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No 2, 16 January 1988

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[Translation of the semimonthly theoretical journal HONGQI of the Central Committee of the Communist Party of China published in Beijing; passages in boldface as published.]

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**Review of and Prospects for Guangdong's Reforms and Opening Up**

*HK300640 Beijing HONGQI [RED FLAG] in Chinese  
No 2, 16 Jan 88 pp 2-6*

[Article by Lin Ruo [2651 5387]]

[Text] Since the 3d Plenary Session of the 11th CPC Central Committee the central authorities have approved Guangdong's adoption of special policies and flexible measures, and the establishment of Shenzhen, Zhuhai, and Shantou Special Economic Zones [SEZ]. After that approval was given for opening up Hainan Island, the two coastal cities of Guangzhou and Zhanjiang, and the Zhu Jiang Delta to the outside world. The basic practice in Guangdong for the last 9 years has been centered on implementing the general principle of reform, opening up, and invigoration. This expresses its "special policies and flexible measures" in the concrete form of a process of opening up still more to the world, further relaxing internal policies, delegating still more power to lower levels, simultaneously building the two civilizations, and unswervingly building socialism with Chinese characteristics. Reviewing these 9 extraordinary years the cadres and masses have felt from their own experience and vital interests that Guangdong's economic development has entered its most vigorous "golden era" since liberation.

The 9 years of reform and opening up have been years of great change in Guangdong. During the last 9 years the province's total volume of investment in fixed assets by society exceeded the sum total investment in this regard for the 29 years prior to 1978. This has helped enhance the basic strengths of the various sectors of the national economy and greatly improved society's productive forces. Compared with 1978, in 1986 Guangdong's total output value increased by 160 percent, an annual average growth rate of 12.6 percent; gross national product rose by 150 percent, an annual average growth rate of 12 percent; national income grew by 130 percent, an annual average growth rate of 10.9 percent; and financial revenues went up by 102 percent, an annual growth rate of 9.2 percent. Compared with 1986, the province's GNP, total value of industrial and agricultural production, and financial revenues in 1987 are expected to increase by 18, 23.3, and 12 percent respectively. This sustained and stable economic growth rate was far higher than that during the 29 years before the 3d Plenary Session of the 11th CPC Central Committee. It is also higher than the growth rate of Hong Kong, dubbed one of the "four small tigers of Asia" on which Guangdong borders, when the latter's economy took off in the 1960s and 1970s (the yearly average GNP growth between 1961 and 1979 was 11 percent). With this we have established a conviction: So long as we continue to adhere to the general principle of reform, opening up, and invigoration, not only can we

achieve the goal of quadrupling the 1980 GNP ahead of schedule before the year 2000, but a considerable number of regions can also reach the levels of moderately developed countries.

The developed economy and improved living standards are the material results of reform and opening up. Reform and opening up have also made great achievements in the building of spiritual civilization, thus further emancipating minds, upgrading concepts, and bringing about profound changes in society's mental outlook. The province's scientific and technological, educational, cultural, public health, and sports undertakings have rapidly developed; there has been a new leap in understanding by the vast majority of cadres and people of socialism on the basis of practicing the two basic points of the line adopted by the 3d Plenary Session of the 11th CPC Central Committee; the scientific socialist idea of building socialism with Chinese characteristics by proceeding from the historical feature that our country is still in the initial stage of socialism has been continuing to strike root in the hearts of the people; and work methods, lifestyles, and values commensurate with the socialist planned commodity economy are taking shape. Highly energetic people have continuously enhanced their sense of reform and opening up. People in their tens of millions have genuinely and sincerely supported the party's line and conscientiously turned it into creative historic action.

The practice of reform and opening up over the last 9 years and the achievements we have made, indicate that the line pursued since the 3d Plenary Session of the 11th CPC Central Committee is correct, and that reform, opening up, and invigoration are the only ways to rejuvenate the socialist cause. Only by making reform can we become affluent, make advances, and rejuvenate the nation. This is a truth derived by the masses of people from their practice.

However, reform and opening up are after all very complicated social systems engineering undertakings and cannot be accomplished in one go. They cannot avoid resistance and obstruction. In the course of reform and opening up we can but move forward step by step, doing everything possible to remove "leftist" barriers and guarding against rightist obstructions at every step we take. Only when "leftist" barriers are removed can ideological emancipation be achieved, people's great enthusiasm for building socialism with Chinese characteristics boosted, and reform, opening up, and invigoration be upheld. Only when rightist obstructions are prevented can the influence of bourgeois liberalization be effectively resisted and reform, opening up, and invigoration be guaranteed to move ahead in the correct direction. Adhering to the advocacy of taking economic construction as the center and to the basic points of the line of the 3d Plenary Session of the 11th CPC Central Committee is our basic practice, and also our basic understanding of building socialism with Chinese characteristics.

Like other parts of the country Guangdong started economic structural reform by readjusting production relations, gradually spreading from the rural to the urban areas. Although the system of contracted responsibility on the household basis with payment linked to output was first implemented in poverty-stricken areas, later on the productive forces were greatly emancipated and the economy was significantly developed wherever it was applied. On the basis of the initial results of rural reforms we introduced reforms in the various sectors of the urban economy. While centering on delegating powers to lower levels and invigorating enterprises in urban reforms, we have also introduced a responsibility system in financial work and a proportional sharing system in foreign exchange. During the process we delegated powers to cities (prefectures), counties, and enterprises, and separated the government and enterprise functions. On this basis we applied the experience in rural reforms to urban reforms and implemented different forms of the contract managerial responsibility system in enterprises in particular, in more than 80 percent of state-owned budgeted enterprises. "Delegation of powers to lower levels" and "a contract system" have battered down the old structure characterized by excessive centralization and too rigid controls, and smashed the practice of everyone "eating from the same big pot" thereby greatly boosting the people's enthusiasm. In the meantime we have also readjusted the production structure and conducted reforms in turn in such areas as planning, finance, taxation, commerce, banking, prices, labor and wages, and foreign economic relations and trade. While upholding the leading position of the economy under the system of ownership by the whole people, we have encouraged the development of the cooperative, individual, and private sectors of the economy and the shareholding economy, and of Sino-foreign joint ventures, cooperative enterprises, and wholly foreign-invested enterprises. By 1986 the number of individually owned enterprises throughout the province totaled 800,000 or more. Sino-foreign joint ventures, cooperative enterprises, and operational wholly foreign-owned enterprises totaled 4,196, constituting 67 percent of the nation's total number of enterprises of similar type. Hence there has been a gradual transition from the single ownership structure characterized by the form of "large in size and collective in nature" to a diverse ownership structure with socialist public ownership remaining predominant, and various economic sectors and methods of management developing side by side. The readjustment and reform of the productive forces have given a powerful thrashing to the ossified concepts that have long been followed. Some people have doubts of one kind or another that "the system of contracted responsibility on the household basis with payment linked to output" means "taking the road back," and that delegating powers to enterprises and implementing a contract system mean "disintegrating socialism." These doubts show that people's minds are still trammled by ossified patterns. It is therefore necessary to conduct ideological education in the party centering on whether the readjustment of production relations is socialist or capitalist in

nature. Practice provides the most convincing material. Through presenting the facts and summing up experience people have come to realize: The essence of readjusting production relations and instituting and perfecting socialist material interest mechanisms is to improve socialist production relations and liberate the productive forces from the old pattern characterized by the form of "large in size and collective in nature." The fact that: the problem of having enough to eat and wear has basically been solved in the rural areas of our province; developmental agricultural production has been expanded; township and town enterprises have become the mainstay of the rural economy; the urban economy has been activated; and second and third industries have been expanded proves that reform and opening up can make production relations better suited to and promote the development of productive forces.

The ongoing reforms in various aspects of the economic structure are in fact centered on a change in the socialist economy from a product to a planned commodity economy, and on vigorously developing commodity production. Guangdong has started earlier in this regard. In 1980 we began to gradually relax centralized control over commodities under the management of planned purchases and marketing and their prices. Until now, with the exception of a very small number of farm and sideline products and manufactured goods, price restrictions on other goods have been lifted. In terms of gross commodity value the ratio of prices under planned management and those under regulation by market mechanisms is 25:75 for purchases of farm and sideline products, 30:70 for capital goods, and 20:80 for retail commodity sales on the market. This shows that socialist market mechanisms in our province have initially taken shape and begun to function and the situation in which prices seriously deviate from value has greatly improved. This serves as a great push to the production and circulation of commodities. In 1986 the province's total retail commodity sales in society amounted to 38.72 billion yuan, an increase of 270 percent over 1978. Today there are ample supplies of poultry, meat, eggs, vegetables, fruit, and industrial consumer goods for daily use on the market. The phenomenon whereby people still could not buy anything even though they had "queued up" with their pockets full of all sorts of coupons has become a thing of the past. Under the old structure the serious market shortages that had long plagued us and we had not managed to solve have at last been basically solved, and ways of further ameliorating the problem have been found in the short span of several years of reform and opening up. This has not only benefited the people but also helped to gradually lessen the government's ever increasing burden of price subsidies.

Of course reform is not without "birth pains" and therefore, some disturbances are hard to avoid, such as "the entire people doing business," "reselling foreign goods at a profit," commercial cheating, smuggling, and tax evasion. In the face of this situation should we adhere to reform or backtrack? This is a severe test for us. The

fundamental reason for the past vicious circle in which decentralization caused disorder, disorder triggered fear, fear brought centralization, and centralization killed initiative lies in our failure to genuinely break down the old economic structure. Today, though confronted by all kinds of difficulties and impediments, we have always remained sober-minded, upheld and deepened the reform, continuously solved problems arising in the course of reform, adopted firm measures, worked hard to harmonize the relations of commodity production, and improved and strengthened macroeconomic management. We have constantly solved the problems cropping up as the reform deepened. There has been an unprecedented new situation in the province's commodity production and circulation which has thus entered the course of a benign cycle. Practice has proved that under the socialist system vigorously developing the commodity economy helps overcome the negative phenomena of anarchy and blind competition.

Opening to the outside world is a necessary condition for speeding up the pace of the four socialist modernizations. As the southern gate of the motherland and home to many Overseas Chinese Guangdong, bordering on Hong Kong and Macao, has unique strong points for developing economic relations and trade with other countries. During the last 9 years we have ceaselessly eradicated "leftist" influences and resolutely implemented the basic national policy of opening to the outside world, thus putting an end to the long-standing depressing situation of national seclusion. By 1986 the province had used foreign capital worth \$4.2 billion or more, and imported over 1,600 production and assembly line items and 800,000 units (sets) of equipment. This has vigorously boosted the technological transformation of the various sectors of the national economy and accelerated the rationalization of the production structure and the distribution of productive forces, thereby significantly raising the level of productive forces. In the meantime we have also mastered the knowledge and expertise to manage modern production and have trained a number of technical and managerial personnel. Over the last few years we have made energetic efforts to develop export-oriented industries and agricultural undertakings capable of earning foreign exchange, and established a number of export production centers. While maintaining Hong Kong and Macao markets, we have begun to develop trade with other countries and set up 123 enterprises in foreign countries in a selective way.

Establishing SEZ's using Guangdong's strong points is an important step for the province in its reforms and opening up. Establishing socialist SEZ's is an innovation that has attracted world attention. There are lots of comments at home and abroad on this issue: Some people are worried about the forfeit of sovereignty; others categorically assert we will not succeed; and still others, seeing economic crimes such as smuggling and bribe-taking and some negative and ugly social phenomena arising in the wake of opening up to the outside world, doubt and waver about the policy of opening to

the outside world and establishing SEZ's. The achievements of the SEZ's have given them a forceful answer. The Shenzhen SEZ especially has begun to take shape. Its economy has developed rapidly, its appeal to foreign business people is strengthening, and it has laid the foundations for an export-oriented economy. By 1987 the city had imported \$1.7 billion in foreign capital and established a large batch of industrial enterprises and agricultural undertakings capable of earning foreign exchange. Compared with 1979, in 1987, the city's GNP amounted to 4.25 billion yuan, up 2,060 percent; national income came to 3.4 billion yuan, up 2,030 percent; and foreign exchange earned through exports totaled \$1.2 billion, up 5,280 percent. At the same time the Zhuhai and Shantou SEZ's have developed vigorously. Through "introducing investment from abroad and establishing lateral relations at home," the three SEZ's have begun to play their pivotal roles as "four windows" and "two fans." The development and achievements of the SEZ's have proved that the policy decision by the party Central Committee on establishing SEZ's is correct and successful.

