think in actual life no one, at least no factory director, is going to run the risk of a capitalist. However, stupid things such as "receiving loans and issuing bonuses," an act which even a capitalist would never do, were done by our factory director. Shall we say that the reason is that our factory director need not run the risk of "jumping out of a window"? Thank goodness we do not have to run this kind of risk. But damn it, why is it that our factory director has done some stupid things which even a capitalist would never do? Why do we thank heaven while damning it? We can sum up the situation as follows: We ought to reform if we want to give free rein to the superiority of socialism; cashing in on our reform is forbidden.

More often than not, a capitalist will lose his life when he goes bankrupt, not to mention his directorship. However, in a socialist society it is true that for some factory directors the more they borrow, the more secure they are. Cases such as that of the Xingan County Glassworks in which the director "resigned" after "receiving bank loans and issuing bonuses" are rare. In most cases, the directors do this as a means of gaining sympathy and winning votes. Some factory directors know nothing about production or management,

nor do they know how to run an enterprise. But they know a lot about issuing bonuses indiscriminately and bestowing petty favors. Some people have won "public support" through this method. With this "public support" some people can remain unchallenged even though they experience continuous defeats. It is said that a director of a socialist enterprise should represent the interests of the state. However, with respect to issuing bonuses, our factory director has done something which is contradictory to the interests of the state. It is a great contradiction that the factory director who represents the interests of the state has willfully done something to the detriment of the same. Is not this great contradiction the very thing we ought to resolve while we make reforms?

The Xingan County Glassworks is surely not alone in "receiving loans and issuing bonuses." The undesirable new trend of issuing bonuses indiscriminately has been gaining ground in some localities which seem to compete with one another by creating more and more items and introducing new tricks. In the first place, it is extremely good to smash egalitarianism and introduce a system of reward and punishment under which some people will be able to be better off than others. More often than not, while the higher authorities are carrying out their policies, the factory directors are carrying out their own. They have numerous counter-policies on rewarding the hardworking and punishing the lazy. While you are advocating the idea of getting more by laboring more, they may twist it to getting more by laboring less. While you are claiming that the greater the enterprises' economic results, the higher the individuals' income, they may twist it to the worse the enterprises' economic results, the higher the individuals' rewards, so much so that they seem faultless to you. The difficulty of initiating our reform lies in the fact that we have a group of colleagues who are good at formulating counter-policies. "Receiving loans and issuing bonuses" is only one of their numerous tricks. In the course of reform we should not underrate such internal resistance.

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## ON TALKING OF THREES AND FOURS

Beijing RED FLAG in Chinese No 6, 16 Mar 85 p 39

[Article by Li Xin]

[Text] As a result of participating in party rectification in a department, I came across a remnant problem which has real significance, that is "talking of threes and fours and being torn between left and right." What this means is that in handling actual problems, some comrades, both in thought and action, stress the 3d Plenary Session of the 11th CPC Central Committee and focus their attention on opposing the "left." Other comrades stress the four basic principles, that is, they firmly support the socialist road and stress opposition to the right. In the face of this complicated and changing real contradiction, each holds that they are correct. All are respected cadres and it is very difficult to decide who is right and who is wrong. However, as these are not actual problems of the present leadership body, but mere differences of ideological consciousness, we can only strive to resolve them through party rectification, study, and by relying on our conscientiousness.

As in the rest of the country, the party rectification work in this department is developing healthily, and in many respects there are substantial results. Recently, an old comrade I much admire made a self-criticism during individual examination. He said that he was rather sensitive about rightist things, and he hated them like enemies. As for "leftist" things, he did not pay them much attention and was not sufficiently vigilant. He gave an overall historical analysis of how the actual situation was related to his ideological shortcomings, which proved of benefit to all the comrades at the meeting. Not long before, a comrade who had shortcomings in another respect also made a self-criticism. Thus these types of problems left over by history are being gradually broached and resolved in the party rectification.

A lesson does not just relate to an individual. First, we must change the former customary erroneous way of doing things within our party, where there was no concrete analysis of erroneous tendencies, and where they were always raised to the higher plane of principle and arbitrarily given a political label. Simple sweeping criticism of the "left" and opposition to the right were used to resolve complicated ideological tendencies. With much rashness, one would be accused of "not maintaining unanimity with the central

authorities" and "not adhering to the four basic principles." It is essential that we sort out and change these concepts, conventions, and methods. This is because ideological problems cannot be solved by pinning political labels on them, and it is not possible to really convince someone through coercion. Also, taking simple ideological problems and complicating them or taking complicated ideological problems and simplifying them, is not seeking truth from facts and is not helpful in gearing to the actual circumstances in order to overcome erroneous tendencies.

Another lesson learned is that the party's line and policies since the third plenary session have been complete and indivisible. In the course of practice, with the need to develop the cause of socialism, it is essential, for a certain period, to stress and highlight certain key points. However, if we take some things which are correct within certain limits and within certain periods and take them to extremes, subjectively "acting uniformly" and objectively "rushing headlong into mass action," this will be going too far, which is as bad as not going far enough. This will result in truth changing into error and correct policy decisions will have harmful effects. If we set liberating our minds against seeking truth from facts, and set the spirit of the third plenary session against the demands of the four basic principles, whether we are conscious of it or not, we are being biased, and this will lead people into making mistakes.

