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# China

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No 22, 16 November 1987

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No 22, 16 November 1987

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**The Historical Position and Principal Contradiction of Our Country's Initial Stage of Socialism**

*OW220215 Beijing HONGQI [RED FLAG] in Chinese No 22, 16 Nov 87 pp 2-13*

[Article by Gong Yuzhi [7895 5148 0037]]

[Text]

**I**

What is the historical stage, the initial stage of socialism in our country?

In his report to the 13th party congress, Comrade Zhao Ziyang briefly, yet clearly, answered this question:

"It is not the initial phase in a general sense, a phase that every country goes through in the process of building socialism. Rather it is, in a particular sense, the specific stage China must necessarily go through while building socialism under conditions of backward productive forces and an underdeveloped commodity economy. It will be at least 100 years from the 1950's, when the socialist transformation of private ownership of the means of production was basically completed, to the time when socialist modernization will have been in the main accomplished, and all these years belong to the initial stage of socialism. This stage is different from both the transitional period, in which the socialist economic basis was not yet laid, and the stage in which socialist modernization will have been achieved. The principal contradiction we face during the present stage is the contradiction between the growing material and cultural needs of the people and backward production. Class struggle will continue to exist within certain limits for a long time to come, but it is no longer the principal contradiction. To resolve the principal contradiction of the present stage, we must vigorously expand the commodity economy, raise labor productivity, gradually achieve the modernization of industry, agriculture, national defense, and science and technology, and to this end, reform such aspects of the relations of production and of the superstructure as are incompatible with the growth of the productive forces."

He discussed five points here:

First, he discussed the initial stage, not in a general, but in a particular, sense. In other words, in discussing the initial stage of socialism in our country, we should proceed, not from general principles or the general

process of development of socialism, but from the actual conditions of our country or Chinese society's specific historical conditions for the development of socialism. China has its specific historical premise for the initial stage of socialism.

Second, he discussed the beginning and end of the initial stage of socialism in our country, the indications of its beginning and end, and when this stage began and when it will end. The initial stage will cover a very long historical period.

Third, he discussed the historical stage (the transitional period) from which the initial stage of socialism in our country has developed and the historical stage to which the initial stage is developing. Here, the stage following the initial stage is not called the "advanced stage." That is because the question of how many stages the development of socialism in our country will go through—it will go through the initial and advanced, or more stages—is to be answered by future theory and practice.

Fourth, he discussed what is and what is not the principal contradiction of the initial stage of socialism. Different principal contradictions determine that there is a historical difference between the initial and previous stage, and between the initial and subsequent stage.

Fifth, he discussed the basic way to resolve the principal contradiction: We should make efforts with one heart and one mind to achieve modernization and, to this end, reform such aspects of the relations of production and of the superstructure as are incompatible with the actual conditions of the productive forces in our country and the requirements for their development in the present stage.

Following the five points, the paragraph of the report to the 13th party congress reads: "In short, the initial stage of China's socialism is one in which we shall gradually put an end to poverty and backwardness. It is a stage in which an agricultural country, where farming is based on manual labor and where people engaged in agriculture constitute the majority of the population, will gradually turn into a modern industrial country, where nonagricultural workers constitute the majority. It is a stage in which a society with a natural and seminatural economy making up a very large proportion of the whole will turn into one with a highly developed commodity economy. It is a stage in which, by introducing reforms and exploring new ways, we shall establish and develop socialist economic, political, and cultural structures full of vitality. Lastly, it is a stage in which the people of the whole country will rise to meet the challenge and bring about a great rejuvenation of the Chinese nation." This describes the nature and characteristics of the initial stage of socialism in our country in terms of the historical mission and status of this stage.

## II

Our people's revolution was won in a big, semicolonial, and semifeudal backward country in the East. Under the people's government, the socialist transformation of private ownership of the means of production was basically completed in a reasonably short transitional period. This is the specific historical premise for our country to become a socialist society. It is for such historical reasons that the development of socialism in our country must cover a very long initial stage.

World history develops along a common path and general rule, which will inevitably manifest itself, in the history of each country, in particular features characteristic of its specific historical conditions. The theory of historical materialism concerning the law on the development of history does not at all reject the particularity manifested by each country in the form and order of various stages on its historical development, and hence demands revolutionaries in all countries to proceed from the reality in each country in studying the special characteristics in various stages of its historical and revolutionary development. Lenin put it well: "Since Russia is a country between the civilized nations and the nations of the entire orient, including those outside Europe drawn into the ranks of the civilized for the first time by this war, it may, and will inevitably, manifest certain special characteristics which, although they do not transcend the common path of world development, will make the Russian revolution different from earlier revolutions in various West European countries, and enable it to introduce new things from certain regions when it appears before oriental countries." ("Selected Works of Lenin," Vol 4, p 690)

An important characteristic of Chinese socialism is that China has transcended the historical stage of bourgeois rule and full-fledged capitalism on a semicolonial and semifeudal basis, and entered the stage of socialism after that of new democracy. This transcendence, an outcome of the Chinese people's struggle, was by no means a subjective choice of any individual or political party, and was dictated by the conditions of the contemporary world and Chinese history. In his "On New Democracy," a classic work on the Chinese revolution, Mao Zedong studied the historical conditions and experience of the Chinese revolution, revealed the law of its development, and expounded that the Chinese bourgeoisie, incapable of leading the democratic revolution to a success, brought China onto the capitalist road, and that the only way out for the Chinese people was to win victory, under the leadership of the proletariat, in the democratic revolution against imperialism and feudalism and take the road of socialism. In other words, "On New Democracy" gave an incisive exposition on the practical feasibility and historical inevitability of such transcendence in the development of Chinese history. The theory on new democracy, which is a creative result

of integrating the universal truth of Marxism with the concrete practice of Chinese revolution, is an introduction to the theory on China being in the initial stage of socialism.

Here, it is necessary to discuss a question concerning the stage that can be leapfrogged. As it has been pointed out, China skipped the stage of full-fledged capitalism. However, the socialist system can fully manifest its superiority only when it is established on the basis of highly industrialized productive forces and fully developed socialized commodity economy, a stage which must not be skipped. When China started to practice socialism, the level of our productivity and of the commercialization and socialization of our production was far behind the developed capitalist countries. Therefore, we are destined to go through an entire historical stage under the socialist system to complete industrialization and the commercialization, socialization, and modernization of production, and to establish and develop the foundations of socialist developed productive forces which have been accomplished by many countries under the capitalist system. This historical stage is called the initial stage of socialism, a stage China is currently in. It is precisely because of China's transcendence of the historical stage of fully-fledged capitalism that we must go through the indispensable initial stage of socialism. As the theory on new democracy is the introduction to the theory on building socialism with Chinese characteristics, so is the theory concerning the initial stage of socialism the first chapter of the theory on building Chinese-style socialism.

The new democracy theory defined the historical direction and position of the democratic revolution in China and set the criteria for combating both rightist and "leftist" errors: failing to keep abreast with the changes of our times and pursuing outdated bourgeois democratic revolution is rightist retrogression, while transcending the times in carrying out socialist revolution in the stage of new democracy is a utopian position of "leftist" error. The theory on the initial stage of socialism defines the historical direction and position of China's current stage of socialism and sets the criteria for combating both rightist and "leftist" errors. The 13th CPC National Congress report has pointed out: "Under the specific historical conditions of contemporary China, to believe that the Chinese people cannot take the socialist road without going through the stage of fully developed capitalism is to take mechanistic position on the question of the development of revolution, and that is the major cognitive root of rightist mistakes. On the other hand, to believe that it is possible to jump over the initial stage of socialism in which the productive forces are to be highly developed, is to take a utopian position on this question, and that is the major cognitive root of 'leftist' mistakes." These two erroneous tendencies regarding the stage which can be transcended occurred before, and must be prevented and overcome today.

### III

With the victory of the new democratic revolution and the founding of the People's Republic of China, our country entered a period of new democratic construction, that is, a period of transition from the new democratic society to the socialist society. Then, within a reasonable time, we basically completed the socialist transformation of the private ownership of the means of production, thus ending the transitional period and entering socialist society. This had a profound effect on the inceptive status and the protracted nature of our country's initial stage of socialism.

New democracy must undergo a transition to socialism. This is the difference between new and old democracy, and was long ago explained by the theory of new democracy. As for the time and method of such transition, there was, and could be, no concrete plan in the past. The "Common Program" adopted by the Chinese People's Political Consultative Conference shortly after the founding of the People's Republic contained no specific timetable for this transition. At the time of that conference, some nonparty people asked Mao Zedong how long the transition to socialism would take. Mao Zedong replied that it would take about 20 to 30 years. That, of course, was a rough estimate.

From the second half of 1952 to 1953, the party Central Committee set out to announce, in a systematic manner, to the whole party and the people throughout the country the party's line for the transitional period, making clear the following points:

1. "With the founding of the People's Republic of China," our country entered the transitional period. Previously, it had been generally believed that we had to wait for years for conditions to ripen, and then a decisive move to socialism should be made at one stroke. Now, it was made clear that steps to socialism should be taken gradually. The confiscation of bureaucrat-capitalist enterprises and their transformation into socialist ones marked the beginning of these steps. Later, Mao Zedong said that the confiscation of bureaucrat capital was, indeed, "a single task in the interest of" both the democratic and the socialist revolutions. Regarding private capitalist enterprises, shortly after the founding of the People's Republic, we began to adopt state capitalist measures in the course of adjusting, supporting, and restricting these enterprises according to the needs of the developing situation. Meanwhile, initial steps were also taken for agricultural cooperation.

2. There were two tasks during the transitional period: "gradually achieving the socialist industrialization of our country and realizing, systematically, the socialist transformation of the handicraft and capitalist industries and commerce carried out by the state." These two tasks, concerning economic construction and the transformation of society, should be carried out simultaneously.

3. The hallmark signifying the conclusion of the transitional period should be the "basic completion of the socialist transformation."

4. The fulfillment of the tasks for the transitional period would "require three 5-year plans." This, plus the 3 years of economic rehabilitation, would mean a total of 18 years. This was roughly the same length of time estimated at the time the People's Republic was being founded. Actually, it was somewhat more aggressive than the previous estimate, and became a concrete plan.

The principal contradiction in the society of our country during the transitional period was not specifically pointed out at that time. However, the idea already existed that, after solution of the land problem in the vast countryside, that is, the contradiction between feudalism and democracy, the principal contradiction in China's society would be that between capitalism and socialism. Later, there was a specific description of this contradiction: "During the whole transitional period, the struggle between the proletariat and the bourgeoisie and between the socialist and capitalist roads remained invariably the principal contradiction in the society of our country." But this statement had a shortcoming, in that it did not tally with the dual nature of the general task (economic construction and the transformation of society) set by the general line. Since the founding of the People's Republic, the focus of the whole party's work had shifted from the revolutionary war to economic construction, and this should have been reflected in the description of the principal contradiction during the transitional period. However, the description cited above only elaborated the question from the viewpoint of class struggle and the transformation of society, and the class contradiction it referred to merely indicated that China's revolution had passed from the stage of the democratic, to that of the socialist, revolution or, in other words, socialist transformation.

Following the official announcement and the wide-scale publicity of the general line for the transitional period, the pace of socialist transformation gradually accelerated. In particular, an upsurge was quickly and vigorously whipped up in this transformation from the second half of 1955 onward. Consequently, we basically completed the task of socialist transformation in 1956.

How should we appraise our country's socialist transformation of the private ownership of the means of production during the transitional period? The conclusion contained in the "Resolution on Certain Questions in the History of Our Party Since the Founding of the People's Republic of China" stated: "There were shortcomings and errors in this task. From the summer of 1955 onward, we were over-hasty in pressing on with agricultural cooperation and the transformation of handicraft and private commercial establishments. We were far from meticulous, the changes were too fast, and we did our work in a somewhat simplified, stereotyped manner, leaving open a number of questions for a long time.

Following the basic completion of the transformation of capitalist industry and commerce in 1956, we failed to do a proper job in employing and handling some of the former industrialists and businessmen. But on the whole, it was definitely a historical victory for us to have effected fairly smoothly so difficult, complex, and profound a social change in so vast a country with its several hundred million people, a change that promoted the growth of industry, agriculture, and the national economy as a whole." This conclusion gives us a basic guide in looking at the conditions and questions of our country when entering the initial stage of socialism.

Because of the implementation of the First 5-Year Plan (1953-1957), and as a result of our fulfillment in 1956 of the main industrial construction goals originally slated for 1957, we had made significant achievements in socialist industrialization at the conclusion of the transitional period. However, we were far from reaching the extent of industrialization envisioned when the general line for the transitional period was set out. Thus, the main tasks of industrialization have to be fulfilled during the initial stage of socialism.

Since the socialist transformation of the private ownership of the means of production was basically completed in most parts of our country, a socialist economic base was founded in China. This was the principal hallmark signifying the conclusion of the transitional period. However, our socialist transformation, on the one hand, showed many innovations in regard to the procedure and form of transition, which were based on realities and are in line with China's characteristic conditions. This should be highly valued. On the other hand, insofar as the expected goals are concerned, the projection was not fully based on realities, nor was it suited to Chinese characteristic conditions due to the dominance of rigid ideas about socialism. For instance, our understanding at that time was that the essence of the general line for the transitional period was to establish the socialist ownership of the means of production as the sole economic base for our country and society. Now, we have come to understand that socialism does not require only one kind of economic base. Socialism exists where socialist public ownership dominates. In particular, we should not demand absolute perfection at the initial stage of socialism. The previous understanding affected the goals and practical results of our socialist transformation, and this was where the later ownership system of unitary structure started. Another example was that, because we were over-hasty in pressing on and the changes were too fast in the late period of socialist transformation, we failed to take our time to implement the many forms of transition we have devised in line with China's characteristics, and did not accumulate experience in this regard to gradually develop them and make them perfect. Still less did we have the time to explore new ways and sum up experience in the course of practice, to create diversified socialist economic patterns suited to the specific condition of our country's productive forces. All these are problems left over from the past,

and have yet to be adjusted and solved during the initial stage of socialism. If we keep a clear head and persist in proceeding from reality in doing everything, these residual problems are not hard to solve.

To sum up, fundamentally speaking, the objective of the basic completion of socialist transformation set for the transitional period was successfully achieved. As solemnly announced in the resolution of the first session of the eighth national party congress concerning the political report: "The contradiction between the proletariat and the bourgeoisie in our country has been basically solved. The several-thousand-year history of the system of class exploitation has basically come to an end. The social system based on socialism has been basically established in our country."

#### IV

After the socialist transformation was basically completed, China entered the socialist stage, which we now call the initial stage of socialism in China. The period from the completion of socialist transformation to the party's great historical turning point since the founding of the People's Republic, as marked by the 3d Plenary Session of the 11th CPC Central Committee, spanned a total of 22 years. During that period, we entered the initial stage of socialism, but we failed to consciously recognize that fact. During that period, we made important achievements on the socialist road, but also suffered tremendous setbacks. While analyzing and studying the current development and existing problems in China's initial stage of socialism, we must seriously sum up this tortuous historical course.

Here we must point out, although the First Session of the Eighth CPC National Congress did not put forward the viewpoint that China was in the initial stage of socialism, nevertheless, its inference on the principal contradictions and tasks after China entered the socialist stage was in keeping with reality. Although its resolution enumerated the tasks for continuing the class struggle, yet it added: "However, the principal domestic contradictions have now become the contradictions between the people's call for building an advanced industrial nation and the reality of a backward agricultural nation, and between the demand of the people for rapid economic and cultural development and the current conditions which have failed to meet the people's economic and cultural needs. Under the conditions that a socialist system has been established in China, the essence of these contradictions is a contradiction between an advanced socialist system and a backward social productive force. Therefore, the principal task of the party and the people of the whole country is to concentrate all forces on resolving this contradiction and transform China from a backward agricultural nation to an advanced industrial one."

The viewpoint on "the contradiction between an advanced socialist system and a backward social productive force" subsequently became a controversial issue, which we have no intention of discussing here. However, the spirit of all the expositions of the entire Eighth CPC Congress (which stressed that the principal contradiction was no longer class struggle but a backward productive force which had failed to meet the people's need for a material civilization) has been affirmed by the "Resolution on Several Historical Questions Since the Founding of the Republic."

Problems first occurred in the summer of 1957. Extending the antirightist struggle to the theoretical sphere and the basic understanding of socialism and social contradiction was a serious mistake. At a plenary session of the Eighth CPC Central Committee in October 1957, Mao Zedong said: "The contradiction between the proletariat and the bourgeoisie, as well as that between the socialist and the capitalist road are without a single doubt the principal contradictions of socialism in China." The Second Session of the Eighth CPC Congress affirmed this thesis and maintained that China was still in the transition stage. This shook the correct assessment of the First Session of the Eighth CPC National Congress that a historical change had taken place in the principal contradiction of Chinese society, and negated the historical difference between the time before and that after the completion of socialist transformation. The "left" mistakes we committed in that 20 years and more had a direct bearing on the setbacks we have suffered in trying to understand the principal contradictions.

The Second Session of the Eighth CPC Congress submitted a general line for socialist construction, which was immediately followed by the launching of the "Great Leap Forward" and the people's communalization movement. In the face of victories, both genuine and sham, we became swell-headed, as pointed out in the report of the 13th CPC National Congress: "We were too impatient for quick results and sought absolute perfection, believing that we could drastically expand the productive forces by relying simply on our subjective will and on mass movements, and that the broader the scale and the higher the level of socialist ownership, the better." The starting slogans of the "Great Leap Forward" were doubling the production targets the very same year; surpassing Britain and catching up with the United States in several years; and the production relations of the people's commune were a "great leap forward," large in size and collective in nature, and entering communism on the double. The rural ownership and management system, instead of being readjusted to suit the real conditions of the productive forces to solve the many problems resulting from the hasty and crude socialist transformation, became more and more divorced from the real conditions of the productive forces and were aimed at drastically expanding the scale of the collectives, eliminating the vestiges of private ownership, and raising the level of public ownership, thereby rapidly increasing the "communist factors" in

the people's economic lives. This meant attempting to transcend not only the initial stage of socialism alone but the entire socialist stage as well. This kind of empty theory and practice brought about the 3 years of economic difficulties, greatly disrupted the productive forces, and resulted in a serious setback for China's socialist development.

Difficulties sobered us up somewhat, and we made important progress in economic readjustment. However, class struggle was again advanced at the 10th Session of the 8th CPC Central Committee, and the theory that the contradiction between the proletariat and the bourgeoisie was consistently the principal social contradiction throughout the "entire transition period," was further extended to the "entire historical period of socialism." "Taking class struggle as the key link," grasping class struggle, and opposing capitalist restoration became the central tasks of socialism. This guiding principle was implemented not only in the ideological and political spheres but in the spheres of economic life and policy as well. As pointed out in the report of the 13th CPC National Congress: "Many things which hampered the growth of productive forces and were not inherently socialist, or were applicable only under certain particular historical conditions, were regarded as 'socialist principles' to be adhered to. Conversely, many things which, under socialist conditions, were favorable to the growth of productive forces and to the commercialization, socialization and modernization of production were dubbed 'restoration of capitalism,' to be opposed." For instance, in the course of economic readjustment, proceeding from reality, some people proposed a measure for reform, namely, "San Zi Yi Bao" [0005 1316 0001 0545] (more plots for private use, more free market, more enterprises with sole responsibility for their own profits or losses, and fixing output quotas on a household basis). Despite the outstanding achievements made in the implementation of this measure for reform as well as the fact that the measure was suited to the conditions and requirements of China's productive forces, it was still criticized as deviating from the "socialist principle." Even the socialist principles to each according to his work and exchange at equal values were also regarded as "bourgeoisie rights" to be eliminated or restricted. Thus, the guiding principle of "taking class struggle as the key link" together with the abstract principle and pipe-dream models of socialism became the principal culprits causing China's national economy to be devoid of vitality and becoming extremely "leftist" in the past. These "leftist" mistakes reached their climax during the "Great Cultural Revolution," resulting in 10 years of chaos for the whole nation, which led to another major setback to China's socialist development that was even longer and more destructive than the previous one.

By reviewing history and summing up the lessons of the two major setbacks, we realize that the fundamental problems were that we ignored our basic national conditions; failed to clearly realize the fact that after entering socialism, China still must go through a very long initial

stage of socialism; did not correctly realize the principal contradictions and tasks of this historical period; and failed to set our line, strategy, system, and policy based on an understanding of the historical difference between the time prior to and that after this stage.

V

The 3d Plenary Session of the 11th CPC Central Committee opened up a new period for China's socialist development. It is a period in which our party has become conscious of the fact that China is still in the initial stage of socialism. It is also a period in which our party has formulated a correct line and policy based on this basic national condition.

The thesis of the initial stage of socialism of the 13th CPC National Congress stems from a reestablishment of the ideological line of emancipating the minds and seeking truth from facts by the 3d Plenary Session of the 11th CPC Central Committee; from studying China's national conditions and pioneering into ways of modernization with special Chinese characteristics; from bringing order out of chaos and summing up historical experiences; and from seeking overall reform and seeking the most fundamental theoretical pillars. In short, it represents the end product of a reassessment of socialism and China's national conditions based on practices since the 3d Plenary Session of the 11th CPC Central Committee.

This is the process that we are going through in the initial stage of socialism:

Shortly after the 3d Plenary Session of the 11th CPC Central Committee, leaders of the central authorities like Deng Xiaoping and Chen Yun, in view of the overeagerness for construction success—a trend which reappeared after the crushing of the “gang of four”—pointed out that the blueprint for China's construction should be based on the fact that China has a weak economic foundation and 80 percent of its large population are peasants.

In his talk at the meeting in commemoration of the 30th founding anniversary of the People's Republic—a talk endorsed by the 4th Plenary Session of the 11th CPC Central Committee—Ye Jianying again pointed out: “The socialist system is still in its childhood,” and “China's modernization must go through an initial stage before reaching an advanced stage.”