Guangdong's basic practice of reform and opening up over the last 9 years has been adherence to the struggle on the two lines, namely opposing "rightism" and "leftism" whenever they emerge, and always persisting in the practice of the two basic points of the line adopted by the 3d Plenary Session of the 11th CPC Central Committee. The party's report to its 13th National Congress pointed out: "The two basic points—adherence to the four cardinal principles and to reform and opening up—are interrelated and mutually dependent, and they are integrated in the practice of building socialism with Chinese characteristics." Only when the two basic points are adhered to can the "two no-going-backs" be ensured—no going back to the old capitalist road and no going back to the beaten track of the old structure and ossified concepts. Only when the four cardinal principles are adhered to and rightist obstructions are removed can the correct orientation of reform and opening up be guaranteed. However, obstacles to reform and opening up come mainly from the "leftist" side. This is because many people have lived and worked for a long time under the old structure and old patterns and, deeply influenced by "leftist" ideology and theory, they have accumulatively developed a "leftist" habit which cannot be thoroughly eradicated in a short time. Only when we continuously emancipate our minds and unify people's understanding on the line and principles pursued since the 3d Plenary Session of the 11th CPC Central Committee can we unswervingly persist in overall reform and opening to the outside world.

The key to removing "leftist" barriers and emancipating the minds lies in solving the problem of reunderstanding socialism. Historical lessons and the 9 years of reform and opening up have enabled us to gain a more comprehensive and profound understanding of our country's national condition and our province's actual conditions, and to realize that China's socialism is destined to go

through a very long initial stage in its development. Correctly understanding that China is still in the initial stage of socialism and that the fundamental task in the socialist stage is to develop society's productive forces is of prime importance in building socialism with Chinese characteristics. If we develop society's productive forces without centering on economic construction, we cannot permanently eradicate poverty and socialism cannot possibly have any appeal or superiority. If we close our country to international intercourse instead of pursuing a policy of reform and opening up, we will always be ignorant and backward. Socialism is a process of historical development. It can display its incomparable superiority and exuberant vitality only when it undergoes constant changes and reforms. The development of productive forces is both the highest standard for social progress and the highest criterion for testing the success or failure of reform. Whether our reforms and opening up succeed or not depends on whether or not the productive forces have been expanded, whether or not more social wealth has been created, and on whether or not the masses have benefited therefrom. We must face the reality that socialism is still in its initial stage and that China's economy is still backward, and make solid efforts to seek ways of development. Adhering to reform and opening, and developing commodity production, are precisely for the sake of upholding and developing, rather than deviating from, scientific socialism.

The party's 13th National Congress has comprehensively put forward the party's basic line for the initial stage of socialism, stipulated the party's basic principles concerning such areas as economic construction, economic structural reform, political structural reform, and party building, and has worked out a basic blueprint and overall plan for our country's construction and reform. In accordance with the spirit of the 13th National Congress the central authorities have decided to designate Guangdong as an experimental area for overall reform and demanded it continue to proceed a step ahead of others with its reforms and opening up. By the turn of this century Guangdong is expected to have made fairly big advances in economic construction, cultural development, social life, and other fields of endeavor. This is a strategic policy decision of great foresight.

Our tasks are arduous but the situation facing us, domestic and international, has never been so favorable for us as it is at present. The theory of the initial stage of socialism and the basic line put forward by the party's 13th National Congress are the fundamental guarantee of success for our country's policy stability and sustained economic development. The trends of reform emerging in socialist countries are irreversible and the capitalist world economy is facing a new readjustment. This provides our province with favorable conditions and opportunities to adhere to our reforms and opening up, and to speed up the pace of economic construction. Through the practice of reform and opening up the province has significantly enhanced its economic strength and considerably improved its investment environment. Experience has been accumulated in the foreign relations and

trade sector with a number of qualified people of an enterprising spirit fully displaying their talents, and exchanges with other countries have been conducted through more and more channels. Bordering on Hong Kong and Macao and with the interior at its back, Guangdong has abundant natural resources and a large population of returned Overseas Chinese. All this fully shows that there are broad prospects for the province to absorb foreign capital, to accelerate scientific and technological progress, and to promote economic development. We must have a clear picture of this favorable situation, conscientiously seize this favorable opportunity, redouble our efforts, and speed up the pace of economic development.

The initial idea of the province's economic development strategy up to the end of this century can be summarized as achieving "one goal," promoting "two changes," and establishing as soon as possible a new pattern of socialist economy with Chinese characteristics throughout the province. The one goal is to octuple [fan san fan 5064 0006 3972] the province's gross output value by the year 2000 by achieving an average annual growth rate of over 10 percent; to more than octuple the province's foreign exchange earnings from exports by achieving an average annual growth rate of over 11 percent; to achieve a gross per capita output value of 2,800 yuan or more; and to reach a comfortably well-off standard of living ahead of schedule. The "two changes" are to change from a product economy to a developed commodity economy and establish a corresponding market setup, and to change from an inward- to an outward-oriented economy. As a result the province will approach 30 percent of its gross output value from exports and 50 percent of this will come from the Zhu Jiang Delta.

To achieve these tasks, we must rely on reforms to get going and clear the way, closely integrate reforms with development, and seek development through reforms. In economic development attention should be paid to the following things: First, we should actively participate in international division of labor and competition, develop various modern industries, and bring about a comprehensive development in the entire economy with the establishment of an export-oriented economy as the guide. Second, a stable growth in agriculture and an improved production structure in rural areas are the foundations for the sustained and stable national economy growth. This being the case we must put agriculture in the strategic position of developing the national economy. Third, the starting point in accelerating economic development should be placed on reliance on scientific and technological progress and improved quality in the work force. We should accelerate national economy development and strive for high efficiency through advances in science and technology and education. Fourth, we should strike a rough balance between society's total supply and demand and ensure sustained and healthy growth in the province's economy.

We must base our efforts on Guangdong realities and, through comprehensive reform experiments, strive to

establish in 3 to 5 years the framework of a new setup that benefits development of the socialist commodity economy and expansion in opening up to the world. Overall at present, we must: Perfect the contract managerial responsibility system in enterprises and genuinely revitalize the enterprises, centering around the key link of changing enterprise operational mechanisms; reform the price control system; expand the scope of regulation by market mechanisms, speed up the institution and growth of a socialist market setup, and create a market environment commensurate with the development of a commodity economy; firmly carry out reforms in the urban real estate sector, put land usage on a compensation basis, commercialize housing, and gradually set up a system of socializing real estate management; deepen rural economic structural reform, concentrate more and more land under household management in the hands of the most efficient farmers, and encourage large-scale land production; and develop agricultural undertakings capable of earning foreign exchange to promote the intensive development of agriculture. We must speed up the pace of political structural reform in coordination with economic structural reform. Currently we must reform the party and state leadership systems in accordance with the principle of separating party and government functions. We must pay close attention to readjusting government organs and changing government functions, and establish and perfect a macroeconomic regulatory system in the government's decisionmaking, executive, supervisory, consultancy, and information systems.

Reviewing what we have done we are filled with greater confidence and look forward to the future. We feel the burden is heavy and the road is long. We must conscientiously study and implement the spirit of the party's 13th National Congress, resolutely implement the party's basic line, work creatively, fulfill the task of "going a step ahead of others with reform" and "conducting comprehensive experiments" in a bold, prudent, careful, and down-to-earth way, a task given to Guangdong by the central authorities, and make more contributions in speeding up the pace of reform and opening up, and in building socialism with Chinese characteristics.

**Guided by the Theory of the Initial Stage of Socialism, Let Us Strive To Change the Outlook of the Yunnan Nationality Areas**

*HK080251 Beijing HONGQI [RED FLAG] in Chinese  
No 2, 16 Jan 88 pp 7-10*

[Article by Pu Chaozhu [2528 2600 2691]]

[Text] Our party has applied fundamental Marxist principles to an analysis of the history and the current state of China and provided the scientific conclusion that our society is still in the initial stage of socialism. This is a major breakthrough in our understanding of our national condition. It carries great guiding significance in deepening our understanding of the conditions of

Yunnan Province. Some of our comrades have worked and lived in Yunnan for several decades, but they do not have such a clear, systematic, or deep understanding of the conditions of Yunnan Province. Actual conditions are also ceaselessly developing and changing. There must also be a continuous deepening of the understanding of the conditions of Yunnan Province. Therefore, in light of the theory of the initial stage, there is a great need for us to acquire a renewed understanding of the province's conditions.

What are the most fundamental realities in Yunnan? They may be summed up as follows:

First, Yunnan is a multinational border mountainous province. The province has a national borderline of more than 3,200 kilometers, as it borders on Burma, Laos, and Vietnam. The province has 24 minority nationalities, which account for a population of 11 million, or one-third of the province's total population. The province has an area of 380,000 square kilometers, 94 percent of it mountainous and 6 percent flat. People of minority nationalities live in large or small concentrations chiefly in border and mountainous areas. Border areas, various nationalities, and mountainous areas become three in one as the outstanding feature of Yunnan.

Second, Yunnan is at a low level of the initial stage of socialism.

Historically speaking, before liberation, Yunnan as a whole was a semifeudal and semicolonial society. It was within the sphere of influence of imperialist France and Britain. Feudal bureaucratic capital had considerable influence. Imperialism and feudal bureaucratic capital acted in collusion with each other, controlling the economic life of the province with its customs, railroads, postal and telecommunications facilities, and so forth. National capital showed a certain degree of development but was in quite a weak state. In the inland rural area, the feudal landlord system was practiced. This situation was generally similar to that throughout the country. It was also a case of entering socialist society from a semifeudal and semicolonial society. This was one aspect that was shared in common. On the other hand, Yunnan's social history is also of a highly peculiar nature. The minority nationalities areas that account for one-third of the province's population and two-thirds of its area were generally products that emerged from four different social parents to enter socialist society. The first kind involved a direct transition to socialism from primitive society. The second kind emerged from slave society, or the end of slave society, to enter socialism. The third kind was born out of the feudal system of lords or headmen to enter socialism. The fourth kind developed into a feudal landlord system, with a given number of landlords and rich peasants and with cultivable land put on a hiring and trading basis in given nationalities. It was generally like the Han areas that entered socialism after

the agrarian reform and the establishment of cooperatives. The nationalities areas in the above three categories, with a population of about 5 million, were originally fundamentally placed in the state of a natural economy. The social economic pattern was unilateral agriculture and animal husbandry. There was no formation of obvious social division of labor. There were no specialized businessmen or handicraftsmen among the relevant nationalities, and commodity production and the exchange of commodities were almost nonexistent. In production, the slash-and-burn cultivation system was introduced, with the use of primitive tools and primitive techniques. The production level was very low. Only the bare necessities of life could be maintained. It was a state of self-sufficiency with isolation from the world. The fourth category covers inland areas inhabited by a mixture of minority nationalities, with a population of 5 million. At the time of liberation, there had been some degree of social division of labor. Things were far from being developed. Traditional agricultural technology and working tools were used in carrying out production. There was some development in the production of small commodities, with the formation of a small number of primary markets and small-scale country fair trade markets. Generally speaking, until shortly after liberation, the social productive forces in the countryside of Yunnan were still very backward. The social division of labor and a commodity economy were far from being developed. It was basically still a state of natural economy. Moreover, social and economic development were quite uneven between areas, between nationalities, and even within a nationality.

What were the changes and what have the actual conditions been in the 30-plus years since the founding of the PRC? In light of the above four different kinds of realities in connection with nationalities, border areas, and the class factor, the party and the state adopted different patterns and policies, such as direct transition, land reform through peaceful consultation, buffer zone land reform, ordinary land reform, and so forth, to emancipate the productive forces. There was great development in the economic, educational, cultural, and scientific fields in nationalities areas. Total industrial and agricultural output value in the autonomous nationalities areas throughout the province in 1986 was 5.1 times that of 1957. Revenue increased 12.2 times, the highway traffic mileage 20.9 times, the volume of social commodity retail sales 28.9 times, the number of schools of various kinds and that of students in school 4 and 3-odd times respectively, and the number of sanitation and medical organs and that of sanitation and technological personnel 18 and 24.2 times respectively. Still greater changes took place in the 9 years since the 3d Plenary Session of the 11th CPC Central Committee. During the period of the Sixth 5-Year Plan, the total industrial and agricultural output value of autonomous nationalities areas throughout the province rose 61.68 percent, with an average annual increase of 9.9 percent. Relevant industrial output value showed an average annual increase of 13.4 percent. In the first year of the Seventh

5-Year Plan, in 1986, the total industrial and agricultural output value again registered an increase of 18.8 percent over 1985. Precisely because of the tremendous changes, the party has commanded lofty prestige among the people of various nationalities. Following the socialist road has become the common desire of the people of various nationalities.