Party rectification requires correct professional guiding ideology. This correct professional guiding ideology is required in order that our own ideology can accord with the new situation, so that we can correctly carry out reform and so that we can establish a new situation in socialist construction. In order that we can avoid the repetitive occurrence of the above-mentioned "talking of threes and fours," and avoid interference in the rallying, development, and prosperity of our cause, on the basis of the practical experience gained in the party rectification, it is necessary to promote the conscientious correction, by some cadres, of their ideology and methods in guidance work. We must also study the new situation, sum up new experiences, resolve new problems, analyze the current erroneous tendencies in a seek-truth-from-facts way and resolve those problems which have to be resolved. In the same way and proceeding from the actual situation, if there is "leftism" we should oppose "leftism" and if there is rightism we should oppose rightism.

CSO: 4004/22

## REPUTATION IS THE FOUNDATION OF OPERATION

Beijing RED FLAG in Chinese No 6, 16 Mar 85 p 40

[Article by Zhang Shaorong [1728 4801 2837], party branch secretary of Chongqing Wood Molding Factory]

[Text] Our factory is only a small collective enterprise with 180 workers. For years after it had been set up, our economic results were by no means great and sometimes we were in the red. In recent years, while carrying out the reform of the systems of personnel management distribution, and business management, we have also paid close attention to the enterprise's reputation. And by so doing, we have attracted many clients and our products have been on sale throughout the country. We have also doubled our economic results. The profits made in 1983 and 1984 were 1.02 million yuan more than those made throughout the 16 years since the factory was set up in 1966. The average profit per capita in 1984 was 8,400 yuan.

Nowadays, it is beyond doubt that "time is money and efficiency is life." But an enterprise will also lose its money and life if it takes no heed of its reputation. Our factory has little capital and our equipment is poor. We have manufactured tables and chairs for only a few years and we have enjoyed no celebrity in that. In light of the present situation, reputation is of the utmost importance while we are competing with hundreds of enterprises of the same trade in the country.

Paying attention to reputation means being bold in taking responsibility for what we have done. In 1981 we sold more than 6,000 chairs to Chongqing people's theater, Daping Cinema, and some units in Wuhan and gave a 3-year quality guarantee. At that time, since we had shifted to the production of theater seats for only a very short period of time, we were inexperienced, and our production conditions were far from perfect, the chairs we sold to them came unglued and peeled. What, then, should we do? Go back on our word? We would not have suffered a loss if we had done so. But no one would continue doing business with us. The result would be disastrous if we bore such notoriety. If we kept our promise, we would have to pay more than 110,000 yuan, nearly one-third of our total fixed assets, in damages. Anyhow, we replied to our clients that we would definitely pay for their loss. We would rather go bankrupt than lose our reputation. We paid them a visit and apologized. We also disassembled all the chairs and renewed them. We sustained

a heavy economic loss from the compensation but we vindicated our reputation.

Product quality control is the key to paying attention to one's reputation. We have learned a great lesson from the compensation, that though we have safeguarded our reputation by paying the compensation, it is necessary for us to have good products if we want to attach importance to our reputation. You can never acquire a good reputation if your products are poor in quality, despite the fact that you are willing to pay for any damages. All of us have therefore taken quality as the life of our enterprise and have adhered to the principle of not letting products of poor quality leave the factory. Consequently, the quality of our products has improved a lot. In 1983 a client from Guangxi came and placed an order. Seeing that our factory was poorly equipped, our client did not have much confidence in the quality of our products. Being confident of our quality, we pledged that if the rate of substandard products was 2 percent more than specified we would pay 0.6 yuan per chair per day in damages. If the rate was 5 percent more than specified, we would renew them all. Our pledge put our client's heart at ease and a contract involving 31,000 chairs was signed. That batch of chairs has been used for more than a year and none of them has been found to be defective.

We have to attach importance to our reputation to the end. In July 1983 the Shanghai Institute of Foreign Languages placed an order for more than 300 sets of desks and chairs, stating that the goods had to be delivered to them before the following semester commenced, that is, 1 September 1983. We failed to send our goods by train because the railway had been blocked by a landslide. We decided to airlift our goods by paying a transportation fee 10 times more than normal, so as not to delay the commencement of the new semester. Our clients were so moved that they voluntarily paid the extra transportation fee and praised us for our reputation.

Reputation is a moral code in operation. If we take no heed of our reputation, not only will we lose our clients and money, but we will defeat the socialist enterprise's purpose of serving the public. We therefore take our reputation as the foundation of our operation.

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## TREMENDOUS CHANGES ARE TAKING PLACE IN THE WORLD'S ECONOMIC STRUCTURE

Beijing RED FLAG in Chinese No 6, 16 Mar 85 pp 41-44

[Article by Li Changjiu [2621 7022 0036] and Guo Yong [6753 0516]]

[Text] Only 15 years are left before the 20th century comes to an end. These 15 years will be an important period in which profound changes will continue to take place in the world economic structure, as well as a period full of competition, opportunities, and challenges.

### I

In the next decade and more, important breakthroughs will be made in some fields of high technology and new industries.