The “Resolution on Certain Questions in the History of Our Party Since the Founding of the People's Republic of China” adopted by the 6th Plenary Session of the 11th CPC Central Committee stated, for the first time in a party resolution, that “China's socialist system is still in an initial stage,” and that “our socialist system must go through a long process before it can become relatively perfect from being relatively imperfect.”

The political report of the 12th party congress reaffirmed the judgment that “the socialist society in China is still in an initial stage of development,” adding that “undeveloped material civilization” was the basic characteristic of this stage.

Of course, all these documents had yet to elaborate on this judgment.

Taking a step forward, the 6th Plenary Session of the 12th CPC Central Committee, in its resolution on the building of spiritual civilization, pointed out: “China, while still in the initial stage of socialism, not only must remunerate according to work, but also develop all types of economic components on the basis of public ownership and, guided by the objective of common prosperity, encourage some people to become affluent ahead of others.” From the viewpoint of historical materialism concerning the relationship between ideology and economic foundation, the resolution also discussed several questions regarding the guiding principles for building a socialist spiritual civilization under such historical conditions.

For the first time in CPC history, the 13th party congress began to discuss the fact that China is in the initial stage of socialism and incisively noted that this awareness is the first important requirement before the nation can build a socialist society with Chinese characteristics. On this theoretical basis, the 13th congress systematically outlined and elucidated the party's basic lines as well as its programs for construction and reform during the initial stage of socialism. This was the 13th party congress' major theoretical and political contribution. Like the series of scientific works—represented by the article “On New Democracy” which discussed the basic issues of China's revolution—which showed that the CPC was theoretically mature enough to lead the democratic revolution, the formation of the theory that China is still in the initial stage of socialism shows that our party is beginning to mature while leading China's socialist cause on the basis of summing up the historical experience it has gained over the past 30 years and more since the founding of the People's Republic, especially during the past 9 years. The 13th party congress will enter the annals because of this theoretical contribution.

“Beginning to mature” means being not fully mature. The report of the 13th party congress says: “The initial stage of socialism is a long process of historical development. In many respects we still do not sufficiently or not thoroughly know about the situation, contradictions, development, and laws of this stage. Many of our general and specific policies and theories must be perfected, and they must continue to be examined, supplemented, revised, and improved when they are actually applied.” This is a very sober assessment. However, the outline of this theory has been defined, and the basic requirements of this line have been clearly set. So long as we can unify

the thinking of all party members on this basis and encourage them to probe, explore, and bring forth new ideas, our work can move forward fairly smoothly along the correct course.

## VI

The core of the theory of the initial stage of socialism is to assess the principal contradiction in this historical stage and thereby to define its central task.

In following the ideological line of seeking truth from facts, which was restored by the 3d Plenary Session of the 11th CPC Central Committee, and in eliminating chaos to restore order, we decided to abandon the basic line of "taking class struggle as the key link" and to shift the focus of our work to socialist modernization. In a speech at a forum on the principles for the party's theoretical work immediately after the plenary session, Deng Xiaoping answered a question regarding the principal contradiction in Chinese society. He said:

"As for the question of what is the principal contradiction in the current period—what is the main issue or central task confronting the party and the people in the current period—actually this question was answered by the decision of the 3d Plenary Session of the 11th CPC Central Committee to shift the focus of our work to socialist modernization. The level of our productive forces is very low and is far from meeting the needs of our people and country. This is the principal contradiction in the current period, and to resolve it is our central task."

His answer provided a scientific assessment of the principal contradiction as well as a scientific analysis of this contradiction in the light of the central task.

Thereafter, the "Resolution on Certain Questions in the History of Our Party Since the Founding of the PRC" adopted by the 6th Plenary Session of the 11th CPC Central Committee reaffirmed the line laid down by the 8th CPC National Congress and, on the basis of its assessment of the change in the principal contradiction, summarized the main points of the line pursued by the party since the 3d Plenary Session of the 11th CPC Central Committee. The first of these main points is that "the principal contradiction China must resolve after its socialist transformation is basically completed is that between the people's growing material and cultural needs and the backward level of our social production." This formulation, which was confirmed by the 12th CPC National Congress, has been stipulated in the General Program of the party Constitution.

The 13th CPC National Congress has further pointed out that this is the principal contradiction in the initial stage of socialism in China.

In what ways does this formulation explain the principal contradiction in the initial stage of socialism in China?

First, the formulation explains that China has not only long ended the reactionary rule (the principal contradiction under which was that between the masses of people and feudalism and bureaucrat capitalism) but also completed the transitional period (during which the contradiction between the working class and laboring people and the bourgeoisie remained a leading factor in the principal contradiction of society), and that the system of exploitation and classes has been abolished and the political and social precondition has been acquired for concentrating efforts on expanding the productive forces. In other words, the formulation affirms our initial results in building socialism.

Second, the formulation explains that China is still in the initial stage of socialism, and reflects the basic trait of this stage—the backwardness of productive forces. Such backwardness is not the general and constant backwardness that exists in the relationship between production and consumption under given historical conditions. The backwardness, which means being underdeveloped and being far from modernization, has been inherited from the semicolonial and semifeudal society, and can only be gradually, not swiftly, eliminated under socialist conditions.

The 13th CPC National Congress report summarized the backwardness in the following two manifestations: first, not having reached the level of industrialization and, second, not having a developed commodity economy.

The first manifestation, it should be said, we had earlier recognized to some extent. During the democratic revolution and the transitional period, and after entering the socialist period, we always regarded industrialization as our fighting goal. The problem was that we failed to update our understanding of industrialization and to sufficiently assess its difficulty and the evolution of a new global technological revolution, overestimating the level of industrialization we had achieved.

According to our previous standard of industrialization, that is, of total output value of industry constituting 70 percent of gross industrial and agricultural output value, we have already achieved industrialization. However, in reality everybody knows that although we have developed industry, China is far from being industrialized. This is because the previous standard did not consider the necessity of restructuring the labor forces and increasing agricultural labor productivity, aside from the fact that the data of our industrial output value were inflated by repeated calculations, the price disparity between industrial and farm products, and the exclusion of primary and secondary industries from the total output value. In the advanced countries, industrialization is achieved when the industrial and other nonfarming population becomes the overwhelming majority while the farming population is greatly reduced and agricultural labor productivity increased. Present-day China, as described in the 13th CPC National Congress

report, presents the following picture: "Out of a population of more than 1 billion, 800 million people live in rural areas and, for the most part, still use hand tools to make a living." Without a drastic change in this situation, we cannot say that industrialization has been achieved. In recent years village and township enterprises have emerged as a new force, enabling tens of millions of peasants to shift from farming to industry. These enterprises have not only opened up vast vistas for impoverished rural areas to become prosperous but also broadened the path of China's industrialization.

In achieving industrialization, it is also necessary to continuously upgrade technology as the advanced capitalist countries, which have gone through several historical stages to reach the current level of industrialization. A salient feature in developing industry on an extremely backward and unbalanced foundation like ours, as pointed out in the 13th CPC National Congress report, is: "A certain number of modern industries coexist with many industries that are several decades or even a century behind present-day standards." This feature is unavoidable in the process of industrialization in the initial stage of socialism but, provided there is correct guidance, it can help expand the productive forces. However, in order to achieve industrialization, we should pay keen attention to the standards of modernization.

The 13th CPC National Congress report has described China as being in the initial stage of socialism, "a stage in which an agricultural country, where farming is based on manual labor and people engaged in agriculture constitute the majority of the population, will gradually turn into a modern industrial country where nonagricultural workers constitute the majority," thus setting new requirements for the tasks and goals of industrialization.

As for the second manifestation of backwardness (underdeveloped commodity economy), in the past we failed to fully recognize it and to get rid of the ideological shackles that linked developed commodity economy to capitalism and pitted commodity economy against socialism. Because of the misunderstanding of socialism and fear of capitalism regarding the question of commodity economy, coupled with the tradition of feudal agricultural society of belittling commerce, people tried by all means to restrict or reject commodity economy instead of boldly developing it. As a result, the commercialization of production was not the goal of our endeavors. Rather, it was a target of our struggle. We were actually thinking that we could bypass the stage of commodity economy and enter an "advanced stage" of planned allocation of commodities on the basis of a natural and seminatural economy. The "Decision on Reform of the Economic Structure," adopted by the 3d Plenary Session of the 12th CPC Central Committee, has done away with our dogmatic and utopian view of misunderstanding socialism, and has clearly defined the socialist economy as a

planned commodity economy based on public ownership, stressing that "a fully developed commodity economy is an indispensable stage in our social and economic development as well as a necessary condition for modernizing the Chinese economy." The 13th CPC National Congress report has confirmed and developed this important thesis, thus deepening our understanding of what "backward social productivity" means. To gradually put an end to such backwardness so as to develop a commodity economy and achieve the commercialization, socialization, and modernization of production is the historical task of the initial stage. This is why the 13th CPC National Congress report has further pointed out that the initial stage of socialism in China is "a stage in which a society with the natural and seminatural economy making up a very large proportion of the whole will turn into one with a highly developed commodity economy."

The "backward social production" refers to the general situation. If we make an analysis, we will see that not everything is backward, and the fact is that there are many layers with wide differences between them, and that development is far from even in different areas, presenting a striking phenomenon where "a few areas with a relatively developed economy and a vast number of underdeveloped and poor areas exist at the same time." Moreover, the general backwardness and unevenness in economic development have led to a general backwardness and unevenness in the development of education, science, and culture.

The general backwardness of our country's productive forces and their multilayered and uneven nature, as reflected in the relations of production, not only find expression in the economic structure based on socialist public ownership as its main component supplemented by numerous other economic constituents (in this kind of structure the proportion and composition of the main and supplementary components vary from place to place), but also restrict the degree of socialist public ownership and the level of its development. These make up the characteristics of the relations of production in the initial stage of socialism. Likewise, reflected in the superstructure, this state of affairs also gives the superstructure some characteristics during the initial stage of socialism. In the final analysis, since all this is due to the backwardness of productive forces, the development of the socialist economic and political systems from an immature and imperfect state to maturity and perfection depends on the development of productive forces. As can be seen, the basic salient feature of our country's initial stage of socialism is "backward social production."

Our country's initial stage of socialism will not end until we have extricated ourselves from this backward and underdeveloped state, that is, until a modernized industrial state has been built, a highly developed commodity economy has been achieved, and socialist modernization has by and large been realized.

The principal contradiction between the people's growing material and cultural needs and our backward social production determines our central task—namely, concentrating our efforts on developing productive forces to carry out socialist modernization and solve this contradiction step by step. This is the "one central task" of the party's basic line for the initial stage of socialism—or in other words, "taking economic construction as the central task." All our work must be aimed at, be subordinated to, and serve this central task.

There is a basic question that must be solved in properly grasping the principal contradiction and the central task, and that is the relationship between economic construction and class struggle. "Class struggle will continue to exist within certain limits for a long time to come, but it is no longer the principal contradiction." This is the conclusion put forward after the 3d Plenary Session of the 11th CPC Central Committee. It was included in the party Constitution and confirmed by the report to the 13th CPC National Congress. It strengthens the elaboration on class struggle, pointing out "what it is" from the angle of "what it is not."

The modifier "within certain limits" provides us with an important methodology for looking at the question of class struggle in the initial stage of socialism. It also means that: 1) Class struggle does not exist at all times, in everything, and everywhere. The initial stage is one full of many complicated social contradictions, but most of them no longer have the nature of class struggle. 2) Class struggle that still exists should be properly solved at the exact time, on the exact occasion, and in the exact place of its occurrence. No action should be taken outside of these limits. 3) Since class struggle, generally speaking, is no longer the principal contradiction, the method of large-scale class struggle through political movement is applied in the revolutionary period should not be used to solve class struggle issues within these limits. Instead, they should be solved by applying legal methods and by education.

In no way should we overlook the class struggle that still exists within certain limits. At the same time, we should never let this class struggle take too much of our attention and affect our determination to work wholeheartedly for socialist modernization. Nor should we discard our scientific judgment and policy decision about the principal contradiction and the central task, repeat the mistake of "taking class struggle as the key link," and make our situation chaotic. The bitter lesson we learned from the errors committed after 1957 and the successful experience gained since the 3d Plenary Session of the 11th CPC Central Committee in solving this question have made us deeply aware of the importance of remembering this point well.

## VII

Reform, the keynote of the 13th CPC National Congress, is the only way that leads to modernization. What is the

significance to reform of defining and grasping the principal contradiction and central task of the initial stage of socialism in China?

It is of profound significance in the following two aspects: First, it determines the nature and purpose of our reform—to perfect and develop the socialist production relations and superstructure and to expand productive forces; and second, it sets the basic criterion for evaluating the effectiveness of each reform measure—whether it helps expand productive forces.

In the initial stage of socialism in China, the production relations and superstructure are not always suitable for the expansion of productive forces. Our basic socialist system is suited to the expansion of productive forces, but the ossified, deformed things in our economic, political, and cultural institutions, that are not suitable for the current productive forces in China, hamper their expansion. The purpose of reform is, while upholding the basic socialist system, to change the series of inter-related links and areas in the existing production relations and superstructure that are not suitable to the expansion of productive forces so as to better suit China's current level of productive forces and promote their expansion. This determines the nature of our reform—the self-perfection and development of the socialist system. Reform is different from the socialist revolution that overthrew the old and established the new social system (this is the original meaning of revolution). It is not a struggle to topple the "class of bureaucrats," the "class with vested interests," or the "privileged class." We see reform as another revolution in a broad sense, not according to the original meaning of revolution, and in terms of the extensive and penetrating social changes it will bring about. Our reform shall be carried out through the united effort of the whole party and people; it is not a struggle of one faction against another. Of course, reform will involve and readjust the interests of the various social groups, and thus cause contradictions because of conflicts of interests. We must face up to such contradictions that exist objectively and are widespread, complex, and sometimes extremely acute in nature. However, they are not the contradictions caused by conflicts of interests between antagonistic classes. Rather, they are temporary contradictions among the people with identical fundamental and long-range interests. Such contradictions can and should be readjusted by taking into account the rational interests of all quarters in the course of reform; they will be ultimately resolved through the expansion of productive forces. As for ideological contradictions emerging among the people and inside the party in the course of reform, they can and should even more easily be resolved by increasing understanding in the course of practice. Only by emancipating our minds from the realm of "taking class struggle as the key link" and firmly grasping the essence of the principal contradiction in the initial stage of socialism can we correctly understand the nature of reform, and observe and handle conflicts of interests and ideological contradictions caused by reform.

Economic and political structural reforms, which are aimed at expanding productive forces, should be understood in the light of the central task of economic construction. With this aim and central task, we simply cannot make reform for the sake of reform. Then, what is to be the criterion for evaluating the effectiveness of our reform plans and measures? It is not an abstract principle nor empty formula. Regardless of origin—as copied from books and foreign countries or invented by ourselves—the effectiveness of every reform plan or measure should be verified through our practical experience in expanding productive forces in the current initial stage of socialism in China. As practice is the criterion for verifying truth, so is the expansion of productive forces the criterion for evaluating our socialist construction and reform. “Anything that helps expand productive forces conforms with the people’s vital interests and thus is needed and permitted under the socialist system. Anything that does not help expand productive forces is against scientific socialism and not permitted under the socialist system.” By following this principle, we can emancipate our minds from all sorts of ossified ideas, boldly explore various reform measures, and overcome obstacles in the course of reform. We can also proceed in a down-to-earth manner and avoid engaging in subjective reckless reform in production relations and the superstructure.

In building spiritual civilization, it is also necessary to firmly grasp the principal contradiction and the central task in the initial stage of socialism, aiming everything at promoting economic construction and, with awareness of the serious cultural backwardness and of the strategic demand for modernization, focusing our attention on advancing educational, scientific, and cultural undertakings in order to meet the people’s growing needs and harness their enthusiasm and creativity for intellectual production. In the final analysis, the building of spiritual civilization is also to facilitate the expansion of productive forces. In the realm of ideological struggle, it is necessary not only to resist and eliminate decadent capitalist ideas but also to pay attention to overcoming rotten feudal ideas and narrow-minded and conservative ideas of small-scale production. These are precisely the manifestations of backward production in the ideological realm. The “Resolution of the CPC Central Committee on the Guiding Principles for Building Socialist Spiritual Civilization” pointed out: We must ensure that the spiritual civilization we build is capable of pushing forward China’s socialist modernization, promoting all-round reform and the opening to the outside world, and embodying the four cardinal principles. This guiding principle is precisely the embodiment of the party’s basic line of “one central task” and “two basic points” in building spiritual civilization in the initial stage of socialism.

The 13th CPC National Congress report said: “In the initial stage of socialism, and in the present period in particular, reform is an urgent historical necessity, because the expansion of productive forces has been

seriously hampered by the rigid structure that was built up over the years.” Nine years have passed in the present period, which started after the 3d Plenary Session of the 11th CPC Central Committee. It may require more than 9 years to basically reform the rigid structure and establish a system suitable for the development of productive forces in the current initial stage of socialism. After the task of reform is basically completed, it is also necessary to promote development with reform, reform carried out periodically to suit the expansion of productive forces under normal circumstances. The initial stage of socialism in China is “a stage in which, by introducing reforms and exploring new ways, we shall establish and develop socialist economic, political, and cultural structures that are full of vitality. The present period is a crucial period of reform.

## VIII

The Chinese nation, a great oriental nation with a long-standing history and culture, was always in the forefront of civilization in the ancient world. With the rise of capitalism and the Industrial Revolution in Western Europe, the West moved ahead while China lagged behind. The capitalists rose to power by exploiting the workers in their countries and plundering the people of colonial and semicolonial countries, while China’s backwardness was basically caused by the decadence of feudalism and the aggression of colonial-imperialism. Since the Opium War of 1840 the Chinese people waged a protracted heroic struggle to oppose colonialism and imperialism and overthrow the feudal rule in China. Their efforts to develop capitalism in China in order to make it strong and prosperous all ended up in failure. However, the Chinese people opened up a new historical path, that is, under the leadership of the proletariat, they bypassed the stage of bourgeois rule and full-fledged capitalism and moved toward the stage of socialism by means of new democracy. This bypass enabled us to catch up with the world’s advanced nations in the basic social system, thus creating for us the conditions to catch up with them in the development of productive forces. In the initial stage of socialism, it will take us 100 years to complete the path that took the advanced capitalist countries several centuries to finish.

More than 3 decades have elapsed of these 100 years, beginning from the completion of socialist transformation in 1956. We will have taken three steps in the new period that began from the 3d Plenary Session of the 11th CPC Central Committee and will end in the middle of the next century when we accomplish the strategic plan of socialist modernization. The first step, which is to solve the problem of food and clothing for the people, has largely been fulfilled. The second step, which is to enable the people to lead a fairly comfortable life, that is, to “get rid of poverty,” by the end of this century, can certainly be fulfilled. We should be able to achieve the third step, which is to reach the per capita GNP level of moderately developed countries, that is, to “cast off backwardness,” by the middle of the next century. If we

can accomplish the reform task of the "present period," transforming the old rigid structure into a new system under which the socialist commodity economy and socialist democracy thrive and operate effectively, before the end of this century, our economic construction in the first half of the next century may proceed at a faster pace than expected.

Is 100 years too long a period? It is too long for an individual. As far as history is concerned, however, it often requires the efforts of many generations to complete a task in the development stage. The historical task of the Chinese revolution—from 1840 to the nationwide victory of the great people's revolution in 1949—took 109 years. It is to commemorate the people's heroes who gave their lives to the numerous struggles since 1840 that we built a monument in Tiananmen Square. As for China's historical task of modernization, by taking another 109 years, counting from 1949, to build our country into a rich, strong, democratic, and civilized socialist state, we will achieve another great victory in the development of Chinese history.

In 1961, Mao Zedong told British Marshal Montgomery who was visiting China: "If we are to build a mighty socialist economy in China, 50 years won't be enough. It will require 100 years or even a longer time. In your country, the development of capitalism has taken hundreds of years. I am not counting back to the 16th century, when you were still in the Middle Ages. From the 17th century to the present, it has already been some 360 years. In China, I estimate that it will take over 100 years to build a mighty socialist economy." At the 7,000-man meeting in 1962, he said this again to comrades within the party, adding: "I hope you will expect that this task will involve more difficulties and so take an even longer time." About our country's economic construction, Mao Zedong gave many different estimates on different occasions. The above-mentioned estimate was a comparatively scientific one, an estimate he made when he was relatively sober-minded after meeting with setbacks and summing up experience. We should accept this estimate.

The estimate of 100 years does not mean in the slightest that people of our generation can relax efforts. This is like a relay race. A new record can be set only when each generation strives hard to run still faster after taking over the relay baton from the previous generation. With a sober-minded estimate, our strenuous efforts will be put on a scientific basis. If we depart from this scientific basis, we will tumble on the race track and waste our time.

Because of this, after describing the nature and characteristics of our country's initial stage of socialism, the report of the 13th CPC National Congress concludes by saying that it "is a stage in which the people of the whole country will rise to do hard pioneering work and bring about a great rejuvenation of the Chinese nation." This rejuvenation drive began as early as the founding of the

People's Republic. It has gained fresh vitality since the 3d Plenary Session of the 11th CPC Central Committee. The great rejuvenation of the Chinese nation on the basis of socialism and the appearance of a rich, strong, democratic, and civilized modern China, standing like a giant in the East, will no doubt be a striking proof of the historical superiority of socialism.

**How We Should Look at the Diverse Sectors of the Economy in the Initial Stage of Socialism**  
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[Article by Shi Zhongquan [4258 0112 3123] and Chen Yunquan [7115 4596 3123]]

[Text] Since we began reform and opening to the outside world, there has been rather quick development of the individual and other non-public ownership sectors of our economy. In some localities, departments, industries, and trades, these economic sectors have grown particularly fast, and their proportion in the whole economy has risen remarkably. The report to the 13th national party congress lists the development of a diverse sector economy with public ownership playing the dominant role as one of the historical tasks for the initial stage of socialism. This is a viewpoint of extreme importance. How should we look at the development of these diverse economic sectors at the initial stage of socialism? What is their difference from the various economic sectors during the transitional period? This article will state some opinions about these questions.