Meanwhile, we also note that the historical traces of old society cannot be wiped out in a very short period of time. These traces are mainly found in the following: 1) A low commodity rate in agriculture. The average agricultural commodity rate of the whole country stands at 68 percent and that of our province at 52 percent. It is still a state of seminatural economy. Especially in inland nationalities areas, the agricultural commodity rate is only around 40 percent; that in a strip of borderland with a concentration of minority nationalities and in scattered inland cold mountainous areas is only around 20 percent. It is basically still a natural economy. 2) The methods of production and doing work are backward. Some production techniques are still relatively primitive, with working tools crude and simple. The high mountain areas, inhabited by minority nationalities in compact communities and with a population of about 5 million, have a fixed area of cultivable land, with a given area planted in rice. But quite a large proportion is still represented by the use of primitive techniques, such as the slash-and-burn cultivation method and the tilling of land on a rotating basis. The people of minority nationalities living in flat areas and in valleys still use hand tools and traditional techniques in carrying out production. 3) The social division of labor is quite undeveloped. Among the people of minority nationalities, there basically still exists a unilateral economic composition of agriculture and animal husbandry, with 93 percent of laborers in agriculture. The minority nationalities areas with a population of 5 million on the borderland have begun to produce peddlers and handicraftsmen of given nationalities, but they do not work on a very consolidated basis. Town and township enterprises are almost nonexistent. The inland nationalities areas have started launching town and township enterprises in the last few years. Secondary and tertiary industries have begun to be launched. But they are still not well developed. 4) There are rich natural resources of various kinds. But the degree of development is extremely low. The masses are in relatively great poverty. 5) The cultural and technical standards of people are generally on the low side. The illiteracy rate (the proportion of people accounted for by illiterates and semi-illiterates above the age of 12) among people of minority nationalities is 58.8 percent, 9.6 percent higher than the average level of the province and 27 percent higher than that of the entire country. The illiteracy rate among seven minority nationalities is above 70 percent, and as high as 82.33 percent in some cases. Because the commodity economy is not well developed, the commodity concept is generally very weak. There is even a feeling of shame about buying and selling something. The concept of an insulated natural economy is still relatively firmly rooted.

From the above analysis, we can see that the conditions of Yunnan Province are, to a large extent, determined by the conditions of the nationalities areas of Yunnan. If we want to change the backward features of Yunnan, we must devote great efforts to changing the face of the nationalities areas of Yunnan. Our guiding thought is: Guided by the party's fundamental line and the reality of Yunnan still being at the low level of the initial stage of socialism, we must, with state support and with people of various nationalities relying on their own resources and fighting amidst hardships, realistically accelerate the building of nationalities and border areas and strive to change the backward features of nationalities and border areas. We must overcome the thinking of a coward or sluggard, who is conservative, isolated, and conceited, remains satisfied with the status quo, does nothing, and resorts to "waiting, reliance on others, and asking for help." We must also guard against cherishing unrealistic illusions, blindly emulating and greedily chasing what is big and modern, and recklessly seeking instant results. We must take the development of a socialist commodity economy as the center of nationalities and borderland related work. We must take the further implementation of the law of autonomy for nationalities areas and the party's policy for nationalities as a driving force, strengthening various nationalities' capacity for decisionmaking, self-confidence, independence, autonomy, self-transformation and self-development. We must take national unity and borderland stability as a fundamental guarantee for reform and construction and for the realization of the common prosperity and common development of various nationalities. Based on these fundamental guiding ideas, our work guidelines and tasks for economic and cultural development have the following several features:

**To meet the demands of the situation of a low social productivity level in nationalities areas and its development, we must insist on developing an economy made up of many components, with public ownership as its core. Given public ownership of land and mountain forests as a prerequisite, we must stabilize the policy of committing households to contracts and operating on a household basis and put such a policy on a long-term and unchanging basis.** In the nationalities areas of Yunnan, the potential in household operations and in individual commerce and individual handicraft industry has far from been fully tapped. In launching town and township enterprises, we must put emphasis on individual household operations and joint household operations. In areas where conditions permit, we must, at the same time, let districts and towns set up some fair-sized enterprises of an exploratory nature, basic-level governments, villagers' committees, and state enterprises and institutions. We must uphold the principle of willingness on the part of the masses, letting the masses benefit, and asking less and giving more. We must actively do a good job of rendering services before and after production; providing technology- and circulation-related services for household operations, individual economic undertakings, and town and township enterprises run on a joint

household basis; and helping them solve problems that cannot be solved on a household or individual basis. In so doing, we must keep from leaving the masses of minority nationalities with the false impression of "a change being accompanied by controls."

**We must take positive measures to stimulate the further development of division of social labor in nationalities areas.** To make a break with the state of a natural economy and develop a commodity economy, nationalities areas must try by every means to stimulate the development of a social division of labor among the people of a given nationality. Therefore, positive and effective measures must be adopted to encourage and help the masses of minority nationalities learn how to trade and engage in handicraft production, while raising agricultural labor productivity and the rate of self-sufficiency in grain. The state is to introduce a policy of preferential treatment in regard to industrial and commercial management, taxation, credit, the price difference on goods imported for sale, and so forth, and give such a policy legal protection. In the future, in launching enterprises of an exploratory nature in nationalities areas, the state can adopt the method of contracting on a rotating basis and recruiting more local workers of minority nationalities, thus swelling the ranks of workers of minority nationalities. In sum, we must actively take various measures to create favorable conditions for the social division of labor, enabling laborers among minority nationalities to gradually shift in part to the secondary and tertiary industries.

**In developing a commodity economy in the nationalities areas, we must show support for production and especially support circulation.** Whether the commodity economy in nationalities areas can be developed chiefly depends on the solution of the problem of circulation. Production determines circulation, and circulation in turn affects production. In nationalities areas basically placed in the state of a natural economy, there is still greater reaction to circulation. It even has a decisive effect under given conditions. Only with the smooth circulation of goods can products be transformed into commodities. And only in this way can an insulated natural economy gradually turn into a commodity economy of the open type. In future, in transferring grain to nationalities areas, apart from guaranteeing needed urban supplies and relief for natural disaster victims, we must directly link quite a large proportion of grain with animals, furs, timber, and other commodities and introduce contracts for purchases. For certain varieties of goods that involve difficulty in operation, we must introduce minimum protective prices and give the operation departments special loan terms or transportation subsidies, while energetically developing individual and collective transportation and business operators.

**We must strengthen the building of basic facilities in nationalities areas.** In supporting production, we must put the emphasis on helping nationalities areas solve the problem of building roads, power plants, irrigation

projects, and other basic facilities required for developing resources and developing commodity production. Funds allotted for helping the poor and helping underdeveloped areas must be concentrated on building highways, irrigation projects, power stations, and other basic facilities, by following such patterns as civilians handling projects with public help, contributing work to make up for what can be withheld as help, and so forth. Thus, conditions for competition on an equal footing can be created for nationalities and poverty-ridden areas in developing commodity production. With access roads and water and electricity supplies available, the method of "combining mountains with flat areas" can be adopted in developing the land resources in subtropical areas and developing subtropical economic crops. This will not only stimulate the development of the commodity economy in nationalities areas but also have the effect of changing the features of poverty-ridden areas.

**The state's development of the resources of nationalities areas must be closely combined with the development of the local economy of a nationality.** Concerning enterprises of an exploratory nature and some expansion and transformation projects newly launched by the state, those work processes that can be done with locally available resources in a nationalities area and which are labor-intensive with involved technology and not very complicated equipment can be taken up by given localities. Things can be handled in accordance with a unified design, with the use of advanced equipment, by recruiting local workers of nationalities on a rotating contract basis. Those work processes which involve complicated equipment and the intensive use of technology and which call for concentration on processing must be taken up by state enterprises. This practice allows a savings in investment, the shortening of the cycle of construction, and a reduction in the state enterprise burden. It also stimulates the social division of labor in nationalities areas through the development of resources and helps in improving the cultural and technical standards of nationalities, stimulating the economy in nationalities areas. Thus, both sides benefit, with a combination of interests. Both can make the most of their own strengths and be in their element, supplementing each other with their superior features and stimulating each other.

**We must uphold the policy of opening up.** The commodity economy is essentially an economy of the open type. To effect a transformation from a natural economy to a commodity economy, nationalities areas must firmly and unswervingly uphold opening up—opening up to other areas, to other provinces, and to foreign countries. In opening up to the outside, due to a lack of experience and management not being able to keep up, something negative inevitably occurs. We are likely to continue to suffer for the time being. But in no way can we continue shutting ourselves off from the world on that account. Our opening up experiences in the past few years have shown us that in opening up, as compared with self-isolation, the advantages always outweigh the disadvantages. There is also more to gain than to lose. Of course,

in opening up to the outside, we must make a point of summing up experiences and lessons, strengthening management work, and trying in every way to overcome negative factors and avoid unnecessary losses, in order to ensure the healthy development of the open approach. In the act of opening up, including the development of border trade, our province must adopt different guidelines and patterns in light of the conditions of different nations and accelerate the development of border trade in a prudent and safe manner.

**We must put in an important strategic position the development of the educational, scientific, and cultural undertakings of nationalities areas and the improvement of the quality of national thinking and culture.** The high or low quality of national thinking and culture has a direct effect on the social economic development of nationalities areas. We must energetically promote and popularize practical science and technology suited for nationalities areas. Based on the advantageous position of nationalities areas in resources and the projects that are promising in development, we must gradually establish a science and technology service system and a technical training center. Concerning education for nationalities, apart from continuously developing general education, properly running boarding schools, and increasing the rate of school popularization and consolidation, we must develop vocational education and additionally set up, as a part of general education, vocational classes closely related to matters of production and life among people of various nationalities.

As long as we are good at closely combining the party's general and specific policies with the realities of Yunnan, uphold reform and openness, work energetically, fight amidst hardships, and blaze new trails in getting ahead, a brand-new situation can surely be brought about in work related to the nationalities of Yunnan and its border areas.

**A Historical Leap in Re-Understanding Socialism**  
*HK080601 Beijing HONGQI [RED FLAG] in Chinese*  
*No 2, 16 Jan 88 pp 11-15, 30*

[Article by Wu Jianguo [0702 1696 0948]]

[Text] In his report to the 13th Party Congress, Comrade Zhao Ziyang fully expounds the theory on the initial stage of socialism. The theory has been regarded as a base and starting point for formulating the line, guiding principles and policies of our party. It is appropriate to say that the report is second only to "On New Democracy," and that as a theory on the initial stage of socialism, it reflects an overall integration between Marxism and Chinese national conditions. This theory has further pointed out the direction and road for building socialism with Chinese characteristics.

However, it seems that some comrades have felt puzzled. They asked: "Why should we return to the initial stage after building socialism for several decades?" Have we

made progress, or fallen back in our understanding and practice of socialism? It is obvious that the correct answer should be: We have made progress. Instead of falling back, we have truly advanced our understanding and practice of socialism. Since the 3d Plenary Session of the 11th CPC Central Committee, there has been an unprecedented development in our cause, and we have made great achievements which attract world attention. Why? The basic reason is: As far as the ideological line is concerned, we proceeded from our national conditions, and have gradually deepened and developed our understanding of scientific socialism. At the 13th Party Congress, we reached the historical heights. This has been reflected in the development of our party's theory on the initial stage of socialism.

Generally speaking, the progress of man's cognition is always deepening and developing. Just like other objective matters, the progress of man's cognition undergoes a process of quantitative change and qualitative leaps. This process might be long or short. Some qualitative changes are completed in a short period of time. However, it will always take a long time to promote a leap of great scientific significance. We have to experience myriad changes and even overcome numerous difficulties to effect such leap. Our understanding of the initial stage of socialism in our country is a leap of vital significance. To effect such a leap, we paid a high price and went up a long, winding path.

The reason why mankind encounters such great difficulties in the course of effecting a leap in cognition is that understanding a thing is not a pure spiritual activity. There is no "absolute freedom" in this regard. It is always in a state of constraint. Generally speaking, people's understanding of an objective matter lags behind movement of opposites of the matter concerned. People's understanding of the matter is a reflection of the movement. Whether the understanding is correct, or whether the degree of the correctness is high, namely the truthfulness contained in the understanding, is determined by whether subjective and objective conditions are complete. To use a contemporary scientific term, the correctness of people's understanding of a thing is determined by their capability to "observe" and "control" the thing. This is the way people understand natural world, and the movement of social history in particular. Is not that so? In the field of natural sciences, multiple scientific systems have been formed, or have been initially formed. However, in the field of social history, people are still hesitating at hypotheses. Why? It is because people's subjective spirit and will play a role in forming social history. It is difficult to perceive practical relationship hidden behind people's motives. In the mid-19th century, a clue was found to the historical mystery of the movement of human society. This was Marx's materialist conception of history. The foundation of the materialist conception of history is the relation between the forces of production and the relations of production, and between the economic base and the superstructure. This

is a key to understanding the process of development of social history. People then effected a historical leap in their social understanding.