Microelectronics technology and industry are the vanguard of the high technologies and new industries, which are developing fastest and have produced the most widespread influence. Microelectronics technology is gradually infiltrating every field of modern science, national economy, and social life.

In the United States, the output value of the electronics industry was \$187.2 billion in 1984, up by 17.6 percent from 1983, a record high over the past 10 years. Accounting for 9 percent of the gross industrial output value, the output value of the electronics industry comes next only to the automobile, iron and steel, and petrochemical industries, fourth among all industrial sectors. In Japan, the electronics industry has developed still more rapidly. According to the statistics of the All-Japan Electronics Industry Association, the output value of Japan's electronics industry was 12 trillion yen between January and September in 1984, up by 32.4 percent over the same period in 1983. The output value of the electronics industry has already exceeded that of the automobile industry, and has become the largest industrial department in Japan. Japanese economists hold that in the next decade, Japan's electronics industry will develop at an average annual growth rate of more than 20 percent.

In the field of microelectronics technology, the competition in developing 5th generation computers will be fierce during the next decade. According to a forecast of the director of Japan's Research Center for the Development of New Generation Computers, computer technology will develop by leaps and bounds

between now and the 1990's. While the U.S. TIME magazine holds that the results of this competition will signify the difference between first-rate and second-rate economic powers.

The United States has so far taken the lead in the field of microelectronics technology. To maintain its superiority, the U.S. Government has increased its interference in this field. Apart from the International Business Machines Corporation (IBM), which has already organized a special unit, 12 other major electronics corporations in the United States have jointly set up a Microelectronics and Computer Technology Corporation, Limited, concentrating their efforts on developing fifth-generation computers. The U.S. Department of Defense has also drawn up a magnificent plan, stipulating that the development of fifth-generation computers possessing artificial human intelligence will be completed by the end of 1987. Although it is falling behind the United States in software, Japan is ambitious and is rousing itself to catch up. Under the leadership and organization of the Ministry of International Trade and Industry, eight of Japan's electronics corporations have jointly set up the New Century Computer Technology Center. It has drawn up a plan to catch up with and surpass U.S. microelectronics technology within 10 years, and it is scheduled to complete the development of a fifth-generation computer, which is capable of drafting data, thinking, analyzing, deducing, imagining, drawing conclusions, and differentiating voices. Entering into the 1980's, the West European countries have keenly felt the seriousness and danger of falling behind the United States and Japan in microelectronics technology. On 28 February 1984, the EEC adopted the "European Strategic Plan for Research on and Development of Information Technology," proposing that Western Europe should catch up with and even surpass the United States and Japan in information technology within the next decade. Three of the largest computer corporations in Western Europe, French Bull Corporation, British International Computers, Ltd, and FRG's Siemens have decided to jointly set up a research center, and they are expecting to complete the development of fifth-generation computers between 1980 and 1992. The specialists of eight universities in Western Europe have joined forces in developing the world's first photoelectronic computer.

At the same time, the competition among many countries in the field of biotechnology has been very intense.

The United States has led all along in this field. According to a recent report of U.S. newspapers, between 65 and 70 percent of the dairy cattle in the United States are reproduced through artificial insemination, embryonic transplantation, and test-tube cultivation, and the average output of milk per head has increased by 100 percent. The United States has cultivated dairy cattle which have a capacity of yielding 45,000 lbs of milk each year, while ordinary cows have a capacity of yielding only 15,000 lbs. Also, it will not be long before various kinds of artificial protein (including edible protein) are produced, and important achievements have been scored in the production of vaccines to cure and prevent deadly livestock diseases by means of genetic engineering.

Over the past 5 years, more than 200 new biological technology research corporations have been set up in the United States. Of the U.S. biology circles, one-third of the scholars are engaged in biological technology research.

A conference was held in the middle of December 1984 by the EEC for the boards of directors of major West European chemical, pharmaceutical, and foodstuff corporations, and a special discussion was devoted to the challenges in biotechnology.

In biotechnology research Japan is falling behind not only the United States, but also some European countries. However, Japan drew up its 10-year planning for development of biological techniques in 1981, and has been making fast progress in the research in this field; as a result, the gap between Japan and the United States in the field has been greatly narrowed. In the U.S. congressional report, "Biotechnology as a Commodity--A Worldwide Analysis," it was pointed out that "in the research of biotechnology at present, Japan is a possible threat to the United States' leading role."

In recent years, with the technological improvements in ocean development, human economic activities are extending to the ocean. The oceans account for approximately 71 percent of the total area of the earth's surface. The volume of oil deposits under the ocean accounts for 45 percent of the earth's total volume of oil deposits. The annual reproduction of various categories of organisms in the ocean is about 40 billion tons, which would provide 1,000 times more food than that provided by all the cultivable land on the earth. Mankind will rely more and more on the ocean for the food it needs.

So far it has been very difficult to tell just how much treasure is buried under the floor of the deep oceans. There are about 3 trillion tons of manganese nodules deposited at ocean depths of 3,000 to 6,000 meters. Manganese nodules are undersea clusters of ore containing more than 40 metal elements, of which, the content of manganese, copper, nickel, and cobalt are tens and hundreds times more than those in the deposits on the land. Based on estimates of global annual consumption, these metals can be used by the whole world for a thousand and even thousands of years. Japanese scientists hold that it is possible to master the technique to excavate manganese nodules in the 5,000-meter deep layer under the sea by the end of the 20th century.