I

It has been 70 years since the October Revolution when the theory of socialism became reality. During these 70 years, socialist practice has brought about the advance of the theory of scientific socialism, and with the development of this practice, people's understanding of socialism has deepened. An important aspect of such an understanding is the cognizance of the structure of socialist ownership.

Marx and Engels envisioned that at the first stage of communism all means of production are owned by the whole society, or in other words, a unitary system of ownership by the whole people is implemented. Nonetheless, the Soviet practice in building socialism changed this concept. It was believed that a country with a not well developed economy might adopt two kinds of public ownership of the means of production—namely ownership by the whole people and collective ownership—in building socialism. For nearly a half century since then, people have viewed socialism as meaning a society with such a unitary public ownership. However, with some socialist countries trying to explore new ways for building socialism, the above concept has been changed. Insofar as our country is concerned, after the 3d Plenary Session of the 11th CPC Central Committee, as a result of summing up the positive and negative experiences in

building socialism, the party Central Committee has come to understand that the basic task of a socialist society is to develop the productive forces, and in order to do so, it is imperative to implement the policy of conducting reform, opening to the outside world, and invigorating the economy and to develop various non-public ownership economic sectors while persisting in letting socialist public ownership play the dominant role. Thus, a new concept has come into being: At the initial stage of socialism, the structure of the ownership system is such that various kinds of ownership coexist, with socialist public ownership playing the dominant role.

Why should diverse economic sectors be developed at the initial stage of socialism? This is mainly because of the level and condition of our productive forces. To judge whether or not the structure of the ownership system of a society is reasonable, we must see if it promotes the development of the productive forces. Blindly seeking absolute perfection of the relations of production regardless of the level of the productive forces does not agree with the Marxist viewpoint. In our country, there are the following specific reasons for developing diverse economic sectors at the current stage:

First, despite the considerable development of our social productive forces during the 30-plus years since the founding of the People's Republic, the general level of our productive forces is not very high, and their development is quite uneven. As far as social production in our country is concerned, there is modernized mass production based on advanced science and technology on the one hand and backward small-scale production on the other. On the one hand, mechanized and automated operations are demonstrating their mighty capabilities; on the other hand, it is still hard to replace the large amount of manual labor for the time being. In order for our relations of production to cope with the different levels of productive forces and the varying degrees of socialization of production, it is necessary to require the coexistence of diverse forms of ownership.

Second, since our country has a vast territory and a large population, diversity is noted in both the work of production and construction and the daily needs of the people. The state-owned economy cannot fully meet the diverse requirements of society in terms of its present management system, productive capability, and operational methods. This necessitates not only the development of the collective economy but also the development of individual and private economies so as to take advantage of their flexibility in production and operations to provide commodities and services to satisfy the diverse needs in society and make up the inadequacies of the state-owned economy.

Third, with limited financial resources and the people's livelihood still not well off, China is confronted with a number of social problems, including employment for several million people annually. In order to solve the problems, it is necessary to mobilize all positive factors

by harnessing the initiative of state, collective, and private sectors of the economy and, while ensuring key state construction projects, encouraging collectives and individuals to set up undertakings such as village and township industries, handicraft factories, building trade, transportation, commercial, cultural, and educational enterprises, to meet the needs of our society and people. By so doing, we can provide more job opportunities while promoting the urban and rural economies, as well as lighten the state burden while satisfying social needs and making the people's life more convenient.

Fourth, with the current socialist material and technological foundation, China still has a long way to go to accomplish the gigantic goal of modernization. In order to expand and develop this foundation, it is necessary, while relying on ourselves for national economic construction, to increase economic and technical exchanges with foreign countries, induce foreign capital, encourage foreign businessmen to set up joint or cooperative ventures or solely foreign-owned enterprises in China, and make them a supplement to the state-owned economy as a component of the non-public sectors of the economy.

To develop diverse economic sectors with public ownership playing the dominant role in the initial stage of socialism is a special historical phenomenon which exists objectively in the process of socialist construction in China, an economically underdeveloped country. It will continue to exist in the initial stage of socialism for a long time to come and advance socialism to a higher level.

## II

The diversified economy in the initial stage of socialism is phenomenally similar to that in the transitional period. However, there exist fundamental differences between the two.

In the transitional period where the socialist public ownership system was newly established, the state economy, though a leading factor, still did not play the dominant role as far as the volume was concerned. In the initial stage of socialism where the primary socialist material and technological foundation is suitable for the expansion of socialized productive forces, the state-owned economy has become a powerful leading force in the national economy, and it is absolutely dominant over other sectors of the economy. This is the most important difference between the diversified economy of the initial stage of socialism and that of the transitional period.

The transitional period began after the founding of the PRC and ended at the completion of socialist transformation. The coexistence of diverse economic sectors was most salient in 1952. During that year, the socialist state-owned economy grew by a big margin while non-public economic sectors registered a considerable increase because the transformation had not yet been carried out. According to statistics at the end of 1952, the

state-run economy produced 19.1 percent of the national income; the cooperative economy, 1.5 percent; individual sectors of the economy, 71.8 percent; the state capitalist economy, 0.7 percent; and private capitalist economy, 6.9 percent. In other words, the socialist and semi-socialist economies had not yet become dominant (the two totaled less than a quarter of the national income). The individual economic sectors still dominated the national economy at that time. Of course, with the expropriation of bureaucrat capital, the state-run economy controlled major factories, mines, and enterprises, as well as banking, foreign trade, posts and telecommunications, and transportation, the lifelines of the national economy. However, in terms of the gross national industrial output value of 1952, state enterprises still contributed only 41.5 percent; collective enterprises, 3.2 percent; joint public-private enterprises, 4 percent; private enterprises, 30.7 percent; and individual handicraft factories, 20.6 percent.

After the completion of socialist transformation in 1956, China's economic structure underwent a fundamental change. The 1956 national income showed that the state-run economy contributed 32.2 percent of the national income; the collective economy, 53.4 percent; joint public-private enterprises, 7.3 percent; private enterprises, 0.1 percent; and individual factories, 7.1 percent. The portion of public-run enterprises in the first three categories (joint public-private enterprises calculated as half) reached 89 percent. In the gross industrial output value, the state-run economy rose to 54.5 percent; the collective economy, 17.1 percent; joint public-private enterprises, 27.2 percent; private enterprises, 0.04 percent; and individual handicraft factories, 1.2 percent. The first three categories of publicly owned economic sectors totaled over 85 percent. Of course, the socialist transformation also had its inadequacies, such as changes that were too fast and unnecessary and demands that were too pressing. By and large, however, it established the predominant position of the public ownership system and, therefore, it was necessary and successful.

The predominant role of the socialist public ownership has not been affected by the development of non-public economic sectors since the 3d Plenary Session of the 11th CPC Central Committee. The portion of state and collective enterprises in the national economy has increased over 1956. Take, for example, the gross industrial output value of 1985: state enterprises produced 63.1 percent; collective enterprises, 35.2 percent; joint enterprises (including enterprises jointly run by the state and private sectors and by collectives and private sectors, as well as joint ventures by the state or collectives with foreigners, Overseas Chinese, or businessmen from Hong Kong and Macao), 1.3 percent; individual and private enterprises, 0.4 percent; and enterprises solely owned by foreigners, a tiny bit less than 0.04 percent. The state and collective enterprises totaled 98.3 percent. Of course, as the portion of the socialist state-run economy and the structure of the diversified economy vary in

each area (such as coastal or interior area) and department (industrial or transportation enterprise, or agricultural or commercial unit), and according to the size of the enterprise (large or small), the situation differs in various areas, departments, and enterprises. Along with the implementation of the policies of reform, opening, and economic invigoration, non-public economic sectors will continue to grow, but the socialist state-run economy will continue to grow too. The growth rate of non-public economic sectors may be faster, but they will not constitute too large a portion of the national economy and will not affect the predominant role of the public ownership system because of the state macroeconomic control and regulation. As the reform is deepened, the managerial system, operational method, and distribution form of the state-run economy will undergo changes. But, the separation of ownership from managerial authority and introduction of new managerial forms (such as contracted, leasing, and stock systems) will not change the nature of public ownership in the state-run economy, except for a small number of enterprises sold to non-public economic sectors.

### III

The diversified economy of the initial stage of socialism is also different from that in the transitional period as far as the relationships between public and non-public economic sectors and between the portion of non-public sectors and the demand for expanding the productive forces are concerned.

Before the socialist transformation, the contradictions were acute between the public and non-public sectors of the economy. At that time, the private sectors could depend on the socialist economy or the capitalist economy. The contradiction between the socialist economy and the capitalist economy was the principal contradiction in the transitional period. The antagonistic relationship between the two formed the basic relationship between various economic sectors during the period. In the final analysis, the antagonistic relationship was a contradiction between the private ownership system, which hampered the expansion of the productive forces, and the demand of the broad masses of liberated laborers for expanding the productive forces. As the development of the contradiction affected the national economic construction and political stability at that time, it was inevitable to carry out socialist transformation on the private ownership system of the means of production.

The relationship among the various types of economic activities which have sprung up following the development of the non-public economic sector in the initial stage of socialism is totally different from that between the non-public and public economic sectors during the transitional period. The private and individual businesses in the transitional period were products of the private ownership system of capitalism and small production of the old society. They were intrinsically incompatible with the newborn social productivity. The

present burgeoning non-public economy is not entirely a continuation of the non-public economy in Chinese history, because, first, its development has been initiated and supported by the state, and second, it only exists in limited areas. The non-public economic sector has played a necessary, beneficial, and supplementary role to the socialist economy of public ownership in developing production, meeting the people's daily needs, and expanding labor employment. Since it is subordinate to the socialist economy, it cannot stand up to the latter as an equal, nor can it contend with the latter for leadership. Therefore, basically, there is no antagonistic relationship existing between the public and non-public economic sectors during the initial stage of socialism.

Marx said: "In all forms of society, there is always a certain type of production that is dominant over the status and influence of all other production. Thus, its relations also dominate over the status and influence of all other relations. It is a kind of light that illuminates all things, and in which all other colors are concealed and change their characteristics." ("Complete Works of Marx and Engels," Vol 12, p 757) In the initial stage of socialism, the socialist system of public ownership is precisely this kind of light that illuminates all things. It "changes the characteristics" of and restricts and guides the non-public economic sector to develop in the orientation desired by the socialist public ownership system. This would have been impossible in the transitional period prior to the completion of socialist transformation.

It should be pointed out that despite their principal role in serving socialism, the private and individual economies in the initial stage of socialism are themselves not socialist economies. Certain contradictions still exist between the private and individual economies and the public economic sector and the state's needs. Therefore, a series of principles, policies, and measures are needed to minimize their negative role in harming the interests of the state and society and threatening the public economy. Not permitting them to exist and develop solely because of their negative role would not be in the interests of the objective need to develop productivity in the initial stage of socialism. On the other hand, not adopting correct principles, policies, and measures to constantly solve the contradictions between the non-public and public economic sectors would also adversely affect the coordination between and the development of the two economic sectors, bring harm to the socialist cause, and be inconsistent with the general trend of development of the initial stage of socialism.

#### IV

Fundamental differences in economic structure also exist between the initial stage of socialism and the transitional period as reflected in class relations. An exploiting class existed in the transitional period, while in the initial stage of socialism, the exploiting class as a whole has been wiped out and will never appear again.

In the transitional period, the private ownership of the means of production formed a foundation which produced an exploiting class and provided for their existence. In the economic structure, five economic elements coexisted with one another. In class relations, both the working and exploiting classes coexisted side by side. The land reform wiped out the feudal landlord class. The victory of socialist reform of the capitalist industry and commerce signaled the elimination of the bourgeois class by means of a peaceful buy-out policy. The completion of socialist transformation meant that China had entered the initial stage of socialism from the transitional period.

In the initial stage of socialism, the exploiting class as a whole no longer exists. Although due to historical, present, international, and domestic reasons, class struggle will continue to be with us for a long time to come; however, it is no longer the principal contradiction in the Chinese society and will have only limited influence in certain areas. Following the development of various types of economy, and because of the coexistence of various economic elements and the complexity of various types of economic activities, differences in social income are bound to appear. On the one hand, because of the implementation of various forms of distribution systems under the general principle to each according to his work, not only will there be differences in labor income as well as in income generated by other legal means, but there will also be unearned income permitted by state policies. On the other hand, because of inevitable loopholes due to the imperfection of some economic policies during the transition period between the old and the new as well as certain unhealthy tendencies, some individuals may become bourgeois elements. But they will never become a new exploiting class. Because the private economic sector is only a supplement to the socialist public ownership system, and because it is favorable to upholding socialism, it will be allowed to develop to a certain extent, but its capitalist orientation will be subject to restrictions. On the one hand, the various distribution systems are aimed at encouraging a part of the people to become well-off first; yet on the other hand, they are also aimed at preventing polarization and upholding the socialist principle of riches for everyone. The political power in a nation under the people's democratic dictatorship does not permit the birth of an exploiting class that threatens socialism.

Comrade Deng Xiaoping points out: Individual economies and joint ventures "can by no means lead to polarization between the rich and the poor. If they do, then the reform is a failure. We have taken care of this while formulating and implementing the policy. Will a new bourgeoisie be engendered? Individual bourgeois elements may appear, but there will never be a bourgeois class." ("Building Socialism With Chinese Characteristics," revised and enlarged edition, p 118)

#### V

If we understand that the difference between the various types of economic elements during the two stages does

not represent a historical retrogression in the development of the various types of economic elements during the initial stage of socialism, then it would not be difficult to arrive at the correct solution.

We can only rely on the socialist ownership system as the principal means to establish socialism in an economically backward country like China; we cannot establish a purely unitary ownership system. Socialist ownership can only develop along with the gradual expansion of the forces of production; it is impossible to change all the means of production to public ownership in a short time. To develop the economic elements of a diversified economy is not a retrogression to the transition period; rather, it represents a substantive distinction from those of the transition period. To affirm the correctness of socialist transformation is not to affirm the correctness of the unitary ownership system as an economic model after the completion of socialist transformation. The former is in accord with the development of the forces of production, but not the latter. The mistake in the past was in confusing the two with one another. A unitary ownership system of economy should be developed after socialist transformation has been successfully carried out. People have already recognized that the development of many types of economic elements are the objective requirements of the initial stage of socialism. As we energetically develop the principal elements of a socialist economy, we must also resolutely develop the economic elements of a non-public ownership system.

### On Dialogue

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[Article by Liu Ji [0491 0679]]

[Text] Dialogues are a new and effective means for conducting ideological and political work during the new period. They serve as a new approach in carrying out socialist democratic and political construction at the present stage.

The 3d Plenary Session of the 11th CPC Central Committee ushered the nation into a great period marked by historic changes, which have affected all social sectors, causing changes in people's personal interests, status, and concepts; and buffeting and shaking their code of conduct, mentality, value. With a mental state never before so active, they are eager to understand the series of major issues of the state, and why leading authorities made the decisions they made and how they are going to carry out their plans. Owing to differences in age, experience, literacy level, social status, and even personal interests, different people hold different views toward reform and opening to the outside world, the current situation and tasks, the general and specific policies, their ideals and the realities they have to face.... And they will ask all sorts of questions, hoping that they will receive satisfactory answers. Meanwhile, leading party and government organs also aspire to understand the

masses' views and appeals, opinions of the management of their units as well as state affairs, and their suggestions and criticism so that party and government organs can promptly improve their work and implement the party's lines and policies as well as the plans of the leading authorities. Dialogues will help promote mutual understanding and trust between leading authorities and the masses, broaden the channels of communication between the party and government on the one hand and the masses on the other. Through exchange of views and dialogues on an equal footing, they can also help the masses reach a consensus.

Over the past several years, I have had over 300 face-to-face "dialogues" with young people and received over 5,000 letters and over 8,000 questions from them. These dialogues make me deeply realize that young people are the most sensitive people in society, and they are the barometer of our time. Even the slightest social changes will set their minds in motion and prompt them to raise a variety of questions and study different solutions. One of the missions of ideological and political workers is to make timely analysis of the new mentalities emerging during the course of social transformation and provide guidance. I am deeply convinced that dialogues with young people and answering their questions are essential for understanding what they think and want, and for keeping pace with the pulse of the times and providing answers to the issues.

### All Kinds of Strange Questions

Each session of the dialogues I had was attended by at least a dozen or so people; and larger sessions were attended by as many as 1,000. Placing the dialogists at different positions, these young people would ask them all sorts of strange things, some were inquiries, some were friendly and humorous questions, and some were fault-finding inquiries. I have categorized the motives of those who questioned me into four types: they wanted to obtain answers from me; they wanted to test me; they wanted me to do something for them; and they wanted to embarrass me. The statistics I have obtained from categorizing 5,000 questions raised by the masses show that 80 percent of the questions were inquiries, 15 percent were petitions; 4 percent were meant to test me; and 1 percent of the questions were meant to put me on the spot. This shows that the overwhelming majority of people who raised the questions were inquirers.

By inquiries, I mean that young people wanted me to explain certain issues resulting from changes in their families, units, or society, which they could not answer and which were bothering them. They asked, for example, why were some young people apathetic to ideals and convictions? My answer was: This is because the "gang of four" has deceived and fooled the people by means of bogus communism, and young people have gone from one extreme to another. In the wake of the disturbance caused by some spectators during a soccer match in Beijing on 19 May 1985, some young people asked me:

What is your comment on the resignation of the coach, Zeng Xuelin? I answered: A strong man should have the courage to come forward when he is needed, and he should also have the courage to step down at the right time. When he found his ability had fallen short of his wishes, coach Zeng decisively resigned. Viewed from another angle, his resignation reflected the spirit of the changing time. I applauded his resignation! Following the student upheavals at the end of 1986, students of the Hefei University of Science and Technology asked me: Are those who paraded in the streets proponents of bourgeois liberalization? I answered: Bourgeois liberalization has a definite meaning that can be observed in opposing the four cardinal principles, in trying to shake off the CPC leadership, in discrediting the socialist system, and in advocating the capitalist course. In this sense, the paraders should not be called proponents of bourgeois liberalization; nevertheless, they were indeed influenced by bourgeois liberalization.

By saying that they wanted to test me, I mean that some young people, who were skeptical about what their leaders or other people had told them and who did not trust their assessment of me, wanted to test my abilities themselves and see whether I also spoke and acted like a bureaucrat; and that they would be convinced if my answer satisfied them. During one dialogue, some young people asked me: Whose contributions are greater, yours or Bu Xinsheng's? I answered: Bu Xinsheng is a well-known reformist, and I am just an ordinary ideological and political worker. Although our contributions are different, our objective is the same. Then they asked: What do you think when Bu Xinsheng knows how to handle a worker within 5 minutes, but you have to spend 5 months before you can change a worker? I replied: Modern business management can be handled by administrative, legal, economic, and educational measures, and I think they should be applied comprehensively at the same time. It is true that Bu can handle a worker within 5 minutes and I have to spend 5 months to change a worker. However, if we can combine our individual measures, business management will be even better and become more dynamic. A student of the Hefei University of Science and Technology asked me: I think the president of a university is an academic symbol and a party committee secretary is the symbol of authority that has been imposed on us; what sort of measures are you, Secretary Liu, going to take to change our view? I answered: In our country, university presidents and party committee secretaries are commissioned by the party and the people to properly administer the universities together. Their job is primarily one of upholding the educational course and training proficient personnel badly needed by the state. They must have these same qualities. It is improper to identify them as "academic symbol" and "symbol of authority." As to what I am going to do, I should like to say that I am willing to serve you wholeheartedly and be your bosom friend.

By saying that they wanted me to do something for them, I mean that some young people, after their requests and opinions were rejected by the leading authorities, wanted

understanding and support. Questions asked in such a context have the characteristics of a plea. For example, some dance enthusiasts asked me: What do you think of disco dance? I said: Disco dance has a quick tempo, and since there are no rules to follow, you can dance whatever way you like; it is a very contemporary dance. Some young people who are not interested in dancing asked me: Is it proper for some units to have set a deadline to wipe out illiteracy in dancing [wu mang 5294 4159] so as to eliminate the inaccessible corners? I replied: If they permit people to be dancing experts, they should also tolerate those who are willing to remain dancing illiterates.

When I said that some people wanted to put me on the spot, I mean that an extremely small number of people who, having developed a prejudice and aversion toward ideological and political work, would do nothing but try to create trouble and want me to answer their cynical, sarcastic questions, which I still managed to answer with sincerity. On one occasion when I delivered a report at a college, I received a note with some questions, including this challenging one that asked: Do you dare to answer these questions publicly? I answered those questions one by one. One question read like this: Some people say political and ideological work resembles the work of some clinical departments: the facial features department, because the features it pays attention to are facial features of a bureaucrat; the oral disease department, because it plays with verbal skills; and the pediatrics department, because it can deceive nobody but little kids. Do you think this observation is appropriate? I answered: Ideological and political workers today are therapists who try to convince people with reason, influence them imperceptibly, and improve their health. So you have nothing to worry about. Then he asked: Do you know what sort of political cadres we dislike most? I answered: Those who are arrogant, intolerably bureaucratic, and unreasonable; and those who talk with a mouthful of principles. Then he asked: What are the taboos of ideological and political work? I answered: The taboos are: cudgeling people, labeling them, finding faults with them, jotting down their mistakes, and filing people's faults in an envelope. He continued to ask: Would you please tell us how you approach your immediate superiors? I answered: I follow the three-don't doctrine: I do not fawn upon them; I do not lick their boots; and I do not say bad things about them behind their backs. When I finished my report and walked out of the auditorium, I found that young fellow who wrote me the note waiting for me at the entrance. He thanked me and we warmly embraced. The hostilities turned into friendship.

#### **Sincere, Cordial, Equal**

The purpose of dialogue is to exchange ideas and promote mutual understanding with an open mind, thereby enlightening, influencing, and nurturing people with a philosophy and enabling them to distinguish between rights and wrongs, strengthen the conviction, and raise the level of mental state.