The theory of scientific socialism was established on the basis of the materialist conception of history. Under the guidance of the theory, people succeeded in certain proletarian revolutionary practices. Did this mean that people had completed their understanding of the process of development of social history? Did this mean that they had solved the problem once and for all? No, this was not the case. Life and practice keep changing all the time, and the forms of change are many and varied. In the present-day world there are more than 100 countries, and the population of the world has exceeded 5 billion. Different countries and nations have their own different histories based on their different practical conditions. It is correct to say that history follows its own law. However, this law is reflected in endless inevitability and complicated contingency. Therefore, it is not an easy matter to apply the basic principles of historical materialism to the practical reality of a specific country and nation, and to find a practical road for development. A common failing which often occurs in this regard is that people often use theoretical principle to create reality, and to test practice in life. Theoretical principle is used to tailor to the needs in life. This means cutting the feet to fit the shoes, and substituting general law for particular law. This also means popularizing theory that has particular implications under given special conditions.

It is known to all that Marx divided the future society, communist society, into two stages. The first stage was a lower stage which had just emerged from the womb of capitalism and was still imprinted with the marks of old society. In this stage, measures were taken to deprive the bourgeoisie of their property, and public ownership of the whole society was established. However, due to the fact that productive forces had not yet been fully developed, it was impossible to follow a practice of letting each take what he needed. The principle of sharing the returns according to the work each had contributed could not but be pursued. To some people, in this stage the commodity economy and its economic mechanism no longer existed. The second stage was the higher stage of communism. In this stage, due to the fact that productive forces have developed highly, material wealth could satisfy the needs of all people. Therefore, the principle of to each according to his work was replaced by the principle of to each according to his needs.

Lenin called the first stage of communism socialist society. In the meantime, under special historical conditions after the October Revolution, he tried to take Marx's idea on the first stage of communism as a blueprint for realizing socialism. However, it was later found out that this did not tally with the history and practical reality of Russia. Therefore, a new economic policy was implemented. This policy played a great role in consolidating the new Soviet regime at that time. It

was obvious that Lenin's practice was in accord with Marxist theory of knowledge. Lenin tried to find a practical road for development on the basis of the history and practical reality of his country and nation. After the death of Lenin, Stalin established two kinds of public ownership systems—collective ownership and ownership under the whole people. In the meantime, he regarded the fact that industry accounted for 70 percent of the national economy as an economic criterion for the completion of socialism. Therefore, as early as 1936 he announced the completion of socialism in the Soviet Union. In the past, our understanding of socialism was, to a great extent, based on this pattern. Furthermore, we drastically sought larger, more advanced and purer public ownership. We completely forgot historical prerequisites and the level of economic development on which our socialist system relied. We intended to reach the sky in a single bound, and to "rush to communism." We wrongly thought that as long as we gave play to our own dynamic role and the reaction of the superstructure on the economic base, our country could overstep the objective historical process and stage. But we were eventually punished by objective law.

Why did this jolting, shaking and calamity, which occurred in the course of socialist construction in our country, appear? Some people said that Marxism was not suitable for Chinese national conditions. Some other people said that the fact that we embarked on a socialist path was a historical "misunderstanding." This was absolutely not the case. But it was true that we had departed from the "living soul" of Marxism—seeking truth from facts, and deviated from the ideological essence of scientific socialism. Therefore, we fell into unrealistic notions.

Scientific socialism takes historical materialism as its theoretical foundation. The core of historical materialism is recognizing the vital decisive role of productive forces. It is the basis upon which production relations and superstructure. Production relations and superstructure should be in accord with the development of productive forces, and not the reverse. The ideas of Marx and Engels on future society were based on their analysis of social contradictions of certain more developed capitalist countries in the 19th century, and their delineation of the two stages of communism was linked with the development of productive forces and accumulation of social material wealth. Therefore, their ideas were radiating the "shining light" which advocated the decisive role of productive forces. In China, what was the predecessor of our socialist system? It was a colonial and semicolonial society. Where did the development of our productive forces start? It started from a completely backward commodity economy and the boundless ocean of small producers. Under these historical prerequisites and practical conditions, we had the impudence to singularize and purify public ownership of the means of production, abolish commodity production, or even "rush to communism." How could all these work? It was

obvious that this was not because our theory of scientific socialism was illusory, but because our foundation, soil and conditions were far from being sufficient and perfect.

Evidently, even those countries which had established their socialist system on a more advanced capitalist basis than China were too optimistic about the process and stage of development of their socialist cause, although the level of their productive forces was higher than ours, and their socialist construction had been carried out for a longer time. Therefore, it seems that they are now making a reassessment and looking for a more practical and objective foothold in the interests of their further progress. This is also the case with China, which started later than them, and has lagged far behind.

As far as Marxist epistemology is concerned, the discovery and creation of a new science are a leap in understanding. Our mastery of science, which means that we have scaled new heights in scientific invention and that we have truly understood and applied science, is also a leap in cognition. We have to pay a price for such a leap. Very often, the price is very high. "Failure is the mother of success." This motto is a crystallization of the wisdom of mankind. Failure is neither uncalled for nor alien to the progress of man's understanding. We may even say that it is a "purgatory" through which we should pass when we are marching from the realm of necessity to the realm of freedom. Success is always accompanied by failure. Sometimes, failure is a matter of profound significance for our correct understanding of reality. The key lies in the fact that we should be able to draw a lesson. It is appropriate to say that correct understanding and successful practice occur mostly at the top of the accumulation of failure. Very often, this top point is a starting point of the leap in man's understanding. Furthermore, this leap in cognition is much more popular.

We have taken many roundabout courses in our work. In particular, the catastrophe of the "Great Cultural Revolution" has compelled us to look grim reality in the face. We have realized that we are now in the initial stage of socialism. In the meantime, this initial stage is not a generalized initial stage. It is an initial stage which is determined by our special national conditions and has its particularity of contradiction. To avoid a general summation of this issue, in his report to the 13th Party Congress, Comrade Zhao Ziyang made special efforts to theoretically analyze the issue. He said: "What, then, is this historic stage, the initial stage of socialism in China? 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." This is a point of special significance to understanding the initial stage of socialism in China.

Historical dialectics has shown that the evolution of any social system must undergo its own stages of development. There is no doubt that socialism is also developing from a lower to higher stage. In other words, an initial stage is needed in the socialist cause of all countries. However, in different countries, this initial stage is characterized by unique political, economic and cultural conditions, and historical tradition, and has acquired unique characteristics. Different historical tasks are thus set in accordance with these characteristics and connotations. In view of the particularity of contradiction, our present task is to gradually free ourselves from poverty and backwardness, and to gradually turn our agricultural country—where the majority of people are engaged in agriculture and manual labor plays a dominant role—into a modern industrial country. We should also gradually turn the natural and seminatural economy, which forms a large proportion of our national economy, into a highly developed commodity economy. Through reform, we should enable our socialist economic, political and cultural system to conform to such a change. If we have only a general understanding of the law governing the initial stage of socialism, this will not greatly help us follow a down-to-earth manner. But we can now assuredly say that we have set our foot on the soil of practical reality in China.

The process of cognition of the initial stage of socialism embodies the law governing the movement of cognition of mankind, which Marxism brought to light. There is a formula for the Marxist theory of knowledge—repetitions of the process leading from something vivid perceived through the senses to abstract thinking and then back to something vivid. In other words, these are endless repetitions of practice, knowledge, again practice, and again knowledge. Proceeding from something vivid perceived through the senses (or perceptual knowledge) to rational knowledge means a leap. However, this is only the first leap in the process of cognition. Progressing from rational knowledge to practice means an organic integration of theories and practice. This is also a leap in the process of understanding, the second and more important leap. The progress of man's understanding is advancing amid many repetitions of the process leading from theory to practice and then back to theory, and amid mutual testing and verifying. This basic principle of the theory of knowledge has been fully embodied in the process of our repeated re-understanding of socialism.

When the principle on scientific socialism has not been implemented in practice, or when the conditions for its application in practice have not been available, or when it has not been integrated with practice, we may say that the principle is still abstract in people's minds. As Marx pointed out, this was nothing but an "abstract stipulation." We should continue to promote the process of cognition, and upgrade "something abstract to something concrete." This concreteness is rational, and is characterized by "integration of many stipulations [xuduo guiding de zonghe 6079 1122 6016 1353 4104

4844 0678], and by diversified unity [duoyangxing tongyi 1122 2876 1840 4827 1110]." Such a process from "something abstract to something concrete" within a rational scope does not merely mean "self-integration, self-deepening, and self-motion" [ziwo zonghe, ziwo shenhua, ziwo yundong 5261 2053 4844 0678, 5261 2053 3234 0553, 5261 2053 6663 0520] of logical thinking. It is a product resulting from the "improvement of something perceived through the senses and ideas." We undergo such dialectical process while promoting a leap in our re-understanding of socialism. This is the second integration between universal truths of Marxism and Chinese revolutionary practice of overall significance after the new democratic revolution. This integration is of vital significance to the fate of the proletarian cause in China. It has laid a theoretical foundation for building socialism with Chinese characteristics. Marxist theories develop in such integration. Only in such integration will they be able to manifest their incomparably great scientific spirit and creativeness.

Another important reason why we explain the great significance of the initial stage of socialism in China from the angle of Marxist epistemology is that we should have a sufficient understanding of the protracted nature of the initial stage, which is determined by our historical and practical conditions. Different socialist countries start from different initial stages which acquire different connotations. In the meantime, they also face a problem of how long their initial stage will last. This also manifests the particularity of contradiction in different countries. How long the initial stage will last is not determined by our desires but by various kinds of practical possibilities decided by various conditions. To proceed from objective reality, from Chinese national conditions, from the particularity of contradiction of the initial stage of socialism in China, or from historical tasks which should be accomplished in the initial stage, we should make a full, sober and scientific analysis and appraisal of the time needed for the initial stage of socialism. The "report" points out: "It will be at least 100 years from the 1950s when the socialist transformation of private ownership of the means of production was basically completed, to the time when socialist modernization will have been accomplished for the most part, and all these years belong to the initial stage of socialism." In other words, the initial stage of socialism will, at least, be extended to the mid-21st century.

This initial stage will last "100 years," or "at least 100 years." Is it not too long? We should know that the higher or lower stage of socialist development, and the longer or shorter time needed for the stage of development are not determined by our sentiments and desires. Reviewing the history of mankind, we know that a very long period of time and a strenuous and complicated process are needed for changes in various social forms, and the establishment of a new social form. Primitive capitalist accumulation and the early stage of capitalism roughly lasted several hundred years. A long time is

needed for the establishment and development of a completely new socialist system based on public ownership. Besides, we should understand that the socialist system in China has been established on a colonial, semicolonial and very backward foundation. Due to the mistake of rushing and the immature transition to socialism, the previous task of developing productive forces during the "transitional period" should now be shifted to the initial stage of socialism.

Conceptually, we once intended to bypass historical stages and did everything possible to shorten the process leading to communism. We still remember what happened in 1958. At that time, Xushui County was a model of "rushing to communism." The per-mu yield of grain was only 200 jin or so. Gross industrial and agricultural output of the entire county was less than 40 million yuan. The population of the county was 320,000. This meant per capita GDP was about 130 yuan. The problem of providing people with sufficient food and clothing was not yet solved. However, it was declared that the building of socialism in China was completed in 1959 and that the country would enter communism in 1963. We acted with undue haste in order to fulfill the task of building socialism and communism. Under the condition of such a low level of productive forces, we pursued unitary public ownership by the whole people. As far as distribution was concerned, we implemented a free supply system, namely egalitarianism. This kind of communism was nothing but a fantasy of small producers, which was based on natural economy. As a result, the development of productive forces was severely obstructed. This brought calamity to the masses and impaired the prestige of communism. However, after the incident, our ideological line was not completely readjusted and reversed. We continued to depart from the objective base of productive forces. We continued to do something in order to change production relations and superstructure by launching political campaigns. During the "Great Cultural Revolution," we upheld the theory of the so-called "continuous revolution under the dictatorship of the proletariat" and "taking class struggle as the key link." Did such ideas and actions help us fulfill our lofty ideals or destroy ourselves amid man-made contradictions and struggles? Did this not mean running counter to historical trends? Viewing our past history, it is not difficult for us to reach a correct conclusion.

Evidently, it will take 100 years to resolve the primary contradictions in the initial stage, to promote a transition from an economy in which the natural and seminaural economies assume large proportions to a highly developed commodity economy, to turn our agricultural country into a modern industrial power, and to fully demonstrate the superiority of the socialist system. In this connection, we should make a full ideological preparation. We should no longer indulge in fantasy, or try to roast an unripe fruit which is still on the tree. Actually, using 100 years to build our country of 1 billion people into a rich, powerful, democratic and civilized country should be considered rapid by historical standards. Only

the socialist system could do this. Therefore, we should be of one heart and one mind, do all we can to fight, carry out a hard struggle to do pioneering work, and strive for the fulfillment of our goals.