A new phenomenon will possibly emerge within the next few decades. Because of the advancement of high technology which has been widely applied to production and has made vast development in social productive forces, the proportion of high technology industries output value in the total output value of national production is bound to rise and hence make great change in the world economic structure.

## II

The pace has been stepped up in the readjustment of traditional industries. The so-called traditional industries chiefly includes such industries as automobiles, iron and steel, shipbuilding, textiles, and chemicals. Since the mid-1970's, these industries have tended to decline, therefore they have been called "sunset industries" by some people in the West.

Some economists hold that the industrially developed countries will concentrate their efforts on developing high technology industries, and their traditional industries will "be shifted" to developing countries. But we hold that it is unlikely that this situation will take shape in the short term. All industrially developed countries will not easily give up their traditional industries. This is because: First, the transformation of the product mix with traditional industries as the main to that with high technologies as the main will take time, and traditional industries make up a considerable proportion in the gross output value of national production over a certain period of time; second, under the present conditions, traditional industries are still important for the solution of the unemployment problem; and third, strategically, no country, in particular a bigger country, should entirely depend on imports for the iron and steel, automobiles, ships, and textile products it needs.

Regarding the policies of industrially developed countries toward traditional industries, in the next 10 years or more these countries are not going to expand their production capacities, but are implementing the policy of "transformation, merger, and transfer," with the transformation of technology as the key. According to the U.S. "Commerce Reports," the investment of U.S. enterprises in fixed assets was \$307.6 billion in 1984, of which the investment in equipment was 64 percent, and the investment in factory buildings was only 3.2 percent. While the overwhelming majority of the investment in fixed assets was for the purchase of automation equipment. The changes in the structure and direction of investment has given focal expression to the prospects of traditional industries.

Microelectronics and information high technology are more and more widely applied to the transformation of traditional industries. Particularly, the application of robots will greatly raise the productivity of traditional industries. The production and application of robots in large quantities began in 1979. Hence, that year has been called the "beginning of the robot century." In recent years, robots have been produced at an average annual rate of increase of over 30 percent, and it is estimated that the number of robots, which are capable of organizing programs put to use will increase to 330,000 in 1990 from 31,000 in 1982. At present, 60 percent of robots are used in the automobile manufacturing industry and are chiefly engaged in welding, painting, and assembling. Some countries have found it successful to apply high technologies to transforming the automobile industry. In recent years, U.S. automobile corporations have spent two-thirds of the \$80 billion investment in their budgets to modernize their factories, equipment, and production. The General Motors Corporation of the United States purchased 47 robots at a cost of \$5 million in 1980, and the application of these robots

in turn, saved \$3 million on labor and raw materials expenses within a year. Ford Motor Company has applied robots and automated equipment of 30-year-old automobile assembling factory and its production efficiency has risen by 25 percent over the past 5 years. Over 90 percent of welding of Japan's auto industry is done through the "employment" of robots, which have raised work efficiency by more than 300 percent, and reduced costs by 25 percent. The FRG has automated its automobile industry and improved its competitive ability with an investment of several billion marks in recent years.

Another measure of industrially developed countries in readjusting traditional industries is to close enterprises where equipment is outmoded or to merge corporations.

The iron and steel industry is the traditional industry which has declined most seriously in industrially developed countries. With the rapid development of new-rising industries, and the wide application of substitutes, the demand for steel has markedly dropped. Between 1950 and 1983, the amount of steel consumed for every \$1 million in the gross national product dropped from 64 to 31 tons. In 1983, steel consumed in manufacturing soft drink cans dropped to 4.6 million tons from 8.2 million tons in 1974. In 1973, the production of every car consumed 2 tons of steel on average, now only 1.1 tons are needed. At present, about 20,000 tons of the world's iron and steel production capacity is lying idle, and the U.S. Steel Corporation has already closed 6 of its major factories, while another 20 factories have partially stopped production.

Diversification is still another measure of industrially developed countries for readjusting traditional industries. The world's largest chemical corporation--U.S. Du Pont Chemical--is now managing more than 1,000 different products and services, including photographic equipment, printing equipment, biomedical products, oil surveying, coal mine excavation, and so on, and its scope of management has far transcended chemical products. U.S. General Motors Corporation bought the Electronic Data Systems Company for \$2.5 billion in June 1984. GMC's strategy for development is that by the late 1990's, at least 10 percent of its income will be derived from outside the automotive manufacturing sector; and by the end of the year 2000, this proportion will reach more than 20 percent. FRG's Krupp Corporation, which is famous for its production of iron and steel and shipbuilding now has a larger amount of sales and profits from its new technologies products than its iron and steel industry. In the 1980's, Japan's six top financial groups Mitsubishi, Mitsui, Sumitomo, Fuji, Daichi, and Sanwa, which were oriented toward heavy and chemical industries, have vied for the development of their electronics sectors, and they are changing themselves into "financial monopolists in the field of information" with the information and telecommunications industries as the link.

Some traditional industries of developed countries will be transferred to developing countries in the forms of providing capital, technology, and equipment; however, this process will be slow and long.