The basic requirement for a dialogue is that it must be realistic, well-intentioned, and interesting. In our everyday life, people do not take in every bit of information the outside world offers, and they show their preference, at varying degree, for the information they can accept, which requires a process of assimilation. Therefore, in conducting a dialogue, it is necessary to offer ideas and views true to the reality of life that can be accepted and assimilated by people, instead of those against the reality that are rejected by people. This is why a dialogue must have realistic contents, be well-intentioned, and sound interesting. A dialogue that advocates self-sacrifice is to enable people to lead a more meaningful life; one that publicizes plain living and arduous struggle is to make people be more contented with their living; one that exposes ugly phenomena is to get rid of them; and one that reveals a truth is to safeguard it. During a dialogue session with the students of the University of Science and Technology, a freshman asked me: What do you think of college students' love affairs that have gone from covert to overt and have now reached a peak? I replied: I have always called for close friendship in general between college students. However, it should not be developed to a fervent love affair too soon, especially for freshmen and sophomores who are only 17 or 18 years old and have not even completely grown up yet. As for a love affair between senior or postgraduate students, so long as they can properly handle it, I have nothing to say. No sooner had I finished talking than a postgraduate student stood up and asked me what I meant by properly handling a love affair as he had already found a marriage partner. I said: From what I have learned about college students' love affairs, my advice is that, first of all, a love affair should not interfere with your study because you are still a student; second, you should draw a line between a fiancée and a friend as you can have as many friends as you want but can have only one marriage partner; and third, you should distinguish between things done before and after marriage and should not do things ahead of time. My reply was realistic, advice well-intentioned, and thus easily accepted.

Dialogue must be interesting. People nowadays lead a diversified life which reflects in their colorful thinking. Therefore, in conducting the ideological and political work, it is necessary to use lively, elegant, humorous language so as to make the ideological and political education more appealing to young people. During a dialogue with young people on marriage and family, a question was raised: What do you think of the criteria used by the youths of the 1980's in selecting marriage partner? Here is my answer: It is entirely normal for one to go out to select a marriage partner. Young women today select a marriage partner according to five criteria, i.e., he must be tall and talented, have good education and profession, and receive a high salary; while young men want a wife who has the face of an actress, the body of an athlete, the attitude of a sales clerk, the voice of an announcer, and the skills of a chef. Very few people meet

these qualifications, I said. So long as they can get along with each other, the marriage will work. My advice was well received by the audience.

A good dialogue, I believe, must have the following characteristics:

First, it must reflect the reality. Truthfulness is a manifestation of confidence and strength; it is the lifeline of ideological and political work. In analyzing a situation, we must discuss both achievements and problems, as well as the measures taken by the party and the government to overcome difficulties so as to help people correctly assess the principal and secondary aspects of the situation. As for problems which people cannot understand at once, it is necessary to patiently explain the truth and policies and use the method of presenting real facts and reasoning things out in a comprehensive manner. To tell lies is a taboo of the ideological and political education.

Second, it must be sincere and frank, treating the audience like friends, trusting, understanding, and respecting them, and discussing questions and exchanging ideas with them on an equal footing. In explaining difficulties and giving an account of personal experience, a leader must answer questions straightforwardly and express his views in a clear language with a patient, cordial, natural and amiable attitude so as to bring himself closer to the masses of people, understand them better, and create a united and harmonious atmosphere and environment.

Third, it must stress the importance of knowledge. In the course of carrying out ideological and political education, in order to enlighten the audience and enable them to strengthen their conviction and learn how to conduct themselves in society, it is necessary to incorporate theoretical study, science, technology, literature, and arts in the dialogue.

Fourth, a good dialogue must be conducted in a simple and humorous language with abstruse philosophical meaning, and it must be fair, reasonable, and passionate so as to influence as well as provide spiritual entertainment for the audience.

#### **A New Effective Way for Conducting Ideological and Political Work**

Dialogue can easily create an atmosphere of voluntary participation in pondering a problem with others, under which everyone goes out to seek the truth but not to beat the others. In this way, dialogue embodies the spirit of democracy, liberty, and equality. A high degree of democracy is our fighting goal as well as our means to achieve it. Such a relationship between the end and the means of democracy vividly reflects itself in a dialogue session. In conducting a dialogue with ordinary people, a leader must understand them, place himself on an equal footing with them, and assume an extremely modest attitude. He must also be their role model in their

everyday life. Otherwise, it will be impossible to conduct the dialogue. By going deep to the grass roots to conduct dialogue with ordinary people, a leader actually reveals his quality, moral character, work style, and ability to the masses and thus places himself under the supervision of the masses. This should be a good medicine for correcting unhealthy tendencies in the party and getting rid of the deep-rooted bureaucracy.

In the past, the ideological and political work was conducted in the manner of one-way traffic, that is, the leader spoke while the masses listened. A dialogue is a two-way matter, and in the course of questions and answers, the two sides state their own as well as listen to and ponder the other's opinions, thus demonstrating the characteristics of two-way communication of modern education. As the contemporary youths call themselves "all-channel frequency," "stereo-type," and "multi-functional," all ideological and political workers must constantly raise their quality so as to arouse an echo from the youths. Otherwise, by repeating the same old stuff, they can become "persona non grata" among the youths.

An interesting dialogue is an integration of science, democracy, and arts in the ideological and political work. In holding a dialogue, it is necessary to make serious preparations beforehand, conduct sincere exploration in the process, and put everything in action after the dialogue. In reality, not all dialogue sessions turn out as expected. Some are very fruitful, others yield marginal or even disappointing results, depending on the quality, self-cultivation, attitude, and method of the two sides and the "climate" of the dialogue. In my opinion, in order to make a dialogue successful, it is necessary to pay attention to the following five points:

First, one should not take the advantage of his position in making arrogant remarks. Since the two or more participants in a dialogue are on an equal footing, they must respect and treat each other with sincerity in discussion and frankly state their opinions so as to dispel suspicion and alienation between them. The purpose of dialogue is to discuss questions which do not have a ready answer. In making up each other's deficiencies through dialogue, it is necessary to recognize that either side could be correct or incorrect. Therefore, in order to smooth the process of a dialogue, it is necessary to do away with the bureaucratic airs of trying to suppress the audience with one's high position and to refrain from using a commanding tone.

Second, one should be able to take in different opinions. The majority of people who make suggestions and criticisms of the leaders and leading organs during a dialogue session are often motivated by their kind concern for reform and the party. It is necessary to affirm and protect such initiative of the masses. Even if they state a biased opinion or use sarcastic language, they should be

allowed to finish their statement and then given a patient explanation of problems. In short, it is necessary to assume a modest and sincere attitude in listening to criticisms.

Third, one should not blindly accommodate himself to his listeners. In participating in a dialogue, it is necessary to uphold principles and convince people by reasoning. As people observe problems from different angles and under different conditions, their understanding of problems can hardly be the same. Therefore, while trusting people's ability for self-education, it is necessary to go all out to criticize erroneous statements and views regarding a question of principle and carry out the necessary well-intentioned persuasion instead of tolerating or even echoing with erroneous views. If the persuasion is not successful at once, it is also necessary to clearly state one's own views. In this way, one not only holds himself responsible to the party and the people but also shows concern for his comrades.

Fourth, one should not drag in all sorts of irrelevant matters and make impertinent remarks in the course of a dialogue. It is necessary to make ample preparations before a dialogue session in order to throb with the pulse of the audience, grasp the crux of a problem, accurately assess the ideological trend, and predict questions that the audience may ask as well as answers one shall prepare, thereby achieving the optimal results. Questions and answers should not be too long, trivial, and redundant.

Fifth, one should not wait until problems pile up and an "emergency situation" arises. Dialogue is not a measure of expediency to deal with an "emergency situation"; it should become a system for a long time to come and be carried out through various channels and in different forms. In encouraging the masses to freely air their views, dialogue sessions should become a place for them to speak out and dispel doubts. In this way, leaders can promptly listen to opinions and suggestions of the masses and effectively improve the work, instead of waiting until problems pile up and the masses are disgruntled to start a dialogue which can hardly produce any result.

#### **Dialogue Should Become a System**

Ours is a socialist country in which the masses of people are the masters of the country. They know about important events and discuss important issues in the country. The citizens have the right to know about the development of a major situation in the country and the leaders have the duty to report such situations to the masses. It is necessary to gradually make public the activities of party and government leaders and leading bodies so as to bring into full play the supervisory role of the masses and encourage their criticism of shortcomings of our party and government. In general, our leaders and leading bodies at different levels try to do their job well and assume a prudent and responsible attitude in handling

problems. However, the masses often do not understand the leading bodies' activities, intention, and difficulties, while their own demands and voices are also not smoothly reported to higher authorities. Nowhere can the masses offer suggestions and pour out any grievances. Therefore, direct consultation and dialogue between leaders and the masses can help each side promptly and accurately know the other's views without impediment, thus enabling people at all levels to understand each other and facilitating correct handling of contradictions among the people and reconciliation of various social interests. We may as well say dialogue marks a significant change in the ideological and political work of the new era, and it is an innovative way for upholding the party's fine tradition in the ideological and political work under the situation of reform and opening, as well as an effective means for promoting socialist democracy.

Dialogue has been carried out at various levels, in different forms, and through diversified channels in China during recent years. It is time to summarize the experience and establish a system of dialogue by the central and local governments as well as enterprises. To this end, it is necessary to formulate rules and regulations that clearly define which problems are to be resolved by which units or organizations, through consultation and dialogue. The consultation and discussion on issues that are important at the national, local, or grass-roots level should be conducted at that level. It is necessary to clearly define the responsibilities at each level and to set the time, place, and form of a dialogue session, and announce it to the public so that it can be known by everyone. It is also necessary to use modern communication means, as well as forms and methods of dialogue acceptable to people at different levels and making different demands. In addition to face-to-face dialogue, the discussion can also be carried out at press briefings and press conferences during which leaders answer reporters' questions, on radios, telephones, and televisions, and through correspondence. In this way, the consultation and dialogue on the ideological and political work can gradually become a system and be carried out on a regular basis.

### **The Contract System Is a Useful Exploration of Separation of Two Powers**

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[Article by Gao Di [7559 3695], secretary of the Jilin Provincial CPC Committee]

[Text] In his report to the 13th CPC National Congress, Comrade Zhao Ziyang pointed out: "The contractual, leasing, and various other forms of responsibility systems today are a useful exploration of the separation of the two powers; they should be constantly improved and perfected in the course of practice." The experience gained by Jilin's industrial enterprises operating under the contract system over the past 5 years proves that the

system certainly is indispensable for developing productive forces in society and accepting the challenge posed by the development of commodity economy, and that it is an effective way to deepen reforms and invigorate enterprises, as well as a useful means to separate the two powers.

## I

The contract system started in the rural areas. After the 3d Plenary Session of the 11th CPC Central Committee, the contracted responsibility system which links remuneration with rural households' output—fixing output contracts for individual rural households—mushroomed throughout the whole country, promptly ending the situation where agricultural production was at a standstill. Although the system started quite late in Jilin, we spent only a year or two to cover the same distance covered by other provinces over a period of several years, and achieved even more noticeable results. Prior to the adoption of the system, Jilin's grain output remained at the level of about 9 million metric tons annually. With the enforcement of the system in 1982, the grain output in that year exceeded 10 million metric tons. In 1983, the output reached 14.8 million metric tons. In 1984, it exceeded 15 million metric tons.

The enormous power of the contract system was thus manifested in the rural areas. Could we apply the basic experience gained in the rural areas in the cities and introduce the contract system to the cities? That was the important and pressing issue we had to make a decision on.

Jilin had a relatively weak industrial foundation, and the efficiency of its enterprises was rather low. And because there were many heavy industrial enterprises and not many light and textile industrial enterprises, it encountered many problems in restructuring industrial production. In 1981, as many as 42.5 percent of the industrial enterprises operated in the red, losing a total of 248 million yuan. Since people relied on agriculture for food and on industry for money, our enterprises' financial losses gave rise to financial deficits, seriously hindering the development of other projects.

What could we do? We held that reform was our only way out and that we could make money by promoting the contract system. In 1982 we began to institute the "fixed quota contract system" in unprofitable enterprises. Under that system, an enterprise would not get any additional budgets if its deficit exceeded a certain ceiling, but if its losses fell below the limit, it could retain the unused budgets for its own disposal. Meanwhile, in some cities all enterprises began to operate under the contract system. Instant success was achieved. In that same year, financial losses incurred by enterprises dropped 21 percent, and the amount of profits turned over to the state increased 13.7 percent, showing an improvement in their financial and economic situation. In 1983, all state-operated enterprises in Jilin began to operate under the

contract system. Over the last 5-year period since then, these enterprises have registered steady growth in output values, profits and taxes, and revenues. During the 1983-86 period, the average annual output of Jilin's industrial enterprises operated with state budgets increased 11.2 percent, the amount of profits and taxes delivered to the state increased 15.7 percent, and revenues increased 18.5 percent. During the first 9 months of this year, the province's industrial output value increased 15.5 percent, industrial enterprises operated with state budgets turned in 30 percent more profits and taxes to the state, and their revenues increased 19.8 percent.

## II

The contract system's success could primarily be attributed to the separation of the enterprises' ownership and operating rights.

Ownership and operating rights are two different things. Ownership determines the nature of an enterprise, whereas operating rights determine its efficiency and performance. In a feudal and capitalist society, ownership and operating rights are usually separate. With the exception of a few operating landlords, most landlords usually do not directly operate their land. And not all capitalists directly operate their factories either. Those who have money do not necessarily have the necessary talent, and they are not necessarily willing to do hard work such as by running an enterprise. Does a socialist enterprise owned by all the people also need ownership and operating rights? Can ownership and operating rights be separated in such an enterprise? Our answer should be positive.

Comrade Zhao Ziyang pointed out in his report that "enterprises owned by the whole people cannot be operated by the whole people, and it is usually improper for the state to operate them directly; if the state insists on doing so, it will only suffocate the enterprises and their vitality." This observation has been proven by facts.

For a long time, enterprises owned by the whole people were directly operated by the state. Their production was planned, their capital borrowed, their raw and semifinished materials allocated, the marketing of their goods monopolized by the state, all their profits had to be delivered to the state, and their losses were written off by the treasury. This way of operation, in addition to the egalitarian distribution system within the enterprises, encouraged them to share what was in the "big pot" of the state, and encouraged workers to share what was in the "big pot" of the enterprises. It was natural for the enterprises to be inactive and lifeless.

Under the contract system, an enterprise is owned by the whole people, who are represented by the government. The operating rights, however, belong to the enterprise, which is represented by the director. When ownership is tied to profits, whoever owns the means of production is

entitled to the profits made. When an enterprise undertakes a state contract, it is obligated to deliver the right amount of profits to the state.

How much profit should an enterprise deliver to the state? Should the amount of profit stipulated in the contract be changeable or unchangeable? Experience shows that it is better if the amount is unchangeable. After becoming a contractor, an enterprise must deliver to the state the amount of profit it is obligated to deliver, except when it encounters objective, insurmountable difficulties. After fulfilling the state quota, the enterprise can keep the remainder. If the enterprise is unable to fulfill the state quota, it has to make up the shortage with its own reserves. This is what is known as "fulfilling the base figure, ensuring the state's share, keeping the surplus, and making up the shortage."

Only when an enterprise is bound by a contract in which the amount of profit to be delivered to the state cannot be changed, will the enterprise feel pressured and be forced to take action. If the amount of profit to be delivered to the state is changeable, instead of unchangeable, this is tantamount to saying that the state and the enterprise will share the risk, thus reducing the pressure on the enterprise. On the other hand, if the state wants a larger share of profits from an enterprise, and intensifies its intervention in that enterprise for this purpose, this will affect the enterprise's autonomy as well as its initiative and creativity.

Within the economic system, separating ownership and operating rights means separating enterprises from government control. While the state owns the means of production, the enterprise is entitled to use them. When an enterprise has the right to use and control the means of production, it becomes a relatively independent producer responsible for its profits or losses. When an enterprise operates according to law, pays its taxes according to regulations, and delivers to the state the amount of profits stipulated in the contract, the state should not interfere with its operation, but allow it to make on its own all sorts of timely decisions in the constantly changing market where competition is vigorous. This is extremely helpful for the enterprise to achieve better economic performance and develop its production. Enterprises are the economic cells of society, and are the direct creators of social wealth; only when they can operate in a lively manner and with great vitality can they promote the development of social productivity. Invigorating our enterprises is the central link in restructuring the economic system, and all other reforms are meant to facilitate the invigoration of enterprises. When we began to institute the contract system, some local financial departments signed contracts with industrial departments, which in turn signed contracts with enterprises. This promptly gave rise to the egalitarian practice of subsidizing those enterprises which were lean with the resources of those which were fat. Besides, these contracts further tightened the bondage between enterprises and government authorities, thus imposing

even more rigid control on enterprises. Such measures run contrary to the principle of separating enterprises from government control. Later, we mended our ways and allowed enterprises to sign contracts directly with financial departments, and industrial authorities provided supervision, services, and guidance, thus giving enterprises even greater autonomy.

A plant director is the legal representative of an enterprise. He represents the staff members and workers of an enterprise in undertaking a contract for operating it. The director must rely on all the staff members and workers and arouse the initiative and creativity of each and every one of them, instead of relying on himself alone, in order to make the enterprise a success. After becoming a contractor, an enterprise must divide the contracted quotas and assign them to each and every section, workshop, group, unit, and individual worker. This is what we call "letting everyone share part of the 1,000-jin burden, and letting everyone shoulder a quota." When each and every staff member and workers as well as the plant director himself is concerned with the production and operation of their enterprise, the enterprise certainly will be a success.

There should be unity between responsibilities and interests. When the enterprise's operators and producers undertake the tasks of creating wealth for society and delivering profits to the state, they should also be properly rewarded. This is in line with the socialist principle of "from each according to his ability, to each according to his work."

During the socialist period, labor is the means to make a living. During the initial stage of socialism, when productivity is very low, the commodity economy is very undeveloped, and material supply is still very inadequate, the amount of one's personal income and one's living standard must depend on the quantity and quality of one's labor. This means that, while intensifying education on ideals and morality, we must uphold the Marxist principle governing material benefits and closely integrate the interests of the state, or of society, with those of the enterprise and the workers. The best way to combine the interests of the state, enterprise, and individuals is to let an enterprise contract an operation and then subcontract it to the various departments within the enterprise. When they can produce more goods for society and deliver more profits to the state, an enterprise can retain more profits and individual workers can have larger incomes. When they think of their personal interests, an enterprise's operators and producers will feel that, while they are working for society, they are also working for themselves and are the real masters of their enterprise. This is the most direct and most important motive for operating an enterprise successfully and boosting its production. Internal factors are the basic cause of change. If workers and staff members lack initiative, discussion of any other matters is futile. This is the most basic principle of historical materialism.

### III

Everything proceeds from the unity and struggle of contradictions. In the process of promoting the contract system among enterprises, we experienced many problems. Enterprises' contractual operation is something we upheld and developed while contradictions regarding our understanding and practical work kept coming up and were being settled.

Can the contract system be as effective in cities as in the rural areas? This was the first problem we encountered when we planned to promote the system in enterprises. While we knew that cities were much more complicated than rural areas and we should not simply apply in cities what we had applied in the rural areas, we realized that the basic principles of the contract system could also be applied in cities because failure to separate enterprises from government control and egalitarianism in distribution was also an economic defect in cities as it had been in the rural areas. Comrade Deng Xiaoping said: "The policy of breaking the 'big pot' will remain unchanged. Industry has its own characteristics and agriculture also has its own characteristics; we should not copy their respective experiences, but we are sure that promoting the contract system should be the fundamental principle." ("Building Socialism With Chinese Characteristics," revised and enlarged edition, p 16) While cities and rural areas share certain common characteristics, they also have their own individual characteristics. Cities are different from rural areas, and all trades, professions, and enterprises are different from one another. Such being the case, we should introduce different contracts in different enterprises, and should not follow one pattern or demand arbitrary uniformity. One of the contract system's advantages lies in the fact that its terms can be changed according to the different situations in different enterprises. This is quite appropriate when enterprises' technological and management levels are vastly different from one another. Today it is virtually impossible to prescribe one set of measures or fix one profit-delivery quota for all enterprises. Judged by Jilin's actual performance, the contract system not only is applicable in industry, but also in all trades and professions where there are economic activities. In Jilin today, the system has been enforced in all units which need money, but no units can simply request money to spend, or spend money without limit. They all must be responsible for how much money they can make and how much they spend.

Will the state's financial revenue be reduced as a result of the contract system? Facts show that it will not. This is because the targets set in contracts are usually higher than what was accomplished the preceding year, and these targets are guaranteed to be accomplished. Thus, the state is sure to get more, not less, no matter what will happen. In Jilin, financial revenue increased from 1,167 million yuan in 1983 to 3.19 billion yuan in 1986, or an increase of nearly three times. The key to this success lies

in the fact that the contract system roused the enthusiasm of the enterprises and their workers and staff members. We used to say in the past that "if the big river has no water, the streams will dry up." This is an incorrect observation. If the small streams are dry, where will the big river get its water from? The water of a river, no matter how big it may be, is a cumulation of the water from the small rivulets. Our money is earned, little by little, by our enterprises. Like a boat which goes up when the water rises, our state will financially be better off when our enterprises make more money. To settle the contradiction caused by general needs exceeding general supply in society, we must, in addition to controlling and curtailing our needs, also increase supply. The situation in Jilin's grain supply can explain this issue. Prior to the institution of the contract system, the province's annual grain output was approximately 9 million metric tons, whereas 9.5 million metric tons were needed to meet the needs of people in cities and rural areas. After rural areas retained part of the grain for seed, food, and animal feed, they could not fulfill the state's procurement plans, causing a shortage of food grain supply in the cities. If the state's grain procurement plans were to be fulfilled, there would not be enough left for seed, food, and animal feed in the rural areas. As the saying goes, we cannot have both fish and bear's paw [a Chinese delicacy]; thus, we could not satisfy the needs of both cities and rural areas. Thus, the issue of trying to satisfy the need of grain needed by the state, collectives, and individuals had always been a thorny one. After the institution of the output-based contract system in the rural areas, grain output dramatically increased to some 15 million metric tons. The problem of buying enough grain became a problem of selling and storing grain. This was as if we could now have both fish and bear's paw when supply is abundant. The way we settled the grain issue can also be the way to handle the money issue. The key requirement is to enliven the operating mechanism and do everything we can to increase grain output and make more money. Production is the foundation, and supply and financial revenue can only be ensured by developing the economy. If a society fails to develop its productive forces, it cannot possibly increase its wealth. Likewise, if the state and enterprises do not have the financial power they need, they cannot possibly settle the contradiction caused by general demand exceeding general supply in society, and they cannot possibly exercise effective control of price rises. We should therefore focus our attention on increasing production and increasing financial revenue. When we have money, we will have the material foundation for adjusting commodity prices and wages. The main issue here is to enliven our enterprises, and the contract system is a good way to invigorate our enterprises.