In addition, we should on no account regard our party's theory on the initial stage of socialism as a subterfuge for defending corrupt remnants or various kinds of backward, corrupted and ugly phenomena which occur under new conditions. It should be pointed out that many contradictory factors have existed in the initial stage. However, not all of these factors are rational. The existing things are not necessarily rational things. What are rational things, and what are irrational things after all? Is there any criterion for testing their rationality? It is obvious that our criterion should not be based on abstract principles or individual desires and tastes. It can only be based on whether it is beneficial to the development of productive forces. Our fundamental aim of carrying out reform and improving and perfecting the socialist system is to develop productive forces. Poverty and backwardness cannot coexist at all with scientific socialism. Things which are beneficial to the enhancement of labor productivity and the development of productive forces should be regarded as rational. On the contrary, any existing system or concept which impedes the development of productive forces should be regarded as irrational. Therefore, in the initial stage, they should be discarded, given up and negated. The theory of the initial stage of socialism does not tolerate [baorong 0545 1369] everything or solidify and absolutize existing things. It is not a theory which rationalizes all existing things. It is a theory which carries forward the new and discards the old and promotes the development of history in accordance with its own course and law. It is also a theory which promotes the struggle for communism in a more practical way.

We should also realize that this second historical leap has just begun. To complete such a leap, efforts should be made to continue the exploration. The theory should be constantly perfected, enriched and developed amid further integration of theory and practice. Just as the report to the 13th Party Congress pointed out: "We do not yet know much about the conditions, contradictions and changes in this stage or the laws governing its development. Many of our principles, policies and theories have yet to be tested, and they will have to be constantly enriched, revised and improved through practice." In addition, the initial stage itself is a process of development from a lower to a higher stage. We cannot expect that the work of developing productive forces and political and economic structural reforms can be completed overnight. It is not a short journey. We should also realize that reform is a process of orderly advance which will run throughout the process of the development of our cause. However, with regard to the range and depth of the development of the reform, we cannot but consider subjective and objective conditions and society's preparedness. Otherwise, things will go contrary to our wishes. Therefore, the attitude which we should adopt is:

While resolutely opening up a path for continuously deepening reform, we should act prudently and steadily. We cannot completely avoid mistakes and defects. But we should do our best to minimize them. Only thus will we be able to advance from the realm of necessity to the realm of freedom in reform.

Our party's acknowledgement of the initial stage of socialism is a product and crystallization of the dialectical materialist ideological line, and a lesson drawn from both positive and negative experiences of the international communist movement. In particular, it is another Marxist theoretical generalization and summation of our party's experiences drawn from a rough and bumpy road followed by the party. Very often, a correct theory displays its authority in two ways: First, it shows its great power when it is correctly followed; second, it produces devastating effects when it is neglected, distorted and trampled on to remind people of respecting the value of truth it establishes. It is not easy to draw conclusions about the initial stage of socialism, which radiates with the light of socialist scientific theories. We should value it above everything else, comprehend its profound implications with great concentration, and observe it in practice. We firmly believe that with the development of history, the theory of the initial stage of socialism will increasingly shine with the brilliance of the truth it reveals.

**Evaluate Contemporary Western Ideas and Study Marxism Well by Comparison**  
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*No 2, 16 Jan 88 pp 16-20*

[Article by Yan Wen [3601 2429] of Beijing University]

[Text] In order to suit the teaching of Marxist theories to the new situation and new tasks and to enable university students to become qualified professional personnel who have ideals, morality, cultural knowledge, and a good sense of discipline and to give better play to their roles, Beijing University put forth in May 1985 an initial plan for reform of education in Marxist theories. This plan began to be carried out on an experimental basis among the new students who entered the university in 1985. According to the plan, apart from offering the required courses in the basic principles of Marxism and in Chinese revolution and socialist construction, some elective courses were also offered for the students. Evaluation and review of modern Western ideas is one of the elective courses.

Why was this course offered?

First, it is a demand of the objective situation of reform and opening up. Since the 3d Plenary Session of the 11th CPC Central Committee, we have implemented the policy of reform and opening up, making our socialist modernization full of vitality and closely linked with the entire world. In the course of opening up to the outside world, with the increasing exchanges in the economic,

political, educational, and science and cultural fields, all kinds of ideological trends reflecting the modern Western world have been unceasingly pouring into our country. Since universities and colleges are main places of academic exchange, those ideological trends can easily converge there and affect the students. University students, who have a craving for knowledge, are especially fond of exploring new and strange things. Once they hear or see something that they have never heard or seen before from those Western ideas, they usually show great interest in it. Some of them even often indulge themselves in those ideas, resulting in the confusion in their own thinking. In view of this situation, it is obviously wrong to adopt a policy of closing off and separating the students from contact with Western ideas or a policy of letting things go unchecked and turning a deaf ear to their developments. The only correct attitude is to guide the students in light of the situation and to actively carry out ideological work. We must let the students contact and understand Western ideas but must also guide them to gradually acquire the ability of making analysis and differentiating between right and wrong by means of the Marxist stand, viewpoints, and methods.

Second, it is the demand of studying Marxism that we make comparison and distinguish between right and wrong. In the past, when teaching the Marxist theories, we only paid attention to education in positive and systematic theories. Sometimes, when presenting some non-Marxist or anti-Marxist theories and viewpoints, they were also included in the content of lectures on positive and systematic theories and were very often slightly touched without further explanations. Very few or even no courses in education in Marxist theories through presenting the theories and ideological trends other than Marxism have ever been offered. Thus, the students have a very difficult time understanding how Marxism has been continuously enriched and developed in the struggle against all kinds of erroneous theories and ideas and they have difficulty gaining a profound understanding of the quintessence of Marxism. The offering of the elective course in modern Western ideas is aimed at providing the students with an opportunity to start from analyzing and evaluating the theories and ideological trends other than Marxism in studying Marxism through comparison and through distinguishing between right and wrong.

Third, it is the demand of training a new generation of people who will continue to adhere to and develop Marxism under the condition of reform and opening up. This is the most fundamental reason for offering this new course. Our party always advocates that the younger generation should face the world and brave the storm. The practice of opening up to the outside world has broadened the arena for testing and tempering young people and has set a new task for us on how to train a new generation of Marxists under the new historical condition. Although offering such an elective course is only an initial attempt in a side field, we will try our best to find some useful enlightenment through this concrete

step for training qualified people who are armed with Marxist theories and have a broad field of vision, who are active in thinking and bold in blazing new trails, and who are able to stand the tests of struggles both at home and abroad.

Based on the above considerations, we decided to include the course in modern Western ideas in the reform plan for education in Marxist theories and to carry out an experiment from another angle and in another field while mainly giving lectures on the basic principles of Marxism and on Chinese revolution and socialist construction.

After preparing for about 1 year, this course was first offered in September 1986 for the students who entered the university in 1985. It was well received by the students after 13 lectures were given in more than 3 months. At the beginning, only 340 students signed up for this course, but later, more than 800 students attended the class. Apart from the students who entered the university in 1985, there were also students from other grades, postgraduate students, and teachers who were taking refresher courses. They all spoke highly of this course, saying that it was a "timely," "fresh," and "attractive" course which helped them "quench their thirst."

Having summed up our initial practice, we feel that in order to successfully offer similar courses as the course in modern Western ideas, it is necessary to pay attention to the following points:

**First, we must be clear about the nature and task of the course and define the content of the course in light of the specific situation.** The course in modern Western ideas is not a course in general knowledge but a course in Marxist theories. Its task is to take Marxism as the guide and, through evaluating and reviewing modern Western ideas, enable the students to deepen their understanding of Marxism and improve their ability to analyze problems by means of the Marxist stand, viewpoints, and methods through comparison and distinguishing between right and wrong. This course is different from other courses in Marxist theories. It does not give positive and systematic lectures on Marxist theories and their application but evaluates and presents some non-Marxist or anti-Marxist ideas. But its purpose is to enable the students to study and master Marxism better. In this sense, it is playing the same role as other courses. Therefore, it is necessary to do a good job in the teaching of this course in accordance with the demand for other courses in Marxist theories. If we only regard it as an ordinary knowledge course and do not combine it closely with the education in Marxist theories, the course will lose its original significance and we will be unable to reach the above-mentioned purpose.

There are all kinds of modern Western ideas. What are the ideas to be selected for this course then? In this respect, we have worked out the following criteria in

light of the situation in various fields: 1) To select those representative ideas which have been existing for a rather long time and have greater influence on modern Western philosophy, economy, politics, and culture; 2) to select those which have certain influence on China's university students and have brought about confusion in their thinking; 3) to select those which are different from or counter against the basic principles of Marxist but are difficult to be distinguished from the Marxist principles. In this way, not only will we be able to understand some main ideological trends in the contemporary Western world but will also be able to increase the students' ability to study and apply Marxism through comparison and through distinguishing from right and wrong. For example, humanitarianism is a powerful ideological trend in the contemporary Western world. Over the past several centuries the bourgeoisie has always held up this banner. Western Marxism, which has appeared and shaped since the 1920s, holds that the essence of Marxism is humanitarianism. This viewpoint has certain influence on China's ideological and theoretical circles. In the controversy over the questions of humanitarianism and alienation some years ago, what some people advocated was in reality the viewpoints of Western Marxism. This controversy has not yet ended. It has strong repercussions among the university students. Then, how do we look upon humanitarianism? How do we look upon Western Marxism? What on earth is the relationship between Marxism and humanitarianism? All such questions should be answered in the course of evaluating and presenting modern Western ideas. For another example, Sartre's existentialism, Freud's psychoanalysis, and north European democratic socialism are also representative ideological trends in the contemporary Western world, and they also have some influence on China's university students. There was even a "Sartre craze" and "Freud craze" among some students, who regarded having some of their books at bedside as a pride. We must not evade such ideological trends but must make an evaluation and comment on them in the new course.

Through analysis and study, we decided to give 13 lectures first. They include: the presentation and comment on Western Marxism, Sartre and existentialism, a review of Freud's views on literature and art, the basic development of modern Western theories on literature and art, the study of systematic methods in literature and art, psychoanalysis and literature and art, Keynesianism and macroeconomic science, the new school advocating integration of classical ideas and the postwar U.S. economy, stagflation and the revival of the ideological trend of laissez-faire, radical economics and its criticism of capitalism, the presentation and comment on Western liberalism, the political theory of the U.S. behaviorism school, and Western democratic socialism. Some more contents will be added in the future in light of the developments, such as Nietzschean philosophy, positivism, and pragmatism. The 13 lectures were given by the teachers from the philosophy, Chinese, economics, and

international politics departments, which have conducted studies on modern Western ideas. The bounds of liberal arts teachers and teachers of Marxist theories were thus broken, the superiority of Beijing University with respect to the courses offered and teachers was brought into better play, and the quality of education in Marxist theory was improved.

**Second, we must continue to adopt the Marxist and scientific attitude and make presentation and comment in a realistic manner.** The essence of Marxism is to seek truth from facts. When making presentation and comment on modern Western ideas, we must also take the scientific attitude of seeking truth from facts. Only in this way can we correctly present and comment on modern Western ideas, fully display the strength of the truth of Marxism through comparison and distinction, and really convince the students.

Although the concrete methods adopted by the teachers were different when giving the lectures, some made presentations first and then gave their comments, and some made comments in the course of presentation, they all made great efforts to seek truth from facts. 1) They all strove to be realistic in presentation. When presenting modern Western ideas, they did not just quote some remarks out of context so that they could comment with the Marxist viewpoints but had tried to present those ideas as truthfully as possible. Through the presentation, they wanted the students to gain an overall understanding of the historical conditions, main representatives, basic ideological and theoretical viewpoints, and roles and influences of those ideas. If this had not been so, the students might think that they had distorted the facts and erected some false targets for criticism, and their comments would become groundless and inconvincible. On the contrary, by presenting those ideas truthfully and analyzing and comparing them with Marxism, it was easier to prove that Marxism was a scientific system much higher than those ideological trends and theories. As a result, not only have some students who did not know much about those ideas gained a comparatively good overview of these ideas but also some students who originally thought they "understood" those ideas and had beliefs in them have realized how one-sided and superficial their understanding was in the past. 2) They all strove to be realistic when making comments. They made a concrete analysis of each concrete situation rather than adopting an oversimplified and absolute method of total negation and refutation. Historical experiences have proved that the past use of "mass criticism" cannot stand the test of practice. It can only seriously damage the prestige and effect of Marxist theoretical education. It is itself running counter to Marxism. The modern Western ideas we have presented are all very complicated and have a dual character. We cannot draw simple and one-sided conclusions on them but must make realistic and scientific analyses of them in light of the specific characters of various concrete ideas. For example, on the question of Western economics, especially the orthodox economics represented by Keynes,

we must realize that it is a kind of vulgar economics which has come into being under the condition of state monopoly capitalism and that it is necessary to criticize its basic theoretical system, which is against Marxism and socialism and serves the interests of the contemporary monopoly bourgeoisie. But at the same time, we must also realize that when helping the monopoly bourgeoisie rake in exorbitant profits by strengthening enterprise administration, when helping the governments of Western countries strengthen interference in economic affairs, and when studying all kinds of concrete economic problems, it has adopted some scientific research methods and technologies, and these methods and technologies can be taken as our reference. For another example, while affirming that the greatest contribution of Freud's theory of psychoanalysis, especially his views on literature and art, is that it helps artists to open a psychological field for literary description and helps theorists to increase their level of understanding of psychological art works, we also pointed out that they have an obvious trend of going counter to history and a strong color of subjectivism as well as some serious idealist shortcomings and mistakes, such as negating objective facts and denying the social character of literature and art. For a third example, with respect to Sartre's notions such as "self-design," "self-choice," and "struggle on one's own," we cannot negate them in an oversimplified way, because everyone understands himself best and everyone should have his own plan for his future. The issue is that Sartre held that this design and choice are "absolutely free." His theory has thus become absurd and wrong. Briefly put, the modern Western ideas we have presented and commented on are, generally speaking, non-Marxist or anti-Marxist ideas, but in concrete matters we must make a concrete analysis. Some of those ideas reflect objective laws in certain fields and to a certain extent, such as the laws governing socialized mass production; some of them have provided answers for resolving the contradictions and crises of the capitalist world—though they are not applicable to us, the questions they have thus raised are useful for us, which can help us raise our understanding and provide us with food for thought; and some of them are obviously wrong and absurd, but to study how they have gone wrong in theory is also helpful to us. This practice, which is entirely different from the past practice of "mass criticism," is really convincing. Some students said they were "convinced" after attending the lecture, and some realized that they were wrong to totally affirm certain Western ideas in the past. 3) They all strove to be realistic when making comparisons, paying attention to grasping the essence of things rather than making comparisons superficially and in an oversimplified way. Marxism is a rigorous scientific system, and the various Western ideas we have presented and commented on are also some respective systems. In the trial of strength between the two different world outlooks, it is of no avail if we just enumerate some concrete viewpoints and make some simple comparisons. As was just mentioned, some ideas may not be applicable for us in a general sense, but in some concrete fields, they are reflecting certain truths.