### III

With the changes in the product mix, the world's trade structure is also undergoing tremendous changes.

Of the increase in the output value of U.S. manufacturing industry in 1980, high technology industries accounted for 38 percent, and the capital-intensive type and labor-intensive type accounted for 27 percent and 12 percent respectively. U.S. exports of high technology products in 1980 were worth \$63 billion, and its imports in this category was \$30.2 billion. According to the Japanese monthly PARANOMA [0356 6290], it is precisely the development of high technology industries that determines the future of the United States. The sales volume of U.S. high technology products will possibly exceed \$320 billion by the end of the 1980's, and the sales volume of its telecommunications equipment will account for one-third of the world's total sales volume of this category by the end of the year 2000.

Japan's foreign trade structure has undergone great changes over the past 30 years and more. In 1960, Japan's exports of light industrial and textile products accounted for 41 percent of its total export volume. Of all the Japanese commodities, products of the heavy and chemical industries already accounted for 84.4 percent by 1980. According to the statistics of the Ministry of International Trade and Industry, Japan's export volume reached \$125.28 billion between January and September 1984, an increase 17.7 percent over the same period in 1983; of which, the export volume of semiconductors increased by 61 percent, office automation equipment increased by 52.4 percent, video recorders and telecommunications equipment increased by 33.3 percent and 32.4 percent respectively. And the export volume of products of the whole electronics industry exceeded that of the automobile industry.

Compared with the United States and Japan, West European countries have met with great difficulties in readjusting their product mix, and their development of high technology and new industries began much later; therefore, they are in a less favorable position. So far, West European enterprises producing integrated circuits have controlled only 30 percent of the European market and 13 percent of the world market. In the European market, 80 percent of the electronic computers for home use and 90 percent of the video recorders are imported from the United States and Japan.

Compared with industrially developed countries in the West, the overwhelming majority of the developing countries are still falling far behind economically because of a weaker foundation. However, the history of the world economic development has demonstrated that in an age in which science and technology are developing very fast, the backward are often capable to catch up and even surpass the inventors and the advanced so long as the former adopts effective policies and measures in the course of developing new industries and products. Effective policies and means chiefly include the close link between the economic development at home and the world economic development; the prompt readjustment of the economic structure to suit to the new changes in the world market; attaching importance to education and scientific research and giving play to the role of the intellectuals, and being good at importing and

"digesting" results of global science and technology, while being bold at "blazing new trails." Through importing Europe's advanced technology and absorbing Europe's scientists and technicians, the United States has surpassed Europe and promoted the shift of the world's center of science and technology to the United States. There are many reasons why postwar Japan was capable of developing its national economy by "leaps and bounds" in a short span of 20-odd years and has become the second economic power in the capitalist world, despite the fact that it was greatly damaged by the war and lacked capital and natural resources; but the most important one was its import of advanced technologies from Europe and the United States and attaching importance to investment in education and intelligence, which has made possible its economic development at top speed. It is calculated that it took Japan only 10 to 15 years to complete what Europe and the United States had gone through in half a century; by importing advanced technologies from the latter areas, it saved time in catching up with the world's advanced level. In the next decade and more, when the world economic structure is undergoing tremendous changes, so long as developing countries correspondingly readjust their economic and foreign trade structure, and exert efforts to catch up in the major fields of high technology and new rising industries, they will be able to narrow the economic gap between themselves and the Western industrially developed countries.

China is a developing socialist country. In the economic field, especially in the field of high technologies and new rising industries, it is still rather backward on the whole. However, in some fields of technology, China is not backward. We have a superior socialist system, and correct line, principles, and policies formulated by the party Central Committee, and a people who are diligent and wise. So long as we have an insight of the new changes in the international environment, adopt correct policies for them, and do our best to absorb all that is useful in the world to China with a view to bringing forward our advantages and mending our shortcomings; in particular, so long as our science and technical personnel actively implement the strategic principle that "scientific and technical work must face economic construction," and plunge themselves into the practice of initiating new technical industries and developing new products, we will certainly step up the pace in China's modernization and fulfill the magnificent target of quadrupling the gross industrial and agricultural annual output value by the end of the 20th century.

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## PONDERING THE 'POPULAR LITERATURE CRAZE'

Beijing RED FLAG in Chinese No 6, 16 Mar 85 pp 45-47, 22

[Article by Feng Jicai [7458 7535 2088]--completed 27 January 1985 in Tianjin; passages within slantlines published with underlining]

[Text] Popular literature has assumed threatening proportions. It is steadily forcing pure literature to give up ground, even to the degree where pure literature magazines are unable to remain viable without hanging out the signboard advising that they are "using the popular to support the literary." As the cultural departments are at present all engaged in reform, some units have seized on it as a means for making money, and this has aided the growth of popular literature. Thus, on the one hand it is winning over readers and on the other it is receiving both comments praising it and comments complaining about it. Some people are wildly pleased, some alarmed, while others are worried or angry. And recently, in magazines there have even been some scattered informal articles describing its origins and developments, giving it a formal status. It appears that a little enlightening education is needed in regard to this traditional literary form. This is not at all surprising. The present popular literature craze is a fairly complicated social phenomenon and also a reflection of the phenomena in the minds of readers and the masses. It leads to many questions, all of which merit close attention and deep thought. Some of these thoughts even surpass the popular literature itself. Thus this article's aim lies not in describing the characteristics of popular literature, nor the evolutionary history of its rise and fall, but in thinking about and talking about what this dazzling "popular literature craze" can show us.