Will there be any problem when enterprises have more money after becoming contractors? This is an issue some people are concerned about. We think that it is a good thing when enterprises are able to make more money because at present they are really too hard pressed. One principle of the contract system is: the state gets the

lion's share. This is to say that when an enterprise makes more money, the state gets even more. Having more money for everybody is definitely better than having less money for everybody. So, instead of worrying about how much money an enterprise can make, let us worry about whether it has production enthusiasm. If it has not, nobody will have money. The money of an enterprise owned by the whole people is also the state's money; the only difference is that it is controlled by the enterprise. So we should do what should be done: store wealth among our enterprises. Enterprises are the economic cells of society. As long as they have vitality, and money, things will be easier. When an enterprise has more money at its disposal, it can spend it for replacing equipment and developing new products. It can also spend some of the money to build workers' dormitories and sponsor collective welfare services. This is good for the state and the masses. Ever since Jilin carried out the contract system 4 years ago, the amount of money enterprises have spent on replacing equipment and developing production increased by more than 100 percent, and the amount of money they have spent on improving collective welfare services has increased by nearly 50 percent. Had it not been for the contract system, such expenditures could not have been possible.

Will the contract system force enterprises into short-term economic behavior? Yes, it will. But this problem can be avoided and solved. When the system came into being, most of the contracts were 1-year contracts. Thus, it could be expected that the contractors wanted success in that 1 year. Later this problem was solved once and for all when the length of contracts was extended to several years. A real entrepreneur will not pay attention only to immediate success and avoid building up capacity for future development. Our contracts also prescribe that an enterprise should spend 60 percent of the money it can keep on improving its technology and expanding production. For some large enterprises, we also require them to improve their technology and to deliver fixed amounts of profits to the state. By doing so, we have compelled the enterprises to build up capacity for future development and refrain from engaging in short-term economic projects. As a matter of fact, prior to the introduction of the contract system, many enterprises tried to spend every penny they made. That was because operators of enterprises thought they were spending the state's money; it would not be theirs even if they did not spend it, and also there was no effective mechanism to make enterprises control themselves. Our contracts also require directors of enterprises to increase the value of fixed assets of the enterprise during their term of office, and the value of the fixed assets is subject to auditing by the end of their term of office. This serves as an external mechanism for preventing enterprises from engaging in short-term economic projects.

Will enterprises' consumption funds keep expanding until they are out of control? Not very likely. Wages and bonuses an enterprise pays to its workers are linked to its economic performance and its contributions to the state.

As long as the growth of consumption funds is lower than its returns and contributions to the state, the growth will not get out of control and will not pose any danger. Because of changes in the market situation and the influence of economic readjustment, enterprises cannot be sure that the wages of their workers will increase at the same rate each year. Such being the case, an enterprise will usually reserve part of its funds for "possible eventualities," instead of spending all the retainable money for bonuses. If they should spend their money at the current rate, the amount of money many enterprises hold back in paying bonuses would be enough for paying bonuses for several years. Since the contract system was introduced in all enterprises 4 years ago, the amount of taxes and profits Jilin's budgetary enterprises have delivered to the state has increased 52.8 percent, whereas the amount of money they have spent for wages and bonuses has increased only 48.3 percent, resulting in the workers' actual pay scale dropping from the nation's medium level to the lowest level at present. This shows that the growth of consumption funds has been tightened, and not gotten out of control, because of the introduction of the contract system in Jilin.

Is it possible for enterprises to have violated consumers' interests in various ways, such as by raising prices of their products, after the introduction of the contract system? This is possible. Specifically because this possibility exists, we must intensify supervision over enterprises while making them contractors. The more authority we grant to enterprises, the stronger our supervision over them should be. This sounds paradoxical, but these are mutually complementary measures aimed at helping enterprises develop along the right track. Since reputation is the life of an enterprise, a real entrepreneur will never disregard his reputation and do business on a one-time basis only. Facts show that successful contractors are invariably producers of quality products and providers of good services. Poor service by commercial departments, in the final analysis, stems mainly from their failure to associate workers' personal interests with the quality of their services. Beginning with Changchun in early 1986, all cities in Jilin have now introduced the contract system in all public transportation. Drivers and conductors, who used to hate the large numbers of passengers, have now become afraid of having not enough passengers, and the contract system has basically solved "busing problems." Numerous other similar cases show that the contract system is the key to settling today's economic and social problems, and the way to restructure the economic system in cities, and that if our moves proceed properly, this chess game of restructuring the economic system in cities will become a well-coordinated one.

Since nobody is perfect, nothing can be perfect. According to the law of one divides into two, everything has its advantages and disadvantages. This is why we have to weigh and compare the advantages as well as the disadvantages. Any of our plans that has more advantages

than disadvantages is a feasible plan. The contract system has more advantages than disadvantages, and we should promote what is beneficial and abolish what is harmful, and improve and perfect our work in the course of practice.

#### IV

The contract system is far from being perfect in cities, and it must continue to develop in depth and breadth.

We should improve operating mechanisms within enterprises. An enterprise, after becoming a contractor, should keep accounting units as small as possible, and if an individual worker can become an accounting unit, he should do so. On this basis, contracts should be carried out at the lowest-level units where accounting is feasible. In an industrial enterprise, efforts should be made so that a contract is undertaken by a machine tool unit; in a commercial enterprise, a contract should be undertaken by a tabulator. Under the condition of fulfilling production quotas in an enterprise, a workshop, a unit, or even an individual worker may undertake processing assignments from other clients and share the income with the enterprise.

We should also introduce the competitive mechanism into enterprises. This is the central link in improving the contract system. To make an enterprise a success requires a sound operating mechanism as well as an administrator's proficiency. By hiring plant directors through open bidding, we can create opportunities for a large number of shrewd and capable entrepreneurs who have an exploratory spirit to display their talents. We should encourage the most outstanding people to work for enterprises and train a large number of socialist entrepreneurs, industrialists, and administrators. If the people in a society only want to be "officials" and do not want to operate an enterprise, then that society is hopeless. Hiring plant directors through open bidding will help promote the director-in-charge system, under which the plant director has the power to form his "cabinet" composed of the best leaders, and he also has the legal power to operate and administer an enterprise in which he has ample space to display his capabilities. All the enterprises that hired directors through open bidding have produced very good results. The Qianguo County Protein Plant is an enterprise with imported equipment. Despite its sophisticated equipment, management and economic returns were both very poor. To improve its performance, the plant proceeded to hire a director through open bidding early this year. After vigorous competition, a deputy director of the county industrial bureau was chosen. In 7 months after he assumed office, the plant made a profit of 1.17 million yuan, or 9.7 times higher than the same period last year. This year, in order to fulfill their individual contracts, all of the county's 91 enterprises have adopted hiring and mortgaging measures and have achieved noticeable results. The county's bidding processes are: First, it forms an asset verification group composed of leading members and experts of

relevant departments; then, after investigation and assessment, the group sets the base quotas and invites public tenders. Next, the county organizes an examining committee composed of leading members of the enterprise and their personnel departments to examine the bidders' credentials. Those who are qualified will attend the enterprise's workers congress, or a meeting of worker representatives, to report the base quotas they promise to fulfill and how they will manage the enterprise; they will also answer workers' questions. Next, the workers congress or meeting will cast votes through secret ballots. The one who gets most of the votes is appointed director by the enterprise's leading authorities. A contract will be signed and notarized by a legal office. This is significant because not only has this improved the contract system, it has also significantly reformed enterprise personnel system and organically integrated administrative and economic reforms. Today, only some smaller enterprises in Jilin have tried the system of fulfilling contracts through open bidding. Experiments are being carried out at selected enterprises in various cities and counties with the hope that the system can be popularized in all medium-sized and small enterprises throughout the province in 1988. In large enterprises, the system will be carried out at workshop-level units first.

We should also introduce risks into the contract system. To contract an operation, an enterprise must hold itself responsible for profits as well as losses. If it loses money, not only must it make up the losses with its own money, the contractor must also undertake economic responsibilities. Like the lease holders of some enterprises, the operators of some enterprises in Jilin have used their property or wages as mortgage for their contracts. Some enterprises have even committed all workers to undertake a contract. In these enterprises, the plant director and all workers alike use their own money, which they pay in installments, as mortgage. If the enterprise fails to fulfill the contract, it will make up the losses with the mortgage; if they fulfill the contract, everyone is entitled to a dividend, and the amount will depend on how much each has paid toward the mortgage. This type of contract is similar to the profit-sharing system. Thus, reform has been introduced to the sphere of ownership as well as the sphere of distribution. According to the dialectical viewpoint, nothing in the world can be 100 percent pure. During the initial stage of socialism, there cannot be only one form of ownership, and the various forms of ownership must have each other's special features. There is nothing to be afraid of if individual shares are found in an enterprise owned by the entire people. The nature of things is determined by the main aspect of a principal contradiction. In a society, as long as the means of production is publicly owned and the form of distribution is one of remuneration according to work, its socialist nature will remain unchanged.

We have also used various types of contracts to promote lateral ties. Large enterprises contracting the operation of small enterprises, state-owned enterprises contracting the operation of collective enterprises, urban enterprises

contracting the operation of rural enterprises, and advanced enterprises contracting the operation of backward enterprises are new developments of the contract system and of enterprise association. In some regions and enterprises, these contractual projects have greatly improved enterprise performance. Through contracts, the Jilin Municipal Chemical Industrial Corporation has associated with 13 enterprises and formed the Jiangcheng Chemical Works. While the municipal authorities own the mother plant, the industrial corporation exercises centralized control over these enterprises' personnel and financial affairs, assets, production, supply, and marketing, giving full scope to its technical and managerial expertise as a large enterprise in tapping the potential of medium-size and small enterprises. The amount of profits they made during the January-September period was 75 percent higher than during the same period last year. We are certain that, with better management and faster pace in replacing outmoded equipment, they will achieve even greater economic successes in the future.

We have improved the market mechanism. To enable our enterprises, which have turned into relatively independent commodity producers after becoming contractors, to organize production in accordance with market changes or social needs, we must establish and develop commodity markets, money markets, labor markets, and information markets. When we have a better market mechanism, and when "the state can regulate the market, and the market can guide the enterprises," we can invigorate our enterprises and the state can rely on the law of value and the market mechanism to have enterprises follow the track of socialist and planned commodity economy.

We have changed the functions of government administrative departments. Since enterprises became contractors, and contracts have been notarized by legal offices, the relationship between government and enterprises has become one between enterprise-owner and enterprise-operators, and their status, rights, and interests have been equal. Direct administration by government departments has now been replaced by indirect administration, which the government performs by providing enterprises good service and efficient supervision. As long as enterprises operate within the bounds of law and fulfill their obligations as prescribed in contracts, the supervisory departments cannot change the enterprises' operating policies or interfere with their internal affairs, although they may make suggestions to the enterprises. After an enterprise fulfills its profit-delivery obligation and pays its taxes as prescribed in the contract, it has the right to distribute the retainable portion of resources the way it wants, thus ensuring the unity of an enterprise's responsibilities, rights, and benefits, and really invigorating its operation. As economic reform deepens, the administrative system must be restructured; administrative reform should begin with changing the functions of government organs.

Since the founding of the People's Republic, we have built a large number of industrial enterprises. There is an enormous potential in these enterprises and a potentially enormous enthusiasm among our workers for socialism. Our mission today is to look for a way to tap this enthusiasm and potential. Actual experience shows that contract operation is one of the best ways. In order to exist, everything must depend on each other; and in order to develop, everything must compete with each other. With the continuous development and improvement of various forms of contracts, as well as other supporting reforms, economic development in cities, like that in the rural areas, will certainly experience a new take-off. Comrade Zhao Ziyang recently pointed out: The contract system is a long-term policy, and whether our production can grow, economic performance can improve, and financial revenue can increase next year depends primarily on whether the contract system can continue to be improved and enforced. Next year will see our enterprises improve their performance and tap their enormous potential through implementing the contract system. We believe that facts have proved, and will continue to prove, that that is exactly what will happen.

**The Fine Arts: In the Face of the Impact of Tradition and Western Culture**

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[Article by Shao Dazhen [6730 1129 4631]]

[Text] At present, one of the central questions discussed in the fine arts circle is how to deal with our national tradition and the impact of Western culture. Some comrades hold that the fine arts circle is characterized by a strong national conservatism, and that the main task at present is to criticize the secluded system of Chinese culture and arts, including fine arts, and to overthrow the tradition. It is necessary, they say, to use the modern Western arts as a pattern, promote a cultural and art "globalism" and, after the thorough destruction of our present culture and arts, rebuild a Chinese culture on the "ruins." Many other comrades are of the opinion that today, when reforms and open policies are being implemented in the political, economic, and cultural fields, we must be world-oriented and boldly and courageously absorb the fine cultural achievements from other countries and peoples, while at the same time firmly preserving our national tradition. This is because, they say, we have a very rich cultural and art heritage, and the introduction of Western culture into our country is only aimed at providing a supplement or new nourishment to our own national culture. In no way can it replace the latter.

This is a question of great importance. A correct understanding of this question will help the development of the socialist art theory and the healthy progress of artistic practice. Conversely, a wrong understanding in this regard will create ideological confusion and lead our arts along the wrong path.

I

Since the May 4th Movement, this question has been discussed by a number of philosophers and scholars in our country. Of course, the discussions conducted today are at a higher level than in the past because the situation we are facing and our understanding of the question are both different from those during the May 4th period. However, the thought given to this question by philosophers since the May 4th new cultural movement, including Lu Xun, Guo Moruo, and Wen Yiduo, can still be used by us as worthy references even today. These thinkers made very intensive studies of the old Chinese cultural heritage as well as foreign culture and arts. What is more, their studies covered a very wide range, involving history, literature, art, and even anthropology. In introspection on the Chinese cultural heritage, they gained a deep understanding of the stubborn nature and the deep-rooted wickedness of our long feudal culture and its negative effect on the mental attitude of our people. Shortly after the May 4th Movement, there appeared in society an adverse current of restoring the ancient ways by promoting the worship of Confucius and the study of Confucian books. At that time, Lu Xun pointed out with grief: "The people of this big, old nation are immersed in the rigid tradition, refuse to change, and have become so feeble and decadent that they have no energy at all." He loudly called on the people to sweep away all obstacles to China's advance. ("The Sixth Article on Sudden Thoughts in the Book 'Huagaiji'") He sincerely and earnestly hoped that the contemporary Chinese youths would bravely plunge into the great change in the world and create a culture demonstrating the spirit of the times, and he warmly encouraged literary and art reform, saying: "Without pioneers breaking with all traditional thoughts and styles, China will have no truly new literature and art." ("On Opening the Eyes" in the book "Tomb") After a long exploration for ways to save the country and people, Wen Yiduo finally came to understand that it was of no use to merely study ancient history and literature, and what must be done was to criticize our national culture from the viewpoint of the times. He said: "I am sure that I have seen clearly the sickness of our nation and our culture." ("To Mr Zang Kejia") Concerning the traditional culture's resistance against the impact of a foreign culture, he had a very sober assessment. He said: "There is an inertia with all cultures. The older the culture, the stronger the inertia." "I must emphatically point out: We need nationalism, and I firmly believe it is a basic force for national rejuvenation. But nationalism does not mean shutting out all other cultures.... In fact, the 'ancientness' of a people is in their blood. For China, a nation with such a long history, to get rid of its 'ancientness,' it would be very difficult indeed. It is difficult for the people to learn new things.... How difficult it is to overcome inertia!" ("Atmosphere for Restoring Ancient Ways") The generation which participated in the May 4th Movement carried out the fiercest criticism of the feudal ethical code and culture and thus fulfilled their historical mission. What must be pointed out here is that while

criticizing the feudal culture and developing a new culture, they did keep a prudent attitude; carried out a lot of valuable sorting, analysis, and research work; and expounded the significance and value of the precious spiritual treasures created by the Chinese people in its long history. As Lu Xun said: "Since a new class and its culture do not suddenly appear out of nowhere and usually must be developed by revolting against the old dominating class and its culture, a new culture must inherit, choose, and learn from what is valuable in the old culture." ("Postscript to 'Faust and Cities' in Additional Articles to a Collection of Articles")

The dissemination of Marxism-Leninism in China; the victories of the CPC-led land revolutionary war, the great war of resistance against Japanese aggression, and the liberation war; and the socialist revolution and construction since the May 4th Movement have all brought profound changes to our national culture. These changes are reflected not only in the most basic cultural stratum (namely, material civilization) but also in various systems and organizational structures from production relations to the superstructure as well as in the latent and concealed social cultures such as customs, habits, and the code and standard of conduct. Social ideological concepts as well as ideas and theories on literature and art belong to the sphere of classical literature. It must be pointed out that the last two cultural strata, namely the latent or concealed culture and the classical culture, are deeply rooted, independent of the two former strata, and relatively stable in nature. Although slow in making changes, they are still developing and making progress. Under the leadership of the CPC, the Chinese people have carried out a continuous struggle against national conservatism, thereby enabling our cultural form and literary and artistic creations to march in step with modern times. True, nurtured by a traditional culture, many Chinese intellectuals are apt to be culturally conservative. Under the impact of foreign culture, some of them inevitably entertain a false sense of superiority under the influence of the traditional culture. This blind sense of national superiority is manifested in the thinking that everything created by our nation is superior to those of other nations and that our national culture represents the future of the world; the firm preservation of everything in our national cultural heritage and tradition, whether it is essence or dross; the view that foreign culture is like fierce floods and savage beasts; and the fact that even if nourishment is to be taken from foreign culture, attention is paid to absorbing only what is agreeable to our own national culture while often expelling what we "hate to see" or what differs from our traditional national culture without first analyzing it. Because of this cultural inertia, many phenomena, both funny and annoying but rather thought-provoking, have been noted in our history of art development over the past few decades. Traditional Chinese painting is an example. When Qi Baishi became prominent, some conservative tradition-preserving artists thought he violated tradition because he boldly took some ideas as well as fresh and lively ways of expression from certain folk

arts. Xu Beiming, who used the realism method of Western paintings and put these in Chinese color and ink paintings, was also considered a big violator of what was orthodox and right. The works of Li Keran, because of their new outlook, were highly praised by many young people, but in the eyes of others, they were merely poor pictures painted by a person without deep traditional cultivation and were criticized as "wild, strange, and inferior" works. As for the works of Huang Yongyu and Wu Guanzhong, it would be hard for the stubborn conservatives to regard them as "Chinese paintings." Such phenomena are commonplace in China's community of painters. They indicate that every step taken in improving the art of Chinese paintings is extremely difficult. From these simple instances, we can also see that in the field of fine arts, like in the whole cultural sphere, it is imperative to overcome conservatism, to gain courage and strength from the changing times and the vigorous life, and to assimilate more useful things from foreign cultural concepts and practices so as to supplement and nourish ourselves.

## II

Here we should study two questions: First, how to understand the importance of the traditional culture of our nation; and second, how to distinguish the identities of and differences between the tradition of our literature and art and the tradition of our whole culture.

The traditional Chinese culture cannot meet the needs of our country's modernization program and is undoubtedly a resistant force to our acceptance of new ideas and thinking from foreign countries. Such being the case, can we say that our traditional culture has no positive meaning at all in building a new society and should, therefore, be thoroughly negated and discarded? On this question, I think the view expressed by Comrade Li Zehou is worthy of attention. After carefully assessing the traditional culture and the psychological makeup of our nation, he has put forth these questions: "Where should the traditional Chinese thinking and psychological makeup go? Should they be preserved or discarded? What is the path to be taken in the future?" His idea is: "China's process of modernization requires not only a radical change of the traditional economic, political, and cultural features but also the preservation of those things that possess vitality and are rational in our tradition. With the latter, the former cannot succeed. Without the former, the latter will become a fetter." ("A Talk on China's Wisdom Contained in the History of Ancient Chinese Thought") What are the things that possess vitality and are rational? This is a complicated question. Briefly speaking, those thoughts that have encouraged our nation to work hard ceaselessly and achieve self-strengthening and self-reliance, those parts of our philosophy showing profound philosophical principles and intelligence, and the unadorned materialism and dialectics are not absolutely useless to our process of modernization. While criticizing our old culture in general, we should prudently take the fine things that are useful at present and discard the chaff that obstructs our advance.

Our tradition of literature and art and our whole cultural tradition are identical in spirit. The traditional Chinese literature and art constitute a system itself, characterized by very rich intelligence. While seeing the ideological conservative nature reflected by this literature and art tradition, we should note its positive factors as well—its optimism, its attack and criticism against feudal ethics, its eulogy and praise of labor and laborers, its pity for and sympathy with the weak, its exposure and castigation of the feudal power and despotism, and so forth. As artistic creations, they reflected the wisdom and talent of the Chinese people of various nationalities. They are an accumulation of the spiritual labor of the Chinese people of various nationalities over the past several thousand years as well as an independent system of expression which has continuously improved in the course of contact with foreign literature and art. They have great vitality in the world of art. They are capable of further improving, enriching, and developing themselves in the modern world by facing reality and life squarely and by deriving nourishment from foreign literature and art. Therefore, we must not regard traditional Chinese literature and art simply as a system subordinate to a closed feudal system and thus wrongly assume that with the death of the feudal society, the traditional literature and art should also be consigned to the museums to be preserved as cultural relics. We should not wrongly advocate the creation of a "new" art totally divorced from the current literary and art traditions.