On the other hand, Marxism is a science that has been continuously developed in practice. Some of its concrete conclusions may also be changed as times advance. If we must enumerate some concrete viewpoints and make a comparison between them, it will probably be less convincing. Only when we firmly grasp the essence and the whole can we make a full display of the fundamental advantages of Marxism and its inherent scientific strength. Meanwhile, it is also necessary to make this comparison run through and infiltrate into concrete presentations and comments and be reflected in the analyses of various ideological trends. It is not necessary to use a special time for making the "comparison" in the course of teaching.

**Third, we must adopt the elicitation method in teaching and lay emphasis on increasing the students' ability to use Marxism in analyzing problems.** Of course, through presenting and commenting on modern Western ideas, it is necessary to help the students clarify some confused ideas so that they can gain a correct understanding of those Western ideas. But this is only one aspect of things. The other and the more important aspect is that through the education in world outlook and methodology, the students should increase their ability of making analyses and distinction. There are all kinds of ideological trends in contemporary Western world, and there will be some new changes in the future as well. We are unable to add too many contents to this new course. When the students have mastered the stand, viewpoints, and methods of Marxism, they will certainly be able to analyze things and distinguish between right and wrong all by themselves once a new ideological trend appears. Therefore, when giving lectures, our teachers always adopt an attitude of studying and exploring problems with the students, never put political labels arbitrarily on the Western ideas or draw simple conclusions, leaving more room for the students to ponder questions. While making comments, the teachers should certainly give their own viewpoints and ideas but must also pay attention not to imposing theirs on the others. Moreover, apart from making their viewpoints clear to the students, they should also explain why they hold such viewpoints and provide the students with a method of thinking. What they have done is well received by the students. Quite a few students are not content with what they have learned in class, they read many books after class, including those about modern Western ideas and Marx's works, so as to increase their ability to make analysis and their theoretical quality.

Judging from the students' opinions on the new course, the result of presenting and commenting on modern Western ideas is very good. It has not only broadened the students' field of vision and enriched their knowledge, enabling them to gain a certain understanding of some representative ideas of the contemporary Western world, but has also enabled them to adopt a correct attitude and viewpoints to make an analysis of those ideas. As was just mentioned, Sartre's existentialism and Freud's psychoanalysis have had a great influence on some university students. But after attending this course, quite a few

of them changed their past attitude of blind worship and began to adopt an attitude of analysis and criticism toward them. A student wrote in his brief summary: "Sartre's existentialism has been spreading all over the world due to its definite and firm stand on self. But how do we assimilate its essence and reject its dross? In my opinion, existentialism takes man as the center and cares for the value of self-existence. This is undoubtedly a force to inspire people to establish their own objectives of struggle and to strive for the realization of their objectives. However, in our socialist country, we are certainly unable to blindly carry out self-design, with me in the center, and stay in the small circle of self. Only by unifying one's own objective with the objective of the motherland and the people can one follow a bright road. Sartre's ethical viewpoint based on personal freedom is also unrealistic. He particularly emphasized that freedom is unconditioned, groundless, and intemperate, and opposed all existing moral standards. But to us, all good moral traditions should not be discarded. Through comparing Marxism with existentialism, we can see that only Marxism alone can be taken as our general code of conduct." Another student wrote after affirming some good points of Freud's psychoanalysis: "Since this theory advocates instinct, negates history, and opposes rational knowledge, and since it naturalizes human beings and regards man's conduct as instinct behavior and social phenomena as biological processes, it has therefore many defects. We must take a critical attitude toward it. Only thus can we correctly understand and recognize it." For another example, the question of democracy and freedom is also a hot topic for conversation among university students. But many of them did not understand the meaning of true democracy and freedom. After attending the course in presenting and commenting on modern Western ideas, many students gained a new understanding of this question. A student wrote: "Freedom is a basic right of the people. But for a long time, out of their intuitional consciousness, people have always thought that it means that people can do whatever they like to do and act as they please. They have thus naturalized freedom. Undoubtedly, to naturalize a fully socialized concept to the neglect of all connections is a violation of Marxist dialectics. ...There is no such thing as unrestrained freedom in the world." Although these are not profound understandings, they show that the students have made some progress through the study. What is more gratifying is that quite a few students have strengthened their confidence in Marxism and raised their consciousness in studying Marxism through this course.

Offering the course in presenting and commenting on modern Western ideas is still an initial attempt for us. We are fully aware that the new subject of presenting and commenting on modern Western ideas under the guidance of Marxism is a very difficult task for us. Although very good results have been achieved in the first attempt, there are still many shortcomings and problems. For example, in some lectures, many things were presented but insufficient comments were made, while in some

others, presentation was not well combined with comments. We plan to make conscientious efforts with the lecturers to sum up our experiences so that the content of this course can be further substantialized and the teaching methods be improved, so that a suitable and systematic course for fulfilling the above-mentioned tasks can be gradually established, and so that this course can play a greater role in carrying out Marxist theoretical education among the students.

**Simple and Plain, With Profound Meaning—  
Reviewing ‘The Autobiography of an Intellectual’**  
*40050150e Beijing HONGQI [RED FLAG] in Chinese  
No 2, 16 Jan 88 p 21*

[Article by Huang Zhen [7806 6966]]

[Text] Reading autobiography is a good way to understand history and familiarize ourselves with life in the past.

“The Autobiography of an Intellectual” is the account of Tao Dun [7118 6868], a noted writer and critic of literature and art. He was an intellectual who joined the revolutionary ranks in the early years. He had lived under different historical periods: the Manchu Dynasty, the tangled fighting between warlords, rule by the Kuomintang, Japanese imperialist aggression and new China. His autobiography truthfully recorded his rich experience in the old and new societies and in ballad singing and composition. This is of positive significance to helping people of later generations understand the changes that have taken place in the Chinese society over the past century and the development of ballad singing and composition in China.

Biography as a form of literature is welcomed by the masses because it organically combines the activities of many people living in that period and vividly presents them before the readers so that they can feel for themselves the thoughts and anxieties of people of different strata under the historical conditions of that time and hence get a general idea of the causes of specific historical events and phenomena. In his autobiography, Comrade Tao Dun made good use of his consummate artistic skills to vividly depict the people and things around him, describe the local conditions and customs, and give accounts of historical anecdotes. The reader will be able to draw from it knowledge in different fields. Mentioned in “The Autobiography” are revolutionaries of the older generation like Li Dazhao, Chen Yi and Chen Yun, whom we are all familiar with, as well as historical personages like Hu Shi, Feng Yuxiang and Han Fujun [7281 1788 2829]. The author recounted his experience side by side with certain aspects of the activities of these people. In this way, he not only outlined the historical background of his activities but provided us with useful reference for the study of that period. He devoted a lot of pages to record the contributions made by revolutionary martyrs and the masses to the revolution. Although most of these people are not well known, every living person

should not forget what they had done. He pointed out in the “Introductory Remarks”: “As a survivor on the road of national salvation, I have the duty to keep a record of this particular age and time so that people of generations to come would understand that the People’s Republic of China which now stands tall in the world was built by countless martyrs with their blood and lives.” In my opinion, the author’s attitude is completely in accord with the materialist conception of history. Furthermore, it is only by placing oneself in the atmosphere of the age that one could soberly understand oneself and produce a truthful and credible personal biography like “The Autobiography.”

“The Autobiography” does not have descriptions of magnificent fighting scenes that one might find in memoirs of old revolutionaries and generals. Its language is fresh and unadorned. Through a casual recounting of daily life, it vividly reflects the practice, thoughts, pursuits and struggles of an intellectual of the older generation over a span of several decades. It has an unusual charm about it.

Tao Dun advocated study before national salvation when he was young, but eventually he left the ivory tower and embarked on the revolutionary road and identified himself with the workers and peasants. What was the cause of this change? The answer was clearly written in “The Autobiography”: Under the dark, reactionary rule, the workers and peasants suffered untold miseries; even the intellectuals were deprived of their basic right to study and search for truth. Tao Dun himself had been interrogated and imprisoned by the reactionary authorities and even sentenced to death. It was through their struggle against the reactionaries that large numbers of intellectuals living in the same period gradually came to realize the truth of Marxism and made up their mind to follow the revolutionary cause. Today, we have a new page of history before us. Our party has become the ruling party, the people have their own political power, and the party and state have paved for the young people of today an open and wide road leading to the hall of knowledge. However, some of our young friends who have never experienced national calamity caused by foreign aggression and have never been homeless and miserable may not appreciate that the present environment of peace and prosperity is not easy to come by. They may not realize how regrettable it is if the opportunity to study in a secure environment is lost, and what a misjudgment it is to waste their precious years on something totally worthless. I think that the vast number of young people would find it beneficial to study “The Autobiography.” It will tell them how to be someone who is of benefit to the people.

**Liberate Oneself From the Way of Thinking ‘If  
Not So, It Must Be That’**  
*40050150f Beijing HONGQI [RED FLAG] in Chinese  
No 2, 16 Jan 88 pp 22-23*

[Article by Cao Bochun [2580 0130 4783], secretary of Zhuzhou City CPC Committee]

[Text] In our daily life and work, many comrades have become used to simply judging things and handling matters in two extremes, either affirming everything or negating everything. Ideologically, this kind of one-sided phenomenon had long been criticized by Marxist classical writers as a kind of metaphysics "if not so, it must be that."

The objective world is a magnificent one. Macroscopically, the universe is colorful and wonderful. Microscopically, the forms of particles are changing. Many natural and social phenomena can by no means be summed up by the thinking that "if not so, it must be that." For example, a tiny worm swallows the organic matters in water by swaying its flagella, while feeding itself by using its pigment in the process of photosynthesis. Therefore, biologists are forced to treat it as an animal and classify it into the class of flagellate under the protozoa, and treat it as a plant and classify it into the class of algae. Such kind of instance of "being both this and that" is very common in all domains of natural science and human society. Of course, there must be distinctions between "right" and "wrong," "correct" and "incorrect," "this" and "that," and "true" and "false" in reality. These distinctions must not be confused. Otherwise, we shall fall into the abyss of sophistry. However, under no circumstances must we take a simplified attitude toward the complicated matters of this world. The thinking that "if not so, it must be that" which treats things in terms of absolutes does not correctly reflect the original relations of the objective world. Over a century ago, Engels criticized William Liebknecht, saying "There are only black and white colors, no rich or pale colors, on his palette." "He only knows the black and white colors. It's hate if not love." As this well-known international communist movement activist took a simplified attitude toward matters of the complicated and colorful world, he became so confused that he accepted the opportunistic ideas of Lassalle and suffered from political blindness. Therefore, Engels profoundly pointed out: "Dialectics draws no absolutely clear and fixed line of demarcation, or knows what conditions they are or how generally effective it is that 'if not so, it must be that!'" ("Selected Works of Marx and Engels," Vol 3, p 535)

There are numerous instances in our daily life that manifest our thinking that "if not so, it must be that." For example, in our recent discussions on the traditional Chinese culture, it showed that the thinking that "if not so, it must be that" had blinded some people in their understanding of the traditional Chinese culture. They might highly praise the traditional culture and strongly advocate the concept of "the third restoration of Confucianism"; or they might think the traditional Chinese culture was not worth a cent and would claim that they would stop anyone inheriting it. In another example, someone might neither objectively analyze the nature of things nor judge its role in the development of productive force. Rather, they might simply proceed from the thinking that "if not so, it must be that" and always argue in the first instinct whether an issue was "socialist"

in nature or "capitalist" in nature. To act in accordance with this thinking will inevitably lead to the situation where one would lose sight of one thing when he attends to another, and the development course would be a winding one.