First, it shows us that the function of literature is multifaceted--

In the past, we stressed all along that the function of literature was to provide education in our lives. Originally, earnest authors all did their best to bring into play this function of literature, to assist readers in understanding the times, living, life, and ourselves. But this was overstressed and it became the exclusive role of literature. As time went by, literature came to have virtually only an educational function. Thus literature and art became shrivelled political sermons, which resulted in people becoming bored with them. Literature in the new period (mainly referring to pure literature, otherwise called serious literature) has bravely broken away

from the ultra-leftist restrictions. Literature, life, and people have closely embraced each other, with the result that we feel that these are everything. However, the appearance of popular literature, especially the wide circulation of those works appealing to the senses, has not only astonished us, but has required us to seriously ponder the functions of literature.

Actually, apart from helping people understand life, there is another very important aspect to the function of literature, that is, its function as a supplement to life. After work, people look to literature (and art), as a means of enjoying things pleasing to the eye and to the mind. They seek enlivenment in it, they seek recreation in it, they seek stimulation in it, they seek satisfaction of all sorts in it. For example, literature can be informative, hobby-related, emotional, imaginative, or can be about anything under the sun and be all-encompassing. Quite often, those things which do not really happen, happen only infrequently, or which we want but cannot have, are provided to us through literature and art. The recreational and aesthetic functions as well as the other functions of literature and art, are all included in the function of this type of literature as a supplement to life. Of course, pure literature also encompasses these roles and functions to various degrees. However, looking at our national literary tradition, we find that its characteristic all along was its distinctive, enjoyable, adorned, recreational, diversionary and popular nature. When watching a play, looking at paintings or reading a novel, everyone was used to having a feeling of enjoyment. The role of literature and art as a way of understanding life was also included in this, as the so-called "enjoyment which educates." Even for high-quality things, it was advocated that they must "suit both refined and popular tastes." However, for a long time, under the influence of the ultra-leftist ideological trends, this national custom of enjoyment was not valued, and the function of literature and art was greatly reduced. Literature and art were used to interpret life in accordance with political needs. Only those works which directly reproduced certain stipulated aspects of life would be approved. The two exceedingly rich and complicated worlds of life and literature were connected by only a single thread. In this way, the world of literature, no matter how it was developed, was always limited. The situation of popular literature at present is far from splendid, but this phenomenon at least makes us understand that the functions of literature far exceed the few points already discussed.

Thus, we have also discovered that readers' feelings have for a long period been ignored. If there is only an educator/educated relationship between authors and readers, an ideological relationship of giver and receiver, inevitably the reader will simply act as an ear and his brain will just be a container. This is creation without regard for the audience. But today, as life is becoming more normal, the relationship between writers and readers is also becoming more normal. If we look at the situation in regard to the many types of literature, including popular literature, which exist, we will see that the make-up of the readership is very complicated, with a large number of levels. What they need, what they seek, what they enjoy, what they savor, and what they look forward to is extremely varied! We should not have a /single type/ of literature for /all/ readers, but should have /different

types/ of literature to satisfy /different/ readers. We have also discovered that the tension people experience through literature is a means of regulating and relieving the tension they feel at work and in their lives. The intense blows afforded by tragedy are also necessary for the readers' minds. Stories of gallant men are a sort of "adult fairy tale" and the phenomenal energy of adults can gain some sort of release through these stories.... Of course, readers' minds cannot be summed up in a few words (the mental phenomena of readers can be divided into healthy and unhealthy, moral and immoral, scientific and unscientific, uplifting and lowering, and even into those beneficial to society and those harmful to society). The psychology of readers is a uniquely complicated field. It is related to the social sciences, the study of literature and art, and to ordinary psychology, and is even more closely related to creation. At least, we should be clear about the fact that if there is creation without studying the readers' minds, soon no one will want to know about it.

Second, it shows us that the aims of the "reform of literature and art" are in many respects still very hazy--

Works of literature and art have their own unique value, and achievements in literature and art are measured and calculated in their own ways. Literature is aimed at people, not at money. An author when writing something, cannot yell "Time is money. If I produce more I will be better off." Under the influence of the brand-new situation brought by the great successes in industry and agriculture, should reform of literature and art be carried out like the reform of industry and agriculture, or carried out in accordance with its own characteristics and its own patterns? Looking at the present situation of literature and art both in their individual parts and overall, in leadership methods and internal systems, and in ideological outlooks and artistic forms, there exist all sorts of problems of lagging behind the times, which demand reform. In recent times, the writers' associations in many areas have made some creative attempts at reforming the professional writers system. However, there was not the necessary attention paid to, or serious research done on, how these efforts would be of benefit to liberating the forces of literature and art production. Some people suddenly centralized their interests in "making money" as if the reforms were about buying and selling! Performing troupes, publishing houses, and magazines were all for "the interests of the enterprise." The magical popular literature was conveniently dragged out as a means of obtaining money. In order to make money, they did not scruple about reducing the high standards of literature and art and even changing everything to popular literature and art. Worse, the popular became the vulgar and use was made of the name "popular literature" to advertise the degenerate ideologies of capitalism and the residual poison of feudalism. If we are going to make culture a commodity, and sell whatever is in demand, naturally it will be difficult to keep the division between the popular and the vulgar from becoming indistinct. The division between socialist spiritual civilization and all degenerate ideologies will also become unclear, while the divisions between that which is healthy and that which is unhealthy, that which is moral and that which is immoral, that which is scientific and that which is unscientific, and that which is uplifting and that which is lowering, will likewise become indistinct in the minds of the readers.