We cannot negate the achievements of China's literary and artistic creations, including the fine arts, made since the May 4th Movement. In the field of art, the dissemination of realism since the May 4th Movement has undoubtedly brought about an improvement over the traditional paintings by Chinese scholars which were already in a hopeless situation. Realistic art has inspired the Chinese people and transformed the plastic art. During the war of resistance against Japan and the liberation war, the art of realism demonstrated its power in mobilizing, encouraging, and promoting propaganda among the masses. We should not indiscriminately negate realistic art's achievement on Chinese soil. Of course, problems did exist in the development of realistic art in China from the 1930's to the 1970's. The accumulation of these problems has in turn obstructed the development of art. I believe that a primary problem is a relatively outdated concept and insufficient and unitary practices. If we can say that in the 1930's, China's art was mainly under the influence of Western Europe (particularly France), then from the 1950's on, Chinese art has been mainly under the Russian-Soviet influence. Like any other art system, the Russian-Soviet art system has its own strong points and shortcomings. This is very natural. But the implementation of the "leftist" dogmatic literature and art policy in the Soviet Union in the 1940's and 1950's only made the Russian-Soviet art system, which was already very biased, and whose ideas were already very limited, become even more narrow-minded and biased. Moreover, in the 1950's, our own literature and art line was also under the influence of

"leftist" ideas. All this only made our art work more prominently display its narrow-mindedness and prejudice. This does not mean that learning from the Russian-Soviet art system has brought only negative influences to Chinese art. The vitality of the Russian-Soviet art system, such as stressing art's role in serving the people and its emphasis on realistic painting, has produced nourishment to many a Chinese artist in providing a great number of valuable works of art. However, the available options from which we could draw lessons were limited. Over the past 8 or 9 decades since the end of the last century, Western arts have undergone great changes, which some people tried to emulate and draw lessons from during the 1930's. For various reasons, they were not very successful in this area, and the "movement" of trying to learn from the modernists died prematurely in China. Then, before we had all the information we needed in order to make a scientific study, we denounced all modernists as "decadents." The indiscriminate rejection of modernist art of the West likewise limited the area where we could learn. Under such circumstances, our concept of arts could not keep pace with the rapid development of the time, and our artistic practices seemed deficient and singular. More often than not, we were both psychologically and theoretically accustomed to the absolutist criteria for art critique. This shows that we should pay special attention to combating national conservatism in the sphere of arts.

However, after being frustrated and rebuffed by merciless facts, the blind national superiority complex found expression in a national inferiority complex. This was proven by many people and many things happening during and after the May 4th Movement. It is also a fact that can be observed in today's cultural and artistic life. We should therefore be vigilant against nihilist ideas in our national culture. I think national nihilism can be observed in the thinking of some people within the art circles who propose that we should follow the mode of Western modern arts and a "cosmopolitanism" trend. I also think that we should discuss how we should evaluate the idea of "total Westernization" advocated by some people during the May 4th Movement. I can assert that such advocacy is absurd and unrealistic today, because it is based on the blind worship of Western culture in total disregard of the rational role traditional national culture plays in today's cultural construction, of the changes that have occurred in China's art sphere since the May 4th Movement (although such changes have been slow and still imperfect), and of the results contemporary Chinese artists have achieved in assimilating national traditions with foreign arts. The proponents of "cosmopolitanism" within the art circles today want us to emulate modernist arts in every way. While we can absorb certain concepts and methods of modernist arts, we should not and cannot emulate them in every way. It is unimaginable that we should tolerate the lack of national spirit or style in the sphere of literature and arts today when we are required to study how economic restructuring can be integrated with China's actual situation instead of "totally Westernized."

The winds of "cosmopolitanism" have been blowing in Western literature and arts for decades, and coming along with the winds has been the expansion of the modernist movement. We should be aware of the negative phenomenon—the loss of national characteristics—caused by the dissemination of the "cosmopolitan" cultural concepts. In the field of architecture, modernist international designs initiated by the Bauhaus school have inundated Western Europe and the United States so much that this has become a calamity, causing a countering trend of thought. What is known as "post-modernist" architectural and art thinking, which emphasizes national and local characteristics, is to a certain extent a resistance to modernism. In the wake of its high economic growth, the United States has been playing an increasingly bigger role in world culture. Under the cover of "cosmopolitanism," American culture has infiltrated into Europe, Asia, and Africa. Its commercialism, superficiality (pornography and extreme individualism) and monotonous styles have adversely affected the cultural development of other countries and regions. Today, countries of the Second and Third Worlds—including Britain, France, Italy, the Federal Republic of Germany, India, Egypt, and Mexico—have been resisting this "cosmopolitan" trend. Under such circumstances, how can we continue to help promote such a trend of thought? Some comrades assert that "nationalities will eventually disappear, the world is heading for the Great Harmony, and it is meaningless to emphasize national characteristics in culture." It is true that nationalities have historic bounds and they have a history of generating, developing, and withering away. However, the withering away of nationalities is a remote matter, and before they wither away, maintaining national independence politically and economically, and preserving the traditions and national characteristics of all cultures are essential for heightening national self-respect and increasing self-confidence; moreover, only when all cultures and arts can maintain their national characteristics can the world culture look more colorful. Furthermore, even after nationalities have disappeared, the cultures and arts of various parts of the world still have to retain their own characteristics. In this sense, cosmopolitan significance will become even greater when the characteristics of various cultures and arts are more vivid and when local colors are more pronounced. This is why we usually say that the stronger the national character (referring, of course, to the national character with a sense of the times) is, the greater the cosmopolitan character will be. Wen Yiduo put it well: "It is true that literature should change along with the times; and literature should have cosmopolitan flavor in this 20th century. This is why I cannot help praising those who have changed our poetic style according to Western ways. But no matter how they have changed the styles, they have not replaced Chinese poems with Western poems. This is why we should change what ought to be changed, and retain the special characteristics of Chinese arts that ought to be retained." ("Detroit Studies," quoted from "Comments on Wen Yiduo" by Liu Xuan, p 108)

I am not saying that I support the idea that "Chinese studies should be the mainstream, and Western studies should be the means of application"; much less do I intend to reflect foreign culture. Whether Chinese or Western studies should be the "mainstream" was a controversial issue in the 1920's or 1930's. Our research today should begin with China's modernization, which includes the unity of economic, cultural, and other elements, anything vital in the traditions of people of all nationalities, all the valuable ingredients of foreign culture, and all kinds of creations which are in line with the new conditions today.

In short, I am saying that, in order to promote and develop Chinese arts, we must oppose both national conservatism and national nihilism. While opposing national conservatism is our mission over a relatively long period, we should not lower our guard against national nihilism, or ignore resisting and criticizing it. In fact, national nihilist ideas have already appeared in the nation's art circles, especially among some young people, over the past couple of years.

### III

Now I would like to express my opinion on young people's views of fine arts.

I disagree summing up their views as a "movement," because they lack a clear-cut objective or program, and neither is their profile clearly defined. Moreover, the views shared by some communities of young artists represent only part of their views, which are far from being the whole profile of young people's artistic creation. Besides, the aesthetic pursuits and artistic styles differ greatly among these communities. It is also rather unconvincing to call their views the "views of 1985," because artistic creation had been quite active among young people in Beijing, Shanghai, and other parts of the country around 1979, during which time young people were experimenting with all types of arts. Following the 1985 exhibition of fine arts by young people, some people collected and sorted out their works, giving people the impression that those arts were products of 1985.

We should admit that we have not been paying enough attention to the creation by young people in various parts of the country, let alone studying their arts in a systematic manner. Some comrades have now collected not an insignificant amount of slides of their works and have studied some of their works. This is commendable. However, we have yet to place in our agenda the project of studying those arts from a scientific and theoretical angle. For example, what is the mainstream of young people's views of fine arts? What roles have these societies and groups—known as "youth communities"—been playing in current art activities? We also do not have a clear idea of these communities' components and programs, as well as the substance and characteristics of their works. Thus, it is immature for us to make any

judgment or reach any conclusion until we have conducted a full-fledged and thorough investigation and study. Based on the incomplete information available, we should acknowledge the positive aspects of young people's views of fine arts. These aspects can be observed in: 1) Their wish to contribute to social reform and social progress by means of fine arts. 2) They want to create pictures peculiar to the 1980's and with cosmopolitan significance. In their own words, they want to transcend modernism, so that Chinese arts will become cosmopolitan and attract worldwide attention and recognition. 3) They want to break through conventions and outmoded styles and establish a vital system of artistic expression. This is one side of the issue. Of course, many problems can be found in young people's views of arts, especially among the youth communities, and there is a big gap between their actual work and thinking. Of the works accomplished by young people, very little really reflect the spirit of our time. Some communities are not spontaneous associations (incidentally, artistic creation is basically individualistic and does not necessarily require an association or group). Some communities' declarations smack of anarchism and nihilism. Some works betray helplessness and feelings of loss, which are discordant with the main melody of our time, reflecting their unhealthy, lonely feelings. Having gotten tired of the hard work in artistic creation, some young people want to take short cuts, trying to achieve "instant fame" by impressing the public with the teeny-weeny bits of knowledge about "conceptual arts" and "performing arts" they have acquired from the West; and some people who worship the West blindly have virtually become adherents of national nihilism. While we are apt to misread the whole profile of young people's views of fine arts if we overexaggerate these negative aspects, it is also apparently incorrect if we disregard these unhealthy elements. While we should not overreact to young people's extreme, unstable, and unrealistic views, as well as their radical remarks and preposterous works, we should not give them unprincipled support or pointless publicity. On the other hand, we should, by means of patient and meticulous ideological and political work, guide them to the right track.

Young people were not able to fully display their spirit of reform and their courage to reform until after the convocation of the 3d Plenary Session of the 11th CPC Central Committee. While this spirit and courage are most conspicuous among young people, they do not exist only among young people. Despite extremely formidable conditions, artists of the older generation have persisted in artistic creation according to its law, and exerted untiring efforts in promoting the cause of Chinese fine arts. After the downfall of the "gang of four" and the convocation of the 3d Plenary Session of the 11th CPC Central Committee, many elderly artists have displayed their dauntless spirit in bringing forth new art concepts; and a large number of middle-aged and young artists have worked extremely hard to rejuvenate Chinese arts during the new period, and achieved fruitful success in

this regard. Essentially speaking, the new concepts pursued by young artists today and the pursuits of accomplished artists of the older, middle-aged, and younger generations are identical. Some young people have now totally written off the works of accomplished artists in today's art circles, regarding them as "conservatives," calling their efforts to explore new ideas as "doing patch-up work," and denouncing them as "formalists" and "stylists" "playing with dots, lines, and dimensions." While this shows that these young people are dissatisfied with the present state of arts and that our artistic creation today still lacks the spirit of the great era, it also shows our young people's impetuosity and superficiality. This is because the rejuvenation of a nation's arts requires the efforts of people of several generations and not just a few years. In addition to spiritual factors, a breakthrough in substance depends on new styles, and changes of styles must base on breakthroughs in substance. As such, we should encourage and endorse the accomplished artists for their efforts—successful or unsuccessful—to bring forth new ideas on substance and styles. With the belief that contemporary arts fail to reflect the reason of this era, some young people have consciously imbued their works with their own ideals [li nian 3810 1819]. Thinking with reason is indispensable in artistic creation, but it would also be unimaginable if there is no perceptual knowledge. Prejudices molded by reason are deadly to the arts. If it cannot be harmoniously assimilated with perceptual knowledge like milk and water, reason resembles nothing but a naked and empty lecture. The so-called "idealistic paintings" [li nian hui hua 3810 1819 4940 3973] produced by some youth communities today have something to do with lack of characters and sentimental appeal.

Some young people like to talk about "surpassing," meaning that they want to be forerunners and not followers. "Surpassing" is, of course, fascinating; and it is also attainable, although we have to consider the real conditions required for making the "surpassing." I think that, in order to surpass in arts, we must be quite knowledgeable of our national traditions and foreign arts. This means that until we are knowledgeable of the essence of our national heritage and the inner spirit of foreign arts we cannot create a new art reflecting the spirit of our time, or else the talk about surpassing is nothing but a slogan, or a discharge of courage. Some people claim that within just a couple of years our young people have tried all the methods used by all modern schools, covering the same distance modern artists of the West have spent 100 years to cover. I have reservations for this claim. Should it be true, then modern arts of the West would be worthless. In my view, some young people are really trying—but unsuccessfully—to surpass. They give people the impression that many are doing nothing more than unskilled imitating. Of course, we should not ridicule imitations, which are inevitable during the initial stage of learning. The issue is: We should not equate imitation with genuine creation, much less calling imitation an act of "surpassing." The fact

that we have to imitate shows our superficiality and our deficiency in imagination and creativity. We believe that our young artists can find a genuine path to surpass so long as they study painstakingly and earnestly.

Creativity is the life of arts. Young people's spirit to bring forth new ideas in arts is commendable. It is specifically in this spirit that an unprecedentedly active situation has appeared in the nation's art circle. We must continue to encourage any new effort to bring forth new ideas useful for the development of socialist arts. Needless to say, the first requirement for bringing forth new ideas should be a breakthrough in substance and not simply a pursuit after new styles. The Chinese people are presently engaged in a great socialist construction, and all artists should eagerly reflect their countrymen's efforts in accelerating the process of the four modernizations, the spirit of our time, and the spiritual outlook of the people today. Only by doing this will their artistic exploration and creativity not go astray, and will they be able to prevent making such mistakes as advocating "arts for arts' sake."

**Imparting Knowledge and Educating People Are the Bounden Duties of a Teacher**

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[Article by Liu Xiuyu [0491 4423 3768], teacher at Beijing Municipal No 37 Middle School]

[Text] I am a math teacher. Because of my poor health, I suffer a lot of difficulties and vexations in daily life. However, I completely forget my ill health and vexations and am in high spirits whenever I am with students. My friends ask me: "Since you are in poor health, why do you always work in a death-defying fashion?" I answer them: "Because I am a teacher."

The school where I teach is a senior vocational middle school. Because of its relatively poor conditions, it is not as appealing to students as a regular middle school, and its students tend to have an inferiority complex and to lack aggressiveness. Nevertheless, these students are an indispensable reserve of skilled workers for society and their growth has a direct bearing on the quality of personnel of all trades and professions. Therefore, we teachers should spend more effort in teaching and educating students, so that their thinking, knowledge, and ability can meet the needs of society and they can become qualified personnel with lofty ideals, moral integrity, education, and a sense of discipline. Such an arduous task cannot be accomplished by political teachers and the teachers in charge of the classes alone. It is necessary for all teachers to work in cooperation and to regard teaching and education as their bounden duties.

It is most important for teachers to educate people morally through teaching. In other words, they should include ideological and moral education in their teaching. For humanities teachers, that is easier to do; for

science teachers, it is harder. However, science teachers can do it too, if they think hard enough. As a math teacher, I can educate students in patriotism by lecturing on China's ancient achievements in mathematics (such as the Yanghui triangle and the Pythagorean theorem). I can also assign complex math problems to temper the students' willpower. Math is designed to study the relationship between space and quantity in a real sense. As Engels once pointed out: "Mathematics enters the realm of dialectics because it studies variables." We can say that many math calculations involve a process of dialectic thinking. When I teach math concepts, I pay attention to the difference, relationship, and relativity between them and to their respective peculiarities. For instance, square and square root are two opposite concepts. A square can be expressed in the form of a square root. For example, X square equals square root X to the fourth power. A square root can be expressed in the form of a square. For example, square root X equals X to the one-half power. When I explain cylinder, cone, or trapezoid, I emphasize the differences between these geometric figures, as well as the similarity in calculation methods involving them under certain conditions. Such an approach makes the students understand these math problems comprehensively and coherently, remember them easily, and learn the dialectic method. In the long run, it also helps the students in other subjects. In particular, it greatly helps the students gradually develop the ability to use the dialectic viewpoint to observe society and understand life. When a class discussed the qualifications for candidates as new CYL members, one of the students caused some controversy mainly because some classmates did not want to disregard his past shortcomings. A CYL member came to me for advice. I told him to think. After a while, he said: "I understand now. When you teach, you often ask us to treat things objectively with consideration for development and change. We should treat our schoolmates from such a viewpoint." After a serious discussion, the class finally approved the student's application for CYL membership.

Middle school students are usually careful and prudent and tend less to show their shortcomings in front of the teachers in charge of their classes. They will show their shortcomings when the teachers in charge of their classes are absent. Therefore, it is easier for other teachers to do ideological work among students than it is for teachers in charge of classes and for political teachers. In my math class, there is a girl student who is also a CYL cadre. The teacher in charge of the class has a good impression of her, and her classmates also praise her for her talent and good learning ability. However, I found that she was not attentive in class, in my math class at any rate. Should I refer this problem to the teacher in charge of the class for solution, or should I solve it myself? I decided that I myself should solve the problem because I discovered it. So, I took the initiative to chat with her, and asked her whether she liked math or humanities and about her favorite books. She told me that she loved to read stories and was not interested in her studies, and that she was

just seeking passing grades. At the same time, I found that she had a correct view of certain things, as well as a bias against some other matters. I knew that neither criticism nor reasoning could change her. So, I began a gradual "offensive." I patiently corrected her papers without complaining about her many mistakes. Three times all her papers were covered with corrections almost from beginning to end. When she could not stand it any more, she came to me. I took the opportunity to explain the reasons of her mistakes in study, and I convinced her. From then on, whenever I found a mistake in her papers, I made her correct them by herself. During class, I purposefully asked her questions that she might find difficult to answer, and then I patiently guided her to correct the answers. Gradually, she caught up with math, became interested in it, and began to show a smiling face in front of teachers. Later on, she not only improved herself in studies, but at the end of the semester she was rated as an outstanding CYL cadre. This case made me realize that we must not rely on the teachers in charge of classes alone to help students make progress. In fact, there are many more other teachers than the teachers in charge of classes and they have more contacts with the students. Only when all the teachers pay attention to the ideological and moral education of students, can the latter raise their ideological awareness sooner.

In order to educate students, we must first cherish and respect them, and do all we can to inspire them so as to kindle the spark of making progress themselves. We should particularly show concern for those students of poor academic performance to gradually warm their hearts, increase their courage and confidence, and help them improve themselves step by step. A certain student was not good in studies, and someone badly hurt her pride by saying that she was not cut out to be a good student. I pointed out the mistake of such a criticism and took the initiative to help her, arouse her interest in study, and let her know that teachers would show her even more kindness and encouragement, rather than disliking her. I asked her easy questions and commended her when her answer was correct. In this way, her image among her classmates gradually changed. I earnestly corrected her papers and wrote good comments to encourage her. She finally got rid of her inferiority complex and displayed initiative, and her marks began to improve. I think that we middle school teachers should particularly pay attention to assuming a correct attitude toward students of poor academic performance. Sometimes, it is somehow because of the teachers' improper attitude that some students drop out of school or even create unexpected problems. On the other hand, love and respect shown by teachers usually tend to make students of poor academic performance improve themselves. A teacher who knows only how to educate good students cannot be regarded as a good teacher. A teacher is truly a good teacher if he or she knows how to improve all students, particularly those students of poor academic performance.

Middle school students are not completely away from home. When they are not in school they spend most of their time at home. The home exerts a great influence on them. I feel that in order to show concern for the students' growth, teachers should try their best to combine school education with family education, and play their role well in the process. One clever boy student once flunked his math. Why? Subsequent inquiries showed that the student was inattentive and not working hard; besides, he felt "suppressed" at home. His father put great pressure on him, and his mother, who had little schooling, did not know properly how to help her child. The boy felt distressed. Instead of talking it over with his parents, which seemed to be a rigid approach, I tried to make some "inroads" through his work. When he made progress in study, I deliberately wrote comments on his assignment and had his parents sign them. When he scored good grades in unit tests, I also made special comments and asked for the parents' opinions. By and by, his status at home improved, which made him feel better and spurred him to seek further improvement. He began to set higher demands on himself, and his grades soon improved. In another case, a student, who also scored poor grades in school, was impetuous and easily enraged by trifling matters. I kept in mind his situation in and out of class, and found time to chat with him. I came to know then that he did not get along well with his parents, who were not concerned about him. He did not trust his parents, and felt irritated on seeing them. Sometimes he ran away from home, but nobody looked around for him. I felt that his lonely heart was in need of the warmth of a teacher with great enthusiasm. I patiently helped him to understand his parents, while working out the problem with the latter. When his parents began to show concern for him, he also began to warm up to them. Their tense relations gradually improved. He became capable of controlling himself when handling problems. He had fewer quarrels with fellow students, and his grades in math improved from substandard to fair. He told me: "Now I am not lonely anymore. I have someone to talk to when I am in trouble. I have peace of mind, and I can keep my mind on study. I have started a new life."

My work is an ordinary one, but it is by no means mediocre. The future and destiny of our motherland depend on it. I have never forgotten the historical responsibility of a middle school teacher, that is, that I should not only impart knowledge, but also help students to grow healthily. The students I have taught in the past 20 years and more are in all kinds of trades and professions. Although not all of them are scientists or engineers, they are qualified personnel in the labor force. They are indispensable and have contributed their share to society. One boy student was almost punished in school. Later on, with the help of his teacher, he was admitted into college, joined the party, and performed remarkably in his work. With deep feeling, he told me: "Thanks to your trust in me, I picked up the courage to make progress. Thanks to your strict demands on me, I was able to advance step by step. Everything I have today

is the fruit of your hard work. I will never forget my teacher." I derive great comfort from seeing how the students I have taught have constantly been making improvements and growing healthily. It gives me peace of mind, which I deserve.

### Comments on the Storm Over the Western Stock Market

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[Article by Wu Nianlu [0702 1819 7627] and Zhang Ying [1728 4481]]

[Text]

#### I

A turbulent storm erupted on the Western stock market on 19 October, a Monday. Started at the New York Stock Exchange in the United States, it touched off a worldwide stock crash. The stock market storm had the following characteristics:

1. The scale of the plunge was gigantic. The Dow Jones Industrial Average plunged 508.32 points to 1,738.42 points, a 22.6 percent drop. Both the points lost and the extent of the dive were the biggest ever for any single day in history. This 1-day drop even surpassed the biggest 1-day fall of 12.8 percent, recorded on 28 October 1929, on the eve of the great crisis of the American economy.