Obviously, the thinking of "if not so, it must be that" is best manifested in the process of making a decision on an issue. "It must be absolutely right if it is right, and it must be absolutely wrong if it is wrong" is the basic formula of this thinking. The result will be hazardous if we apply this kind of thinking to our analysis of the situation. It is still worthwhile drawing examples from our past which was under the influence of "leftist" guiding ideology. Following the 3d Plenary Session of the 11th CPC Central Committee, the CPC Central Committee has been upholding the principles of seeking truth from facts and conducting dialectical analyses while it estimated China's social situation. When acknowledging the generally good situation, it has advised us to discover and overcome factors which are unfavorable to the socialist modernizations. The political report of the 13th CPC Congress reflected this point to us in detail. It has warned us about the various types of problems we are facing while citing and analyzing the remarkable achievements made by our party and our country in the past decade. Every party member and cadre, particularly leading cadres, must conscientiously study and profoundly understand the practice of understanding questions in an all-round way, which was advocated by the report.

The key to overcoming the thinking of "if not so, it must be that" rests with our study of the Marxist materialist dialectics. Judging from the relations between new and old things, the new ones must, in the course of development, inevitably negate the old ones. Metaphysically, this kind of negation is simply to dispose of the old ones. Dialectically, this kind of negation is to discard them, to overcome the irrational factors in them while preserving the rational ones. If we refuse to affirm or inherit the rational factors in the old things, take an attitude of totally negating them, and build everything from nothing, there will not be the formation of new things, neither will there be development. It is harmful to totally negate, or to totally affirm, all aspects of the old things without analyzing. To affirm what and to negate what depend on our specific analysis. Any analysis detached from the specific situation will be unable to make a clear decision on simple questions such as "Is rain a good thing?" and still less to correctly understand the complicated issues.

Therefore, we may not think in terms of absolutes or that what we see represents the whole matter. Rather, we must observe by proceeding from the overall contradictions developed among matters, and by basing on various conditions under which they are interrelated. In appearance, though comrades who hold opposite viewpoints are backed by their "facts," the point is whether or not there are contrary "facts." If we only emphasize a single point, even though it is really a fact, and neglect

others, we shall inevitably be unable to see the woods for the trees. We may even confuse right and wrong. Lenin said that dialectics was not a "summary of actual examples," but rather the "rule of understanding." On social phenomenon, to arbitrarily quote some specific facts and to play with them is nothing more than contemplating a groundless theory.

There are many reasons for the fact that some comrades are always influenced by the thinking "if not so, it must be that." The major one is their origin of understanding, in addition to the ideological and sociopolitical reasons. This depends on the linearity of problems. "There must be a valley between two mountains." Everything must develop in a wave form. Similarly, "the understanding of mankind does not develop in a linear form (that is to say the development is not along a straight line). Rather, it takes the form of an eternal series of circles or a spiral curve." ("Selected Works of Lenin," Vol 2, p 715) Any faction of this curve can be taken one-sidedly as an independent and complete straight line which leads people to the abyss. "Linearity and one-sidedness, stubbornness and ossification, as well as objectivism and objective blindness are the origin of idealist understanding doctrine." (Ibid.) Everything on earth is complicated and determined by a number of factors. This thus requires people to have a sophisticated mind. Anyone who is afraid of thinking and who wants to become an ideological sluggard will tend to follow the thinking that "if not so, it must be that." Only idealism and metaphysics on earth are the two disciplines that save us a lot of labor. In order to really "conscientiously" conduct a precise analysis on specific matters, we must spend great efforts on the work. It would indeed save us a lot of labor by using the indiscriminate thinking that "if not so, it must be that" to make a clear break. But this does us no good and we have seen this repeatedly from our experience.

The basic line of the party at the elementary stage of socialism, as well as the in-depth development of reform and opening up, require every comrade, particularly the leading comrades, to judge problems from an overall viewpoint and rely more on dialectics. They should try their best to liberate themselves from the thinking that "if not so, it must be that." This is an important condition for our party members and cadres to improve their ideological quality and to do well in their tasks.

**On Coordinated Development of the Economy,  
Science and Technology in Contemporary Society**  
*40050150g Beijing HONGQI [RED FLAG] in Chinese*  
*No 2, 16 Jan 88 pp 24-30*

[Article by Pang Zhenyue [1690 2182 2588]]

[Text] The coordinated development of the society, economy, and science and technology is a problem facing many nations. In China, socialist construction also

demands that correct policies be formulated to coordinate social, economic, and scientific and technological development and to realize the benign cycle of social development. In this paper I attempt to investigate this question.

**An International Issue**

The coordinated development of the society, economy, and science and technology is an international issue. Its background is mainly as follows:

1. The internal law of contemporary social structure and operation demands that social, economic, and scientific and technological development be coordinated. In the long course of history, raising productive forces and developing the economy remain the most powerful impetus for social progress. Therefore, to all nations economic development tends to be a central goal that enjoys a dominant position. The modern economy is opened up and accelerated by advanced science and technology. All modernized factories, mines, communications, equipment, health facilities, and social life facilities are embodiments of science and technology. They are materialized science and technology. This shows that economic development must rely on science and technology and science and technology must face economic construction. Similarly, the relationship between the economy and society is also dialectical. The economic question occupies a leading position in social development, but it does not equate the social question. By the same token, the social question is not solely an economic question. For example, people's livelihood is not only determined by the level of economic development of a nation, it is also determined by its social system and the way social wealth is generated and distributed. To Western nations in general, the social question includes such questions as population, employment, youth, women, nationalities, environmental protection, culture, education, sports, health, public order, and other questions that concern the public in general. In a broader sense, the social question also includes questions such as politics, thought, moral concepts, ethical relationships, and the social operational mechanism. Whether these social questions are handled well or not affects the development of the economy and science and technology in different aspects. The goal of social development is to resolve these questions and determine their scope, direction, and level of development.

Some nations have gathered large amounts of information, calculated and verified them before setting their goals of social, economic and scientific and technological development. Therefore, the way they do it is more scientific. Others may commit errors due to inadequate information and insufficient practice and scientific proof. Many goals can be studied quantitatively, but some should be dealt with qualitatively. In addition, random phenomena are rather common in the course of social development. Often a fortuitous incident may disrupt the coordinated development of the society,

economy, and science and technology. Therefore, studying coordinated development is a major issue that merits continuous concern in contemporary society.

2. The lopsided pursuit for raising the rate of economic growth in developed nations has caused many social problems. In the several decades after the world war, major developed nations in the West vigorously advocated Keynesianism. This advocacy, together with the new technological revolution, led to considerably higher rates of economic growth for a time. However, social contradictions have been increasing at the same rate. Examples are inflation, increasing unemployment, the energy crisis, environmental pollution, social instability and increasing social discontent. Western economists and sociologists began to realize that economic development is not equal to social development and looked for the coordinated development of the economy, society, and science and technology. In the early 1970s, the Club of Rome issued a research report entitled "The Limits of Growth" which attracted much attention. This report reveals the main views of contemporary "pessimists." They argue that with the progress in science and technology and development of the economy, by the first decade of the 21st century, mineral resources will be exhausted, growth in food production will come to a halt, and environmental pollution will remain. In order to avoid such disaster, they suggest adopting a global approach to look at the problems. This means setting up a "global balance," drastically reducing the population, limiting the growth rate of industrial production, and realizing "a society in which both the rates of economic growth and population growth are zero." In 1980, the book "The Third Wave" by American futurologist Alvin Toffler was published. It portrays a world that contrasts sharply to that of the "pessimists." To Toffler, the world is not coming to an end. Rather, human history has just begun. Latent in all the turmoil and unrest are formidable hope and prospect for mankind. This is because the emergence of the new technological revolution enables mankind to deal with unprecedented challenges and enter the post-industrial era. Although both schools of thought have their respective errors in terms of social history, they both attempt to investigate how social, economic, and scientific and technological development can be coordinated and unified. Both raise perceptive analyses that are instructive.

3. China and other socialist nations have taken zigzag roads in economic development to different extents. All socialist nations had staged revolutions and seized power before they changed production relations through changing the superstructure, and then promoted the development of productive forces. This is undoubtedly correct. The question is, after seizing power, effort should be shifted in time to the construction of socialist modernization. However, we took the crooked road and often followed "leftist" guiding thought. We detached ourselves from developing productive forces and emphasized socialist principles, pursued social equality and advocated forms of egalitarianism such as "the common

pot" and "the iron rice bowl." Efficiency and equality are two difficult issues that have not been adequately resolved across the world throughout history. They are perceived to be mutually exclusive goals in Western economics. Socialism offers a systemic guarantee to resolve these two difficult issues, but it does not mean that the establishment of the socialist system can resolve these two problems at the same time. There is a process of coordinated economic and social development here. Through practice socialist nations gradually realized that the key to the establishment and perfection of socialism lies in developing productive forces, and that productive forces are the starter of the entire social machine. Once the machine is started, it will demand the whole social machine, which includes productive forces and production relations, the economic base and superstructure, and social existence and social consciousness, to operate in coordination. The reforms of the economic, political, scientific and technological, and educational structures and the construction of the "two civilizations" in China today all belong to the theory of coordinated developments and attempts in practice.

4. The new and powerful social productive forces that result from the new technological revolution are pounding at various domains in society and causing all sorts of chain reactions. Sooner or later they will cause the old industrial structure, the economic situation, policies on science and technology, cultural facilities, values and ideas, lifestyles, and social operational mechanism to actively or passively change in a comprehensive way. In order to adjust to these comprehensive changes, the state and the government should actively seek the right policies and measures to ensure the coordinated development of these changes. Common sense in physics shows us that an object that rests on a balanced arrangement will be drastically dislocated once a slight imbalance occurs to that arrangement. The society, economy, and science and technology belong to a far more complex system. Once imbalance occurs in it, disaster will result. Many years ago, well-known Chinese scientists Qian Xuesen [6929 1331 2773] and Wu Jiawei [3527 1367 1014] posited the concepts of "social technology" and "social systems engineering." Later Qian explained his "social systems engineering" in greater detail. He divided it into eight aspects, namely, the production of material wealth, creation of socialist spiritual wealth, socialist services, administrative offices at the state and other levels, socialist jurisdiction, international contacts, national environmental management, and national defense. According to Qian, the entire system of socialist construction is composed of these eight aspects. Their development should be coordinated and social systems engineering should be developed into a discipline to reform society. These insights are undoubtedly profound and raised in the context of the new situation in contemporary social development.

#### **Principal Characteristics of Change in the Relationship Among the Three**

In order to investigate channels and formulate accurate strategies for the coordinated development of the society, economy, and science and technology, we must

carefully study the trends in the change of the relationship among the three, especially the main characteristics of the change in the present age.

The following characteristics are observed from developed nations:

1. The rates of change are increasing. Since the 1960s, the rates of social, economic, and scientific and technological change have been increasing conspicuously. The most remarkable is the technological revolution. It is manifested in the forms of scientific revolution, technological revolution, and unified scientific and technological revolution. In the scientific revolution, there has been great progress in many aspects of scientific theories since the 1950s. In-depth studies of the horizontal and vertical links between objective things have led to the rise of new disciplines that have methodological significance. Examples are information theory, systems theory, and cybernetics. These new disciplines help us to understand more comprehensively the objective links between objective things and more profoundly the nature of objective things. Meanwhile, they have accelerated the emergence of a large number of applied sciences which help to raise the level of social productive forces and scientific and technological development. In the technological revolution, the scientific revolution has led to fundamental change in the technology that is used to alter the objective world. Many categories of technology have emerged, such as information technology, new materials technology, new energy technology, space technology, marine development technology, biological technology, and so on and so forth. In the unified scientific and technological revolution, before the 20th century, science and technology were developing independently of each other. The link between the two was not close. Today, this situation has changed a great deal. Almost every item of new technology is the product of research in scientific theory, and fundamental change in technology is based on science. Meanwhile, new technology helps to promote the further development of science. The fast development of molecular biology in recent years is to a large extent indebted to the remarkable development of superfine physical and chemical treatment technology. Today, it is simply impossible to study elementary particles without the accelerator, calculator and high-speed photography. The mutual penetration and promotion of modern science and technology enable both to develop at increasingly faster speed than before, to produce increasingly large amounts of knowledge, and to accelerate the rate of outdatedness and transformation of scientific and technological knowledge.