Something which is very clear is that the reform of literature and art mainly concerns literature and art itself. The aim is to make literature and art prosper, to continually raise the quality of literature and art, and to provide the society with products of the noble spirit, and through these efforts, to raise the cultural level and spiritual quality of the people. This is certainly not the aim of the comrades who are using popular literature to make money. The prevalent popular literature has an unwritten standard, that is, "gravitate to the lower, not the higher." Popular literature itself is divided into different levels. However, it is catering to increasingly lower artistic standards. In turn, this ruins the taste of the readers and the masses, harms our social atmosphere and the overall undertaking of modernization, including the reforms, and gradually creates a vicious cycle. The reason for the appearance of such a benighted phenomenon is the lack of culture in some of the departments exercising leadership over culture. I am very worried that this situation may quickly develop to an unhealthy extreme, and will be opposed by the people! The result would be that popular literature itself would suffer a setback. Does this not show how unclear are the aims of the "reform of literature and art"?

How should we go about bringing the reform of literature and art onto the correct course? Clearly this deserves deep thought.

Finally, I want to say that it shows us that in the building of a new national cultural structure, we lack a clear and sober consciousness--

The upsurge in popular literature started at least a year ago. It formed an entity with popular music and popular song and dance, producing a general literature and art phenomenon. However, we have not yet seen a research article which looks at it deeply and in an overall way. Now, publications specializing in popular literature are numerous and their circulation runs to over 1 million copies. The smallest are stories or jokes of several hundred characters, while the largest are lengthy historical novels or legends of several hundred thousand characters. Their diversity is unending. However, they are all outside the purview of the critical world. Thus, although there are some works of popular literature which are ideologically and artistically quite good, the majority are mediocre and superficial. They cannot be spoken of in the same breath as the achievements of pure literature (serious literature) over these last few years. Some of the short stories have merged together with vulgar social news [she hui xin wen 4357 2585 2450 5113]. Their contents are reproductions of the philistine novels of the 1930's and 1940's, and their style is also very old-fashioned. There have as yet been no masterpieces or outstanding works in which the subject matter and style are fresh, which open up new fields and break through barriers. No one has as yet studied, grasped and developed the problems faced by popular literature in establishing new ideas.

The crux of this problem lies in the fact that we do not as yet consider this literary form, which the wide masses of people enjoy reading, as part of our socialist literature and as an important level of the national cultural structure.

Our national culture was originally a compact, precise entity, which was formed over a long period of history. But in the present open world, no national culture can seal itself off in order to remain intact. Intelligent nations on the one hand draw in the nutrition of foreign culture and on the other reinforce their own body of culture. As over the last few decades we experienced the continual negation of our history and culture, and then had the cultural blank of the 10 years of calamity, following the new situation of opening to the world, there was a rush of foreign culture, both good and bad, and indeed it was difficult to divide the good from the bad. The national cultural structure, which we had already put into disorder, suddenly was in the situation where "the wind blew and the clouds scattered." Things from abroad, often low-level culture, now have a wide market and appeal, and the undesirable things are more numerous than the desirable. Nowhere, whether in the appearance of cities, in public places, or even in family homes, do we see national culture, and there is no sense of an historical process, of levels, of logic, or of depth. Overall, we are unable to see the all-powerful and vast entirety of our national culture. Since the May Fourth Movement (and more recently since 1949) we have gradually established a new cultural structure and in the new situation this has clearly come under attack.

This attack is an outside force which is inevitable, tempering, supplementary and useful. However, if we are not skilled in using this outside force, if we do not have a clear consciousness of readjusting and creating anew our own new national cultural structure, the old cultural structure will inevitably be thrown into disorder by this attack. This situation will give rise to the disorder of uncertainty in national psychology, ideological consciousness, and moral reasoning. Even though we have the wealth of 5,000 years of civilization, it will be difficult for us to avoid temporary superficiality and barrenness.

We need to carry out systematic, conscientious, and methodical research on our national culture so as to enable us (especially the leaders of cultural departments) to firmly grasp the structure in a macroscopic and overall way. Thus, we will be clear about how it can be adjusted and improved, and how it is able to become undisciplined and thrown into disorder. We will thus enable it, in the progress of the times, to long maintain a solid entirety and to be long brimming with vigor. This will allow it to become a spiritual base for the nation's self-esteem, self-strengthening, self-confidence, and self-respect, and to become a grand frame for the building of a high degree of socialist spiritual civilization.