2. It was global. The crash on the U.S. stock market touched off panic sales on practically all stock markets throughout the world. In Europe, the London *Financial Times* index plunged 183.70 points on 19 October, a 10.1 percent fall, which also represented the largest ever 1-day pitch; the Swiss Credit and Loan Bank indexes skidded 11.3 percent; and the drop was 3.7 percent in Federal Germany, 6.1 percent in France, 7.8 percent in Holland, and 10.5 percent in Belgium. In Asia, the stock price indexes average listed by the *Nihon Keizai Shim-bun* of Tokyo, Japan, tumbled 620 points, or 2.35 percent, on 19 October. It plunged another 3,800 points, or 14.76 percent, on 20 October. In Hong Kong, after the Hang Seng index dropped 420.81 points, or 11.12 percent, on 19 October, the stock market announced on the 20th that it would be closed for 4 days. On 26 October, the stock market set another record single-day dive of 1,121 points, or 33.3 percent. In Singapore, the *Straits Times* indexes fell 12.15 percent on 19 October. In Australia, after the indexes of all common stocks dropped 80.20 points, or 3.74 percent, on 19 October, the market suffered a further 24.9 percent fall on 20 October. In Brazil and Mexico, the stock market also plummeted over 20 percent.

3. There was a weak rebound. On 20 October, the stock price on the U.S. market showed signs of a rebound following some technical remedial measures such as the buy-back of their own shares by some large firms and

suspending the operation of the electronic quotations display. Stock prices also rallied a little on the other stock markets. But good times don't last long. Beginning on 26 October, the world stock market was once again in a frenzy of falling prices. On 2 November, the Dow Jones Industrial Average of the United States showed a closing quotation of 1,963.53 points which, though a rebound from 19 October, nevertheless represented a 27.8 percent decline from the high point the Dow registered on 25 August. This gyrating decline occurred frequently, throwing a shroud of clouds over the international monetary market.

#### II

There were both factors of inevitable consequences and accidental factors that caused the New York stock market crash. The inevitable factors that played a primary role in the crash were:

1. The rise of the stock market prices in the recent 5 years had gone far beyond the actual prices of the shares. As a result, governed by economic laws, the stock market went through a compelled and unanticipated self-adjustment, forcing stock prices to fall back in the direction of the actual share prices.

Stocks are not the product of labor. They have no value themselves. Their value is determined by the dividends they bring and by interest rates. In other words, their value is in direct ratio to the amount of dividends and in inverse ratio with the interest rates. In addition, stock prices are also determined by the economic situation and the course of the economic cycle. When the economy prospers, profits made by the enterprises will grow and people expect that income from stocks will increase. This will result in a growing demand for stocks. There will be more buyers and the stock prices will rise. Conversely, when there is an economic recession, profits of the enterprises will drop and so will the dividends of their stocks. People will vie with each other to dump their stocks, which will lead to a decline in the stock prices.

Before the 1970's, the trend of stock prices was basically in accord with the economic situation and economic cycle. There were occasions when it was not so, but the reverse trend always lasted a very short period of time and the scale of the reversal was limited. Take the period of 1949-1969 for instance, when the annual growth rate of the U.S. economy was 4 percent and the rate of increase of the Dow Jones Industrial Average was 8.7 percent. After the 1970's, because there was "stagnant inflation" [zhi zhang 3333 5195] in all industrialized countries in the West, the money supply far exceeded the amount needed for economic growth. Some of the surplus money supply hit the commodity market, which aggravated inflation and price increases. The rest, together with the idle capital that found its way out of production, broke into the international financial market, where it became the capital for international loans to the developing countries. Therefore, the trend of stock

prices during this period was also generally in accord with the economic situation. For instance, in 1970-1982 the average annual growth rate of the U.S. economy was 2.6 percent and the increase rate of the Dow Jones average was 1.4 percent. Moreover, in the years of 1969-1970 and 1973-1975, the Dow Jones Industrial Average suffered consecutive and fairly large-scale declines. The decline in these years either came with an economic recession or touched off one.

Since 1983 the reverse flow of money from developing countries following the debt crisis and the repayment of principal and interest and the reduction in the amount of capital used for production following the decline of oil prices contributed to the increase in the amount of idle capital on the international financial market. To make use of these idle funds, large amounts were poured into the stock market, which became a place for speculators as well as investors. The flood of idle capital, the relatively low interest rates and the innovations in financing methods in recent years intensified the speculative atmosphere on the stock market, driving the prices of stocks further away from their actual values, which are normally a function of economic performance. For example, between 1983 and 1985, the U.S. economy grew at an annual rate of 4.1 percent while the Dow Jones Industrial Average jumped 15.4 percent a year. Again, in 1986 and in the first three quarters of 1987, the U.S. economy rose at an annual rate of 2.9 and 3.6 percent respectively, yet the Dow Jones Industrial Average leaped from 1,517.02 points in December 1985 to 2,722.42 points on 25 August 1987, giving the stock market a false appearance of prosperity. The sharp departure of stock prices from their real values also existed in many other countries. Therefore, it was inevitable that a kind of spontaneous adjustment appeared on the stock market.

2. The unhealthy factors in the U.S. economy and the unstable factors on the stock market made the adjustment inevitable. First, U.S. budget deficits in 1986 and 1987 amounted to \$222.1 billion and \$148 billion, respectively. The budget deficits remained huge despite measures taken by the Reagan administration. Second, the enormous trade deficits over the previous several years aggravated the U.S. balance of payments. The trade deficits did not improve despite the sharp devaluation of the U.S. dollar against other currencies. The trade deficit had gone up to \$116.5 billion in the first 8 months of 1987. Third, foreign exchange markets in the West remained unstable, with the U.S. dollar continuously weakening. To prevent inflation, stabilize the exchange rates, and attract foreign capital, the United States raised the level of its interest rates. Fourth, beginning in 1985, foreign assets in the United States had gradually exceeded U.S. assets abroad. It was estimated that by the end of 1987, the U.S. foreign debt would reach \$400 billion, making the United States the No 1 debtor nation in the world. All these factors contributed to the loss of confidence in the U.S. economy and added to the inevitability of a stock market adjustment.

The timing of the adjustment was determined by circumstantial factors. The sudden intensification of the Gulf situation caused by a direct military clash between the United States and Iran was one factor. The problem accompanying the use of computers in stock market trading in recent years was regarded as another. In recent years, people in the United States traded their stocks according to the graphics on the trading processing machine. On 19 October, the computers all gave selling instructions, making people sell their stocks in panic and causing stock prices to nose-dive. No wonder some people blamed the trading machines for the crash.

### III

Will the stock market crash trigger a worldwide economic crisis as it did in 1929? History does not repeat itself easily. The conditions under which the current stock market crash occurred differ from those of 1929 in many ways.

1. The banking system is fairly stable. According to the current rules of the U.S. Federal Reserve Board, no institutions or individuals may use more than 50 percent of their bank loans to purchase stocks. In contrast, the ratio was 78 percent in 1929. Thus, the crash in 1929 caused a crisis in credit and produced other chain reactions because the stockholders could not repay their loans. During the current crash, however, there was less danger of triggering off a credit crisis and other chain reactions because the ratio of the stockholders' own money used in the purchase of stocks had increased. As of the end of May 1987, the amount of loans borrowed on stocks accounted for only 2.2 percent of the total balance of commercial bank loans. Thus, there was no chance that the current crash would cause a crisis in credit.

2. There was increased state intervention. In 1929 there was a run on banks following the stock market crash because there were no federal deposit insurance companies to insure bank deposits. The central bank added fuel to the fire by tightening money supply, causing large numbers of companies and banks to shut down. In contrast, after the current crash, the Federal Reserve Board immediately increased money supply and poured more money into the banking system, and the commercial banks also lowered interest rates to ensure the supply of circulating funds. Further, commercial banks were insured by the Federal Deposit Insurance Company. These are the reasons why there was no run on banks following the crash.

3. Industrial production was in fairly good shape. Prior to the stock market crash in October 1929, the U.S. industrial output had begun declining. In the 3 months prior to the crash, it was dropping at an annual rate of 15 percent (as compared with the same period of the preceding year). Thus, panic on the stock market fueled the downward trend of production and triggered off a worldwide economic crisis. By comparison, both industrial

production and demands were strong in 1987. Industrial output was rising at an annual rate of 9 percent between July and September. The economic situation in other countries was also good. Hence, the crash on the stock market was not interpreted as the collapse of the economy.

It is worth noting, however, that the number of stockholders in the United States has risen from only 1 percent of the population in 1929 to 20 percent in 1987, while the importance of dividends to their income has declined, with 7 percent of income derived from dividends in 1929 dropping to 3 percent in 1987. Moreover, the ratio between stock dividends and stock prices has decreased from 6.5 percent in 1949 to 4.25 percent in 1985. These figures explain that a growing number of stock buyers expect to gain more profits from the increased value of the stocks than from dividends paid by the company. Other countries have also seen a similar trend. Hence, it is obvious that the huge amount of idle currency capital, which has been rapidly inflated by the West's economic stagnation in the 1970's and slow economic recovery in the 1980's, as well as by other factors such as the developing countries' debt crisis and falling oil prices, has become increasingly deviated from the cycle of transforming currency to commodity production. The idle currency capital has been continuously circulated in the international money market in pursuance of high profits from stocks and foreign exchanges. The circulation of idle currency capital, gradually deviating from commodity production, is blind, speculative, destructive capital especially for making profits, and will inevitably create problems. This is a law independent of man's will. Under such circumstances, stock prices, foreign exchange quotations, and interest rates have fluctuated even more fiercely, thus causing unrest in the international money market. It is necessary for us to pay close attention to and study penetratingly about the trend and pattern of circulating international capital.

#### IV

One should not be indifferent toward the impact of stock market crash on the U.S. and world economy, although a depression like the one between 1929 and 1933 is not in sight.

1. The continuous falling of stock prices has first affected stock brokers and investment banks and then commercial banks and other monetary institutions. Because of the falling prices, it has become basically impossible or difficult to sell stocks on the market, thus placing the risk of a continuous drop of stock prices on the brokers. Monetary institutions, which had issued a fairly large number of loans with stocks as mortgage, went bankrupt. As of May 1987, mortgage loans issued by the banks across the United States to stock and bond brokers totaled \$38.89 billion.

2. It has become increasingly difficult for U.S. industrial and commercial enterprises to raise capital, as they have often relied on stock market for direct capital. The stock market crisis has forced industrial and commercial enterprises to rely on indirect capital, i.e., bank loans, thus widening the gap of capital cost between companies and dealing blows to small and medium-sized enterprises. Due to fewer investors, economic growth has slowed.

3. As stock prices drop, holders of idle capital have diverted their investment to U.S. Treasury bonds or precious metals markets, thus aggravating the fluctuation of U.S. dollar exchange rates and market prices of precious metals.

4. As a result of the losses, stock investors' demands for consumption have to a certain extent decreased, thus causing a dip in commodity prices, affecting the developing countries in the export price of primary products and in their revenues, and hindering the international trade.

In addition, as we have seen from the aforesaid trend of the U.S. stock market and economy since World War II, the decline in the U.S. Dow Jones industrial indexes in both 1969-1970 and 1973-1975 either touched off or was accompanied by a recession. The stock market index dropped by 3.3 and 14.1 percent and the economic growth rate was 2.4 and -0.3 percent respectively in 1969 and 1970, while the stock index registered a 2.9 and 18.9 percent drop and the economic growth rate was -0.5 and -0.3 percent in 1974 and 1975. Even the relatively small dip in the Dow Jones industrial index in 1957 and 1960 led to a recession or slow growth rate in the United States. Originally it was anticipated that the economy of the United States and other Western countries would look better next year as a result of intensified efforts to coordinate their economic policies, and that the chronic economic crisis would be averted. However, in the wake of the stock market crash, the next global recession may come earlier than anticipated. Therefore, it is necessary for us to pay close attention to the impact of fluctuating foreign exchange quotations and commodity prices, caused by the stock market crisis, on China's foreign trade, finance, and utilization of foreign funds.

#### **Seriously Study the Report to the 13th CPC National Congress**

*OW021329 Beijing HONGQI [RED FLAG] in Chinese No 22, 16 Nov pp 42-43*

[HONGQI commentator's article]

[Text] Since its publication, the report to the 13th CPC National Congress has triggered a fervor of study among cadres in all parts of the country. This gives party committees at all levels—and especially departments in charge of propaganda and education—the mission of guiding the study of the report. How should this report be studied properly? The most important requirements are seriousness and thoroughness.

To do so, we must first fully understand the important role played by the 13th party congress and its report in the history of our party. After the 3d Plenary Session of the 11th CPC Central Committee, which brought about great historic changes, the 13th party congress was another greatly significant meeting with far-reaching influence. In that report, Comrade Zhao Ziyang, guided by the party's ideological line of seeking truth from facts, summed up the historic achievements accomplished during the 9 years since the 3d Plenary Session of the 11th CPC Central Committee, as well as the basic experiences gained during that period. Putting forth the party's basic line during the initial stage of socialism, he set the basic principles for economic construction, the restructuring of the economic and political systems, and the basic principles for strengthening the party during the course of reforms and opening to the outside world. Moreover, in summing up the wealth of practical experiences, he gave us an incisive, theoretical explanation of this line and the principles. His report, which upholds and develops scientific socialism on a series of major issues, is a platform guiding us to build a socialist society with Chinese characteristics. Now, in order to accelerate and deepen reforms and push modernization forward, we must unify the thinking of all party members and do our work in various fields according to the guidelines in that report.

The most prominent feature of the report lies in its highly unified and closely integrated theoretical nature and practicality. The theory of the initial stage of socialism incisively expounded in the report and the tasks, lines, strategies, and policies planned and adopted on the basis of that theory have collectively demonstrated our party's penetrating understanding of the national situation. This theory, which is the first and foremost prerequisite required to build a socialist society with Chinese characteristics, provides us an important ideological guarantee for guarding against and combatting "left" and right mistakes in achieving modernization and reforms and in opening to the outside world. Highly theoretical as well as practical, the report's incisive and substantial dissertation provides us an effective guidance for doing practical work. Comrades on all fronts must study it seriously and acquire wisdom and strength from it so that they can have clear direction under its guidance.

In the course of studying the report, attention should be paid to thorough study so as to fully and accurately grasp its basic spirit. We must also seriously study and understand the theory that China is now at the initial stage of socialism. This is because this theory is the foundation on which the entire report is based, and being able to grasp this key point is essential for understanding the report fully. On the basis of fully understanding this theory, we should go on to study other aspects discussed in the report. We should guard against two types of mistakes while studying the report: First, the mistake of spending most of our time and energy on reading all kinds of study aids, instead of the report itself. The

attempt to save time in such a way will be of no avail, it may even mislead us from really understanding the essence of the report; second, the mistake of thinking that we can fully understand the report after going over it a couple of times. Thorough comprehension of the report's spirit can hardly be obtained from such a shallow and superficial way of study. In view of the lessons we have learned from the past, we must now place special emphasis on the need to thoroughly and seriously study the report itself.

During the course of study, we must uphold the principle of integrating theory with realities. On the basis of thoroughly and carefully studying the report, we should deepen the study by integrating what we study with the actual situation in our regions, departments, and units. To comprehend the report's spirit and conclusion, we should study specific facts ahead of abstract theoretical concepts, and avoid pointless, superficial arguments or rehashing certain concepts. To deepen our understanding of the spirit of the report, we should reexamine the paths we have traversed, and the experiences and lessons we have gained and learned during the process. Our in-depth study of the report should be integrated with correctly understanding the measures for restructuring the political and economic systems, with implementing our economic and social development plans, and with summing up new experiences gained in handling new issues which appear in implementing the guidelines of the 13th party congress. To upgrade people's ideological level, we should help them do away with the misconceptions in their minds. During the course of restructuring the political system, party members who are leading cadres should correctly approach the division of responsibilities, the delegation of power to lower authorities, and organizational restructuring. They also should take the initiative in combatting bureaucracy and eradicate the influence of feudal concepts. Firmness and practical actions are essential for correcting party members' misconduct. At present, we still face some economic difficulties and some people still have various misconceptions toward certain reform measures. Thus, in the course of study, we should keep in mind these issues and act even more firmly and consciously in implementing the party's basic lines. Furthermore, on the basis of achieving unity in thinking, we should work out specific measures, steps, and methods for improving our work and implementing the guidelines set forth by the 13th party congress until they become common understanding and conscious action for all party members.

The report to the 13th CPC National Congress is a continuation, enrichment, and development of the lines followed since the 3d Plenary Session of the 11th CPC Central Committee, and it is a crystallization of the CPC Central Committee's collective wisdom, to which Comrade Deng Xiaoping has made significant contributions. To deepen our understanding of the report, we should also study the relevant documents and works by Comrade Deng Xiaoping published after the 3d Plenary Session of the 11th CPC Central Committee—especially

the two books published recently: "Comrade Deng Xiaoping's Important Speeches" (February-July 1987), and "Persist in Carrying out Reforms, Opening to the Outside World, and Enlivening the Economy—Excerpts of Important Documents Published Since the 3d Plenary Session of the 11th CPC Central Committee." Reading these two books will help us understand the guidelines of the 13th party congress more thoroughly.

To make sure that better results can be achieved in the study, all localities and departments should organize the study systematically, emphasizing certain areas on each stage, in accordance with the actual state of the party members and cadres. Grass root party members' study should proceed in a lively manner and in various ways. Special time should be set aside for county-level and higher ranking cadres to study, and specific, higher study requirements should also be set for them. Study should proceed in such a way that it can help people really understand the party's basic lines and the guidelines for expediting and deepening reforms, so that it can rally and inspire all party members to work hard together to accomplish all the missions set forth by the 13th party congress.

**Eighth Lecture of the Forum on Socialist Commodity Economy: Develop Commodity Economy and Strengthen the Concepts of Commodity Economy**

*OW110801 Beijing HONGQI [RED FLAG] in Chinese No 22, 16 Nov 87 pp 44-46*

[Article by Jiang Xuemo [5592 1331 2875]]

[Text]

**I. Concepts of a Commodity Economy Are Required for Developing a Commodity Economy**

Social existence and social consciousness are closely related. Social existence determines social consciousness, which in turn counterdetermines social existence. This is a basic principle of historical materialism. The appearance and development of commodity trade and commodity production gradually form in people's minds ideologies—namely concepts of commodity economy—which reflect commodity economy and are in line with the development of commodity economy.

Commodities are products of labor, and they are used for trade. This is why commodity producers must, first of all, have these market concepts: Production is for the purpose of satisfying market needs; they should produce more of whatever commodities are in high demand on the market; produce less of whatever commodities are in low demand on the market; and switch production or stop producing anything the market does not need. These market concepts took shape gradually in the

minds of commodity producers during the long and tortuous course of commodity economic development. If commodity producers do not have these concepts, they will fail for sure.

Commodities are produced by many people at the same time. The same type of products produced by different people are available on the same market, but the capacity of the market is limited during any given period. Whoever occupies a larger market enjoys faster business development. One whose goods are rejected by the market will face bankruptcy. Competition for the market will inevitably form the concept of competition in the minds of commodity producers. They must do everything they can to protect and expand the market they have already occupied, and outdo other competitors in terms of varieties, qualities, prices, sales, and after sales services of their goods so that they can create the most basic external conditions for business development.

The profit concept, and the related concept of production cost, are another set of basic concepts about commodity economy. The motto of commodity producers and traders is: "We can undertake any business, except money-losing business." This is because protecting the capital is the basic requirement for realizing simple reproduction, and profits are essential for expanding production. Commodity economy can hardly exist and develop if we do not have the cost and profit-making concepts, and fail to keep an account of, or pay attention to, costs and profits.

There are, of course, other commodity economic concepts than the three we have mentioned: the market concept, the competition concept, and profit-making concept, which are the most basic concepts of commodity economy. To develop commodity economy, our cadres and masses must have commodity economic concepts and eliminate from their minds the concepts of natural economy and concepts of product economy. If we do not eliminate these concepts which are incompatible with commodity economic development, China's socialist construction cannot proceed quickly and soundly.

Concepts of a natural economy are a reflection of small producers' mentality for self-sufficiency. Their principal and special features are: Production is undertaken primarily for the purpose of satisfying the needs of the producer himself and members of his family; the producer only knows how to directly satisfy his need for food and clothing through engaging in production, and does not know that he can take part in division of labor in society, expand the sphere of production, produce various kinds of goods needed by society, and trade them for all kinds of production means and consumer goods with which he can improve his production conditions and improve his living. Such narrow-mindedness is still the basic reason why some interior and remote areas are still economically poor and undeveloped. Although these areas have rich natural resources, the people there,

dominated by the concept of natural economy, cannot fully understand the principle that "those living on a mountain live off the mountain, and those living near the water live off the water." To people living on a mountain, for example, "living off the mountain" seems to be nothing more than reclaiming slopeland for grain production. Consequently, they have time and again ravaged the forestry resources, thus aggravating soil erosion and creating the vicious cycle of reclaiming more land, becoming even poorer, and continuing to reclaim more land. The truth is depending on the altitude of the mountains, they can develop economic forests or firewood forests; develop fruit production or animal husbandry in slopeland, build weirs in gullies to keep water and raise fish and ducks, and even build small hydroelectric power stations where the conditions permit. As for the various kinds of mineral deposits in the mountains, they are enormous wealth once they are developed. It is entirely feasible for people in China's remote areas and mountainous areas to exploit their special and favorable natural conditions and fight poverty by gradually developing all sorts of commodity production. In the past, the old society did not have the conditions for commodity economic development because people at that time could not control their own destiny and the ruling class only wanted to maintain its extravagant and decadent life by fleecing the people. Today, however, we have a superior socialist system, and the party has formulated good policies for reforms, opening to the outside world, and promoting lateral economic ties, and the conditions for commodity economic development have become increasingly better. The main issue today is to replace concepts of natural economy with concepts of commodity economy. This is an important requirement for developing commodity economy and quickly ending underdevelopment.