All structures are layered. The upper layers and the lower layers must be treated differently. Each level must be handled expertly with undivided attention. There must be conceptions, designs, and plans. Each part must be handled as a component of the whole and each part must be strengthened for the benefit of the whole. Each layer must be considered as it relates to other layers. If we have this type of aspiration, foresight, vision, and strategy, and this type of structural concept, then as new problems and new phenomena emerge, we will not be stupefied or panic-stricken. Thus it is with popular literature. We must respond to it early, engage in research on

it, and strongly develop it so that it becomes an important level in the national cultural structure. We must allow it, like our national cultural history, to achieve new brilliant standards. However, the tardiness we have exhibited till now in regard to popular literature clearly shows not only our ignorance of popular literature itself and our ossified minds and inability to meet contingencies, but points mainly to a lack of ideas in regard to culture in its entirety.

The three points spoken of above are not visible in the "popular literature craze" alone. We can see these common problems in the lack of attention paid to large-scale dance and opera troupes, symphony orchestras, and high-level literature and art research departments (in these areas a lack of funds is also a real problem), in the fact that for many theoretical works no publishing house can be found to publish them, in that in many areas literature and art associations have wholeheartedly abandoned culture for commerce, and in the inappropriate activities engaged in at scenic spots and historical sites. Seen from the high plane of socialist spiritual civilization which should be achieved, these problems demand solution. The urgent need to make our literature and art prosperous and to spread it to the outside world, is a problem which has been written on today's page of the desk calendar. I hope the things which should be done today will not be put off until tomorrow.

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SHE CALLS FOR SINCERITY--RECOMMENDING THE FEATURE FILM 'GIRL IN A RED DRESS'

Beijing RED FLAG in Chinese No 6, 16 Mar 85 p 48

[Article by Li Wenbin [2621 2429 2430]]

[Text] After "Little Eyes" had written the names of three outstanding students on the blackboard, a tall girl with big eyes and a large mouth went to the blackboard and erased her name. On it she wrote "Anran will try to be one next year." The class went into an uproar. Some students stood on their seats and shouted. Some were shocked by her action. But Anran left the classroom at ease and felt that she had removed a weight from her mind.... That is a scene from the new film "Girl in a Red Dress" produced by Emei Studios. The film depicts how Anran, a 16-year-old girl who is a senior middle school student, discovers her teacher's odd action of selfishly persuading the class to select her as an outstanding student. The film moves young and old.

Sincerity is a wonderful word, but not all of us know exactly what it means. From her father, her elders, and her teachers, Anran came to know that sincerity is a major quality which youths should pursue, a quality which is not easily attained. Sometimes one is plagued by unexpected difficulties. Anran's feelings help us come to know the society in which we live and the life we lead during this great period of reform, as well as how to nourish the younger generation.

Anran is a vivid character who can be found in every life. She possesses childlike qualities, yet shows the growth and maturity that occur as an adolescent grows up. Her purity and honesty and her hatred for dishonesty and evil do not allow imperfection. She is bold enough to point out in class her teacher's mispronunciations and to note in her essays the phony talk of Zhu Wenjuan, the class monitor. She was also bold enough to give the old man who sold melons the 0.5 yuan which Lao Donghu owed him and give up the honor of being an outstanding student. All this surely demonstrates the sincerity in her heart. She sees the world with her own eyes. As with many youngsters, she longs for understanding and trust. Not only do her sincere and passionate eyes show the audience her beautiful character, but they seem to examine the sincerity and sham in our hearts and made us reflect. This character is one of the new and rare socialist images on the screen.

Other characters shine in their own way. The father is righteous, gentle, learned, and humorous. He plays a significant role in Anran's and Anjing's development. He is infuriated when he discovers that Anjing has fallen in love with a man who has a child. This character is handled in such a way that he becomes more colorful, more realistic, and credible. The mother is another example. She is an ambitious, hollow, bad-tempered, and resentful character who takes a "neither intimate nor indifferent" attitude toward human relationships. We are familiar with this kind of mother, and she is of considerable significance. The performance of the actors is appropriate to their parts and good.

The film is adapted from Tie Ring's novelette "A Red-Lined, Buttonless Dress" by the middle-aged director Lu Xiaoya, who holds dear the profound theme and the vivid and poetic qualities of the original and has successfully recreated it by using her personal experiences and feelings. She has cut the impressive fire-fighting scene, a climax in the original, so as to achieve a unity of style. She has introduced important scenes such as "selecting the outstanding students" and "giving up the honor of being an outstanding student" to add much flavor to Anran's school activities. She has also introduced the fighting between Lao Donghu's parents and their divorce which deeply affected the child. In depicting the mother's personality, the director also paid much attention to her concern for her husband and children. Such revisions have not only made the characters more rounded, deeper, and more realistic, but created a deeper and broader social significance for the film. In addition, while retaining the literary qualities of the original, the director has also paid attention to giving full play to typical details. We can see from some details in the film that the director has added some thoughtful details of her own.

Recently, after watching the film, Comrade Xia Xian said with excitement: "I am very critical, but I found this film very good. It depicts the youngsters of the 1980's. It is very interesting. Emei Studios had to work hard to bring about an upswing. It has achieved its goal with this film." We sincerely hope that Emei and other film studios will produce more outstanding films and score better achievements.

CSO: 4004/22

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