If we say that concepts of natural economy are the main obstacle of commodity economic development in the rural areas, then concepts of product economy are the main ideological obstacle of the development of commodity economy in cities, especially in state-owned economies.

For a long time, people have actually equated socialist economy with product economy. The principal and special features of this concept, which is an ideological reflection of a distorted socialist economic relationship, are: It disregards the commodity-currency relationship of the socialist economy, especially the state-owned economies. Thinking in terms of absolutes, it idealizes the role of planning, considering planned targets as social demands and refusing to admit that changes in supply and demand on the market reflect real social needs; and it one-sidedly emphasizes the integrity and unity of the socialist economy, refusing to acknowledge the relative independence of state-owned enterprises, or to let them have the autonomy of planning production flexibly according to market demands, or to let them enjoy economic benefits or undertake economic responsibilities according to their operational performance. To

administer these enterprises, the state only pays attention to controlling these enterprises directly with executive measures and mandatory plans and not to the regulatory role played by the law of value in production and circulation, nor will it pay attention to controlling enterprises indirectly with economic measures or through the market. Such "leftist" and rigid concepts of product economy have become the main mental obstacle to China's socialist construction and economic reform. To develop China's commodity economy and enforce the principles for reforms, opening to the outside world, and invigorate the economy, we must first require all cadres assuming leading posts of state-owned economies to replace concepts of product economy with concepts of commodity economy.

## II. What Sorts of Concepts of Commodity Economy Are Required for Developing Socialist Commodity Economy

To develop a commodity economy, we must replace the concepts of product economy and concepts of natural economy with concepts of commodity economy. While doing this, however, we must distinguish the common characters and special characters of commodity economy.

In the history of commodity economic development of the human society over several thousand years, there were—and there still are—all types of different commodity economies. The principal types are: the simple commodity economy based on laborers' individual ownership, capitalist commodity economy based on capitalists' private ownership, and socialist commodity economy based on socialist public ownership. The common characters of the concepts of commodity economy reflect the common requirements in the development of different types of commodity economy. The market concept, the competition concept, and the profit-making concept are concepts of these types of commodity economy. As for the special characters of commodity economy, or special concepts of commodity economy, they are not other characteristics in addition to the common characters, they are special expressions of common characteristics under special conditions. Let me explain this issue through the concept of competition.

The handicraft industry in the Middle Ages is a typical example of the simple commodity economy. Dominating in the feudal society at that time was the basically self-sufficient manor economy. In cities, the commodity economy with handicraft industry as the mainstay was merely an embryo, and the small market at that time was the main obstacle to the development of commodity economy and the main problem threatening the survival of commodity producers. To survive under such circumstances, handicraft workers formed themselves into guilds to control internal competition and resist external competition. Handing down secrets in the family from one generation to another, teaching technical secrets to sons but not daughters, and other similar measures became principal means of competition among people of

the same trade. These conservative, narrow-minded guild concepts of abhorring, controlling, and resisting competition became a special expression of the competition concepts of a simple commodity economy.

Breaking through guild control, capitalist commodity economy developed under the situation where markets at home and abroad were expanding rapidly. Vigorous competition became a life-and-death struggle among capitalists. During the course of competition, the winners accumulated their capital the same way as "big fish eating up the small fish," and the losers drowned in the sea of competition. Meanwhile, competition, as an external compelling force of the law of value, was regulating the microscopic balance of the capitalist commodity economy, forcing the capitalists to upgrade their technology, improve management, and, in order to survive and develop, resort to all possible means that they could use to defeat competitors. Ideologically, such competition in the capitalist commodity economy found expression in capitalist economists' praise for competition. On the other hand, such competition made capitalists think that "competitors were enemies," and consequently they did all they could to shift their troubles onto others and tried to benefit themselves at the expense of others.

Since socialist economy is a commodity economy, it certainly is subjected to the rule of competition where what is inferior will be replaced by what is superior. However, socialist enterprises do not have to engage in a life or death confrontation in order to compete for benefits. Instead of being mutually exclusive, socialist competition and socialist cooperation can coexist. Under socialist commodity economy, advanced enterprises are obligated to share their advanced technology with fraternal enterprises and train personnel for them by means of mutually beneficial compensatory transfer. On the part of the backward enterprises, they can, through various forms of lateral economic ties, learn the technology and management of their advanced counterparts and improve along with them. To be replaced are those enterprises which cannot be improved because of objective factors, such as a shortage of resources, or those outmoded and conservative enterprises which refuse to improve themselves. Socialist competition does not tolerate capitalist ways of competition—ways meant to benefit oneself at the expense of others. This objective reality of socialist commodity economy has gradually given rise to a new competition concept—that enterprises should strive to upgrade their production technology, improve management, strengthen economic accounting, improve product quality, increase variety, reduce consumption of energy and raw and semifinished materials, increase productivity, and improve services; and compete with one another in these areas with the aim of improving together.

We can see from this analysis that, like commodity economy, which is constantly changing and developing, concepts of commodity economy are also changing and developing. While the past and present concepts of

commodity economy have something that show the common characteristics of the different types of commodity economy, they also have something that show the special features of the different types of commodity economy. We must be good at distinguishing the differences, lest we should regard the shared concepts as capitalist concepts and reject them, or indiscriminately accept certain concepts tolerated only by capitalist commodity economy. Of all different concepts of commodity economy, we should select, nurture, and promote those which are compatible with socialist commodity economy and which can enhance the development of socialist commodity economy so that China's socialist construction and economic reform can continue to deepen.

We are still not fully clear as to what types of concepts are compatible with socialist commodity economy. The following concepts, which underscore the importance of quality, reputation, equal competition, services, performance, advanced technology, good management, and cost reduction, as well as the concept of integrating benefits of enterprises and benefits of society, are definitely good for the development of socialist commodity economy. Some of these concepts are peculiar to socialist commodity economy, and some others, which may be shared by both socialist and capitalist commodity economy, are different in principle in terms of their intentions. For example, the proposal made by some people in capitalist countries that "customers are emperors" seems to emphasize customers' service most emphatically. Under capitalist commodity economy, the purpose of serving customers is to get their money, and serving them is only the means. When serving customers is absolutely necessary in order to make money, the capitalists will treat customers most sincerely and earnestly; but when they know they can make money more easily by cheating the customers, the capitalists will not think twice about cheating them. In this case, the customers are no longer "emperors," they are "fools." Under socialist commodity economy, serving customers is the objective as well as the means. Essentially speaking, therefore, socialist commodity economy requires higher consciousness of serving customers than capitalist commodity economy.

### III. "Putting Money Above Everything Else" Is a Capitalist, Profit-Before-Everything Concept

While renewing our concepts, we should know clearly what sorts of commodity economic concepts we should encourage, and what sorts of concepts we should reject because they are unfavorable for socialist economic development. The concept of "putting money above everything else" is a concept we must reject.

Some people ask why is it improper to put money above everything else since the purpose of promoting commodity economy is to make money?

It is true that we ought to expect to make profits while promoting commodity economy, and that the kind of management which pays no attention to accounting, costs, and profits is undesirable. However, expecting profits does not mean placing profits above everything else, and stressing economic performance is not the same as putting money above everything else. All types of commodity economy should expect profitable returns, but this does not mean that any type of commodity economy should consider profit-making its sole and highest objective. Placing profits or money above everything else, and letting the amount of profits we can make determine operational enthusiasm are characteristics of capitalist commodity economy. As Marx has pointed out: "The purpose of capital is not for satisfying needs, but for producing profits." ("Complete Works of Marx and Engels," Vol 25, p 285)

While engaging in commodity economic activities, socialist enterprises must also expect profits, or economic returns, which include benefits for enterprises and benefits for society. The basic task of socialist construction is to go all out to develop productive forces in society, and gradually improve people's material and cultural life on this basis. Socialist commodity production and commodity trade must be subordinated to this basic task. Therefore, under a socialist commodity economy, benefits for enterprises and benefits for society are integrated. The reason why socialist enterprises must attach great importance to economic returns and expect as much profits as possible is because this is essential for accomplishing the fundamental tasks of socialist construction. An enterprise's economic returns are not the ultimate goal of socialist commodity economic activities. If socialist enterprises disregard the whole situation; put profits and money above everything else like capitalist enterprises; do anything for money; infringe upon state interests by evading taxes, unjustifiably raising costs, and issuing bonuses in cash and in kind; undermine fraternal enterprises by signing contracts thoughtlessly, not fulfilling contractual terms, and defaulting on payments; and infringe on consumers' interests by doing shoddy work, using inferior material instead of good material, and jacking up prices without justification, how can we achieve the four modernizations? Should such unhealthy, money-oriented tendencies be able to proliferate to such an extent that everybody will crave for money, and will even give and accept bribes and totally forget socialist principles, could we still expect to build a socialist society with Chinese characteristics? The idea of "placing money above everything else" is a strong corrosive which, if not controlled, will corrupt our society; corrode our socialist economic, political, and cultural work; and ruin China's socialist future.

China's socialist construction requires us to develop commodity economy and carry out reforms, open to the outside world, and invigorate our economy. That is why we must replace the outmoded, rigid, and unrealistic concepts with new concepts which are in line with reforms, opening to the outside world, and invigorating

the economy. While doing this, however, we must make sure that we will not accept those concepts which reflect the special characteristics of capitalist commodity economy—like the concept of "placing money above everything else"—and think they are universally acceptable commodity economy concepts.

### **The Idea of Life of Contemporary Masters of the Country**

*OW111059 Beijing HONGQI [RED FLAG] in Chinese No 22, 16 Nov 87 p 47*

[Article by Lei Ke [7191 0344]]

[Text] I think that the sense of being the masters also needs to be "modernized." This should be without any doubt. The question is what the contemporary masters of the country should be like and what modern idea of life they should have.

Zhou Mingji, a professor of the University of Science and Technology for National Defense, has affirmatively and correctly answered this question with his actions.

Professor Zhou has been a world-famous analyst in applied mechanics since the 1940's. He received his Master's and PhD degrees from famous colleges in the United States, served as a guest researcher, and worked as a senior engineer of a major airline there. Those jobs naturally brought him a nice house, expensive car, and a comfortable life. Nevertheless, Professor Zhou resolutely rejected a request for him to become a U.S. citizen, gave up the nice job, and returned to his motherland which was then distressed with frequent wars. Later, he worked hard and unremittingly in various parts of the country, from the foot of Luojia Mountain to the icy city in the north, for the education and for the modernization of national defense of new China. He leads a simple and plain life and is strict with himself. However, he has successively donated 16,500 yuan to such organizations as the Children's Library and the Society of Biology. He has also donated his savings of many years, amounting to 100,000 yuan, to a school as a foundation for the development of postgraduate education. Professor Zhou is a man of great academic achievements who is devoting all his energies to the cultivation of young people. His is not seeking great fame by writing books. He only expects the young people to surpass him and to climb by stepping on his shoulders. He, like a high-energy fuel, is selflessly burning himself to release great energy, just as his students have praised him. The donated money is calculable, but his love for the students and his dedication and contributions to the motherland's modernization are incalculable!

As I am writing this article, a faddish phrase suddenly comes to my mind: Chinese intellectuals are "inexpensive and yet of good quality." Apparently it is partially a complaint, but it also reflects certain reality to some extent. In my opinion, however, if we say that Chinese intellectuals work hard and offer their service silently,

and that they eat grass but yield milk, just as Professor Zhou does; then, shouldn't they take the word "inexpensive and yet of good quality" as an honor and pride even though it is originally intended to be sarcastic? Any intellectuals with a sense of responsibility should not only know world affairs and be reasonable. They should also take the lead in rejuvenating China and put the interest of the country above all else. Only in this way, can they be a part of the working class and be persons with the feelings and character of the masters of the country. In the eyes of some people, Professor Zhou's "social status" is very high. His career and educational background and his contributions entitle him to a better house, a car, and many benefits, but he has not asked for those. This is precisely his virtue which most people wholeheartedly respect, and which makes him unparalleled to some others. Those who think that they know the true meaning of life and make all efforts to seek personal gains cannot hold a candle to him.

It is no doubt that we should implement the policies in the interest of the intellectuals and show concern for talented people in all respects. Since the 3d Plenary Session of the 11th CPC Central Committee, the party Central Committee has made great efforts in this regard. Of course, there are still many unsatisfactory things with regard to their wages, living conditions, and other benefits, and continued efforts are needed to improve them. We praise Professor Zhou, not because we advocate contentment with current conditions, or urge people to make donations, but because we recommend his spirit of dedication for people to learn from. In his article "Farewell to Poverty," Han Yu said: "Enjoy benefits after others and assume responsibilities ahead of them." Professor Zhou has completely done what Mr Han said. People's idea of life inevitably changes with the change of the times. However, I think that the modern idea of life of the masters of the country should be to dedicate and to loyally serve the country and the people. I don't know whether the contemporary masters of our country agree with me or not.

**Wu Tianming Has Dug a 'Deep Well'—Random Remarks on the Feature Film 'Old Well'**  
*OW140124 Beijing HONGQI [RED FLAG] in Chinese No 22, 16 Nov 87 p 48*

[Article by Li Wenbin [2621 2429 2430]]

[Text] Water is a necessity to human beings and all other living things. In order to search for water, the peasants in Laojing village in the Taihang Mountain area have painstakingly dug wells from generation to generation. In the last several hundred years, they have dug 127 dry wells. The spring breeze of the 3d Plenary Session of the 11th CPC Central Committee has brought vitality to Laojing village. Sun Wangquan, a young peasant, carries on the will of his forefathers, assumes the heavy responsibility left over from the past several thousands years, loses his girlfriend, leads the villagers with his knowledge and wisdom, and succeeds in completing a deep water

well. "Old Well," a feature film made by the Xian Film Studio, reveals a unique discovery of life and presents a magnificent picture of people contending with the nature and old traditional ideas. It has accumulated some new experience in making films about China's rural reform.

The story of the foolish old man who removed the mountains has long been known to every family, and inspired Chinese people to make unremitting efforts to improve themselves from generation to generation. The heroic struggle waged by people like Sun Wangquan in the 1980's to improve their native village and undertake socialist construction there is precisely a manifestation of the foolish old man's spirit in the new period. Sun Wangquan and the villagers are determined to strike water "even if they have to give their lives and go to hell." Their determination is admirable and inspiring, showing to us the indomitable spirit and the great rallying power of the Chinese nation.

The film impresses viewers the most by prominently portraying Sun Wangquan and Zhao Qiaoying, peasants of the new generation. Sun Wangquan, an educated youth who has returned to the village, shows a yearning for the world outside the mountain, but he displays even more a strong sense of responsibility toward Laojing village. He may disregard the love between him and Zhao Qiaoying and marry Duan Xifeng, a widow he doesn't love, but his faith and will never falter in the course of digging the well. While showing Sun Wangquan's tragic love, the film emphatically praises his positive attitude toward life, and tells people that such a positive attitude can be carried forward only when victory is won in the struggle against poverty, backwardness, and old traditional ideas. Therefore, the basic tone of the film is both deep and spirited, and is of profound immediate significance.

The film portrays the image of the peasants of three generations in the Taihang Mountain region. Both the leading roles and supporting roles are excellently performed. Wanshui and Fenger are peasants of the older generation in Laojing village. To search for water, they have struggled for life. Wanshui's dignity, stubbornness and his expectations of Wangquan and other young people demonstrate the character of China's peasants of the older generation, the character of diligence, fortitude, and determination. The film emphatically depicts the image of Sun Fuchang, a middle-aged peasant and secretary of the party branch of Laojing village. It describes his worldly wisdom in handling things. It also portrays him as a nice grass-roots party cadre who complies with the people's aspirations, attaches importance to science, assumes an enlightened attitude toward Wangquan and other villagers and supports them in digging the well.

Zhang Yimou plays the character of Wangquan with ease, simplicity, and in real earnest, which should be attributed to his frequent visits to the real-life character he portrays. He reportedly spent 2 1/2 months in

Shanxi's Heshun and Zuoquan prior to making this film to totally immerse himself in the life of the people there. In order to build up his stamina and familiarize himself with the local peasants' thinking and feeling, he did such farm chores as carrying 10 buckets of water and 3 flagstones (each weighing about 150 jin) every day up and down the mountain, thus bringing the character he plays to real life. He deserves the laurel of the best actor award at the Second Tokyo Film Festival.

Director Wu Tianming whose arteries, as he professes, "flow with the blood of peasant" has dedicated his love and zeal to the hundreds of millions of peasants in China. With three films about Chinese rural life—"River Without Buoys," "Life," and "Old Well," he has become a star among middle-aged directors in China. "Old Well" is an incisive and inspiring movie because, in addition to its penetrating understanding of life, of the director's conscientious, innovative, pioneering spirit of constantly striving for improvement. For example, in depicting local tradition, he infuses modern substance into the scenes of wedding, funeral, and other folk customs instead of one-sidedly playing up the "indigenous" practices. We can see from the two scenes of the blind man singing a popular tune and the pampered son dancing disco the strong contrast between the atmosphere of our times and the local characteristics.

"Old Well" won the grand prize at the recent Second Tokyo International Film Festival, an unprecedented event in China's cinema history which we should rejoice over. "Old Well" has enabled me to know Chinese people who are great and invincible. The movie is technically impeccable," said famous U.S. movie star Gregory Peck, who was chief judge at the Tokyo International Film Festival. I believe that Chinese movies are made mainly for the Chinese audience and should appeal to ordinary Chinese people. However, in the new era of reform, openness, and economic invigoration, wouldn't it be a great blessing if we could present more good films to the people of other countries? The prize-winning "Old Well" has increased our confidence in bringing Chinese films to the world market because the movie has once again proved a truth, that is, a creative work with strong national characteristics can often appeal to more people in other countries.

**New Accomplishment in the Study of History—A Brief Review of 'History of the Yuan Dynasty'**  
*OW140112 Beijing HONGQI [RED FLAG] in Chinese No 22, 16 Nov 87 inside back cover*

[Book review by Chen Youhe [7115 2589 0735]]

[Text] The two-volume "History of the Yuan Dynasty," compiled under the auspices of Mr Han Rulin, the late historian of the Yuan Dynasty, has been published by the People's Publishing House recently. The book, which has received the 1987 "China Book Award" for its new

accomplishment in the study of history, is the first treatise ever to systematically apply the Marxist view of history in making a comprehensive study of the Yuan Dynasty history.

In the study of history during the old days, the Yuan Dynasty, founded by Hubilie, was invariably regarded as an "era of dark rule" because the Mongolian entrance to and mastery over China was the "reign of a foreign nationality." Since the founding of new China, such a narrow-minded prejudice, of course, has been corrected. However, it has continued to find expression in a few historical studies. For example, they only emphasized the damage done during the process of achieving the reunification and the backward Mongolian social system of the Yuan Dynasty, charging it with cruel persecution of the entire Han nationality while largely ignoring the objective fact about the social, economic, and cultural development during the 89-year Mongolian rule. Instead of simply criticizing such biased views, this book cites a host of first-hand historical materials and irrefutable facts to get rid of people's prejudice against other nationalities. The book regards it as unscientific to indiscriminately use biased historical materials in exaggerating the dark sides of the Yuan Dynasty. The reunification achieved under the Yuan Dynasty brought to an end the 5 century-old disputes and bloodshed among the various nationalities, and enabled them to engage in production and develop material and spiritual civilization in a relatively stable environment. This, at any rate, represents progress of history. Moreover, the reunification is of great significance in promoting assimilation and strengthening ties among all Chinese nationalities. The succession of the Yuan Dynasty to the Song Dynasty is a progress, not retrogression, of history. As for the defects of the Yuan Dynasty, most of them can also be found in other dynasties. As for the anti-Yuan activities of Wen Tianxiang, a national hero, it is necessary to conduct a realistic analysis based on the historical conditions of his times. Besides, the Yuan Dynasty marks an important period in the development of the long history of China, a multinational country, and has made unique contributions in various areas.

The study of the Mongolian Yuan Dynasty history is, in fact, a global subject. For a long time, many scholars dared not broach the subject because the original historical materials are scattered and written, in addition to Chinese, in a dozen ancient and foreign languages including Mongolian, Tibetan, Persian, and Arabic. Therefore, due to the slow pace in the research work, there has been a lack of in-depth study on quite a few topics. Mr Han Rulin studied in Europe when he was young and was a student of the famed French Orientalist (Boheur). During his stay in Europe, he successively studied and mastered Latin, Persian, Mongolian, Tibetan, and Tujue scripts. The principal writers of the "History of the Yuan Dynasty" are all accomplished historians who have long been devoted to the study of Yuan Dynasty history. In writing the book, they have used not only voluminous history books written in the

Han language but also a host of materials outside China in making comparisons, applying historical linguistics in translating original names and system of naming articles and thus straightening out quite a few confused questions in the Yuan Dynasty history. This unprecedented application of historical linguistics has changed the study method of Yuan Dynasty history in China.

Written in easy and smooth language, the "History of the Yuan Dynasty" contains full and accurate materials, and gives a detailed exposition of especially the early Yuan history. Take, for example, Mongolia's Dalahan System. Demonstrating their strict discipline and solid academic background, the writers obtained scores of entries about this topic from extensive materials, which include those from as early as the Rouran and Tujue Periods and as late as the Yuan, Ming, and Qing Dynasties and from as far as the Qinchu and Ili Khan Territories, and after careful verification and analyses, provide the real meaning and evolution of the system. In the past decade, the

study of Yuan Dynasty history has flourished as the historians have broadened their vistas and applied new methods in their research, absorbing each other's strong points to enrich the fruits and improve the quality of their study. They have also attached importance to the research abroad. In a sense, the "History of the Yuan Dynasty" is not only a specialized study by the writers but also an endeavor combining the accomplishment by Chinese historians on the Yuan Dynasty over the past 3 decades or so. Therefore, we may as well say that this high-standard book on dynastic history, together with the classic edition of the "History of Yuan," is the most important and authoritative work on the Yuan Dynasty of history written since the founding of the PRC, and that it will inspire future works on the same subject.

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