The scientific and technological revolution has brought along new leaps in the level of productive forces in contemporary society. In the past, it took more than 10 years for an item of technology to be invented, discovered, applied to production, and then commodified. Today, calculators and microelectronics develop at the speed of a major change each year. The accelerated development of productive forces has speeded up the

development of the entire society. Such a fast speed of development has posed stern challenges to all developing nations. If we do not hurry and catch up, we will lag behind forever.

2. Mutual effects are strengthening. Not only are the rates of social, economic, and scientific and technological changes increasing, their mutual effects are continuously strengthening too. Their mutual relationship is as follows. In the development of the entire social history, the impact of the scientific and technological revolution reaches all realms in society. Changes in the economic realm play a leading role in the changes in all other realms. The social system shows tremendous reaction to developments in the economy and science and technology. Marx long ago placed great value on the revolutionary use of science and technology to the development of human social history. He pointed out that "steam, electricity and the spinning and weaving machine were revolutionists of a rather more dangerous character than even individuals like Barbes, Raspail and Blanqui." ("Selected Works of Marx and Engels," Vol 2, p 78) "Following the revolution in productive forces which happened in a short time and manifested in the form of an industrial revolution, the revolution in productive relations was realized." ("Collected Works of Marx and Engels," Vol 47, p 473) These Marxist theses have been further proved by the reality of contemporary social, economic, and scientific and technological changes. The scientific and technological revolution was the first to change the economy and introduce entirely new changes to production. In general, the economic development of nations across the world was based on the extensive and quantitative-increase models in the past. The main goals were growth rates of production and value of production. The entire economy of the nation was labor-intensive and capital-intensive. With the rise of the scientific and technological revolution, leading capitalist nations are gradually transforming their economy into the intensive and high quality models. Since the mid-1960s, the USSR and some Eastern European countries also began to transform in this direction. This economic model emphasizes raising social economic benefits and quality of products as the main targets of economic development. At present, the developed nations are actively developing technology-intensive and knowledge-intensive economies, whereas many developing nations are beginning to emphasize the gradual transformation from labor-intensive economy to a mixed labor- and technology-intensive economy. This trend of economic change is also reflected in a series of important change in industrial structure, product mix, employment structure, manpower structure, production organization, distribution of productive forces, and economic management. For example, there has been major regulation of the proportion of the primary, secondary, tertiary, and quaternary industries in developed nations. This regulation is a transformation from the stage characterized by material production to that characterized by nonmaterial production, from the priority of satisfying people's material needs to that of satisfying people's spiritual

needs, and from the sole consideration of economic benefits to the consideration of social benefits, which also include economic benefits. This process of scientific and technological and economic development is closely tied to changes to different aspects of social structure and social life. If we take the development of contemporary capitalist societies as an example, we see at least the following basic facts. Contemporary capitalism has certain power to regulate and control economic and political lives, and it has room for further development. At present, the production relations in many developed nations are comparatively stable. This is a result of the continuous reform of social life carried out by the bourgeoisie. Such reform has promoted the development of productive forces and the improvement of people's livelihood in different degrees. It should be seen as historical progress. Of course, this does not mean that the scientific and technological revolution and economic development can fundamentally eliminate the inherent contradictions in capitalism. It only means that the strengthened effects that the society, economy, and science and technology exert on each other has definitely brought along many new changes with many new characteristics.

3. An international trend is developing. Lenin pointed out: "The entire economic political and spiritual lives of mankind have become increasingly international under the capitalist system. Socialism makes them completely international." ("Collected Works of Lenin," Vol 19, p 239) Today, as productive forces are fast developing, international economic relations are becoming increasingly close, and the socialization of economic life has transcended national boundaries to become internationalized. A uniform world market is continuously expanding and strengthening. The most obvious is the internationalization of production and circulation. It forms the basis of internationalization of the entire economic life. It is manifested in the form of increased interdependence among the nations. International division of labor has intensified from division of labor among departments to that within departments. The development of multinational companies has especially enabled the same product to be produced in different nations. Specialization and coordination have become further internationalized. Multinational banks play an important role in supplying capital and supporting the development of multinational companies. Regulation marked by state monopoly capitalism has also begun to change from single-nation monopoly to regulation marked by international monopoly. Examples of such monopoly are various economic communities formed by some developed capitalist nations. Information and communications have become internationalized with economic development. Today, means of communications are more varied and better. Economic technology and cultures are being exchanged across the world. They influence and absorb from each other, so that the human world has become more diverse than before. Because of the internationalization of the society, economy, and science and technology today, no single nation or people

can possibly develop fast in isolation from the rest of the world. All nations and peoples must actively participate in international life and, in the process of opening up international exchange and cooperation, continuously absorb all the advanced and superior elements of thought and culture from other nations and peoples. Comrade Deng Xiaoping has suggested that we "face the four modernizations, face the world, and face the future." This suggestion meets the demand of increasing internationalization of the society, economy, and science and technology. It is also the main basis for China's opening up to foreign countries. Opening up to foreign countries does not mean only developing trade and introducing capital and technology to China. What is more important is it defines the appropriate position of China's economy in the world system of economy and it encourages active Chinese participation in international competition.

4. Accompanying contradictions are increasing. These contradictions refer to negative aspects or uncoordinated factors that accompany social, economic, and scientific and technological development. They include frequently mentioned problems such as population, food, energy, and the environment. Although these problems have certain commonalities, their expression and assessment vary according to region, social system, and stage of development of a nation. For example, in the world in general, the most imperative tasks facing the population problem are controlling the numbers and improving the quality. This is especially so in China. In the 38 years since 1949, China's population has grown from 0.54 billion to 1.06 billion. That is, it has almost doubled. It means 7 percent of the world's land has to support almost 22 percent of the world's population. This is a great deal of pressure for China. The situation is similar for many developing nations. However, a different trend is found in many European countries, namely, an aging population. The aging population is a combined result of drastically declining birth rates and impressive economic development. According to United Nations' statistics, at present 11 European countries have a population growth rate of zero and 7 have a rate close to zero. It is projected that by 1990 the population growth rate of most European nations will be zero. With the further economic development of these nations, scientific and technological progress, and improvement in social welfare, mortality rate may further decline. In other words, aging will become even more pronounced. Some European demographers and sociologists believe that an aging population will be obstructive or even destructive to the social and economic development of these nations. The existence of the above two contrasting trends reveals the uncoordinated development of the society and economy in two aspects. Such examples abound. I am not going into each of them here.

#### **Start With Practice and Continue With In-Depth Investigation**

Since the 3d Plenary Session of the 11th CPC Central Committee, we have obtained important breakdowns in both theory and practice in our effort to seek ways to

implement strategies of coordinated social, economic, and scientific and technological development with Chinese characteristics. We have accumulated rich experience. We should start from our own practice, learn from the experience of other nations, and continue to conduct in-depth investigation into the question of coordinated development.

1. The goal of coordinated development. To study coordinated development in the domain of social history can be the best disposition and combination of the factors that affect and promote progress in social history. Such disposition and combination have a central goal. In China, the goal is to develop the economy. In concrete terms it means tripling the rate of economic growth at the end of this century so that China will reach "a comparatively well-off level," and, starting from the next century, after several decades' effort, to gradually reach the "level of medium developed nations." We should further study the proportion of social, economic, scientific and technological, and other developments and the best disposition and combination of the factors if China is to reach the above-mentioned levels under its present historical conditions. Much has been achieved in the studies of "China in the Year 2000." However, studies of the Chinese version of "medium-level developed nations" and "developed nations" are still scarce. Our society is situated in great changes. Accompanying factors abound. Almost everything should be repeatedly practiced and studied. Therefore, even topics like "China in the Year 2000" should be studied repeatedly. Special attention should be paid to studying the goal of coordinated development, which is a weaker link in social and economic studies at present. In a very complex social system, the studying of coordinated development should stress seeking a better political environment, social environment, cultural environment, economic environment, and ecological environment for mankind. This is because our country is not a capitalist one. We do not organize economic activities to pursue surplus value. The ultimate goal of socialist production is to meet the people's growing material and spiritual needs to the greatest possible extent. For a socialist nation the goal of coordinated development can only be based on this.

2. Analysis of the present situation. In their observation, people usually start off from an analysis of the present situation. In our study of the coordinated development of the society, economy, and science and technology, we must stress the projection and analysis of long-term goals as well as analysis of the present situation. Scientific analysis of the present situation is a key to conducting projection and analysis of long-term goals. Since China began to reform and open up, the situation has been changing fast. The change has been encouraging. However, more and more signs of uncoordinated development of the society, economy, and science and technology are being revealed. Some of them are being accumulated, some are nascent, and some are developing. Many problems may be latent. All these are awaiting

us to study. Economic backwardness still seems to be the most visible problem. There has been fundamental change in the criteria for assessing advancement and backwardness. In the past China closed its doors. Therefore comparison between yesterday and today was the only suitable criterion. Now that China is in the process of reform and opening up, we should assess ourselves in the international scene. We feel acutely the need to do so amidst international economic and trade competition. Within China, there has been sharp economic growth in the past 8 to 9 years. However, weak links still abound. Science and technology, education, and the economy are not integrated with each other. In some aspects such disintegration is serious. Take education in Anhui Province as an example. Of 100 primary school leavers, 60 enter junior middle school, 18 of them in turn enter senior middle school and specialized middle school. Finally, three of them enter institutions of higher education. Of these three graduates two return to Anhui Province. One of the two is assigned to the village and other front-line production work. Most of those assigned to front-line production are not happy there and try every means to leave it. Large numbers of junior and senior middle school leavers return to the village every year. Many of them possess only an average amount of knowledge, lack job skills, and are not happy with agricultural production. Such a serious phenomenon of divorce between education and the economy has led to a vicious cycle between the economy and education. With intensifying reform and opening up and the transformation from the old into the new system, the disjoint between the superstructure and economic base is becoming more visible. We must carefully study these practical problems and seek concrete measures to coordinate social, economic, and scientific and technological development.

3. Obstacles to coordinated development. This is like a pathological analysis. We know something better only if we know how it happens, develops, and changes. Similarly, when there is a lack of coordination among social, economic, and scientific and technological developments, we should identify the obstacles. Only in this way can we prescribe suitable medicine for the patient and deal with the problem in the right way. In general, there are several obstacles. First, our theories are not well developed. In recent years, we have been trying to develop our theories as we proceed with practice. Indeed, we cannot possibly have perfect, prefabricated theories. Now that we have gone through 8 to 9 years of practice, we should do some historical reflection and refine our theories. Otherwise our theories will not be scientific and rational enough. Second, concepts are backward. Much of traditional Chinese culture is not in tune with changes in contemporary society. In addition, there was some misunderstanding about scientific socialism in the past. These two factors have to a large extent affected today's reform and opening up and obstructed social, economic, and scientific and technological changes. Third, the social operational mechanism has to improve. This problem concerns production relations

and the superstructure. The present reform of the economic structure and the forthcoming reform of the entire political structure are aimed at resolving this problem. Fourth, there are constraints of objective conditions. For example, economic development faces financial and technological constraints; scientific and technological development is limited by economic conditions; and backward economy, science and technology, and education will in turn be unfavorable to social development. Fifth, there is influence from external factors. For example, with China opening itself up to the outside, contact with the West has brought influence to traditional Chinese culture. Most of the influence is positive, but much of it is negative. All the above obstacles will affect the coordinated development of the society, economy, and science and technology in China.

4. Finding the resolutions. Resolutions belong to the scope of methodology. The question to be answered is: How to do it? Or, how to do it better? In studying coordinated development of the society, economy, and science and technology, attention should be paid to overall policy formulation rather than concrete technical means. A look back at the tortuous road we have followed since the founding of the PRC shows us that the main error was not due to serious problems in our knowledge of the natural law. It was rather due to problems in our knowledge of the social law and policies adopted. The lesson we learned from the criticism of Ma Yinchu [7456 1377 0443] is a good example. In recent years, party policies have been improving. They have played an important role in changing the objective world and promoting socialist construction. However, sometimes the policies are fragmentary and deviation often occurs in implementation. Therefore, they have exerted unfavorable influence to the coordinated development of the society, economy, and science and technology. Some people argue that economic development depends on policy and science, and since our policies are powerful enough, we must turn to science from now on. They also believe that policy studies must stress scientific and technological means. In actual fact, these people do not understand the role and nature of policy. Policy aims at people's thinking and behavior and social activities that result from them. The function of policy is to conclude from the past, analyze the present, project the future, adjust to and control it, and then portray it. This function is a manifestation of our subjective initiative and has great influence on social activities. The greatest shortcoming in our policy studies at present is the lack of coordinated studies. The studies are fragmentary and are not systematic and scientific enough. We should pay more attention to these aspects.

Other important aspects that merit our attention are the socialist characteristics of coordinated development and lessons we can learn from foreign models and modern scientific methods. I have only raised a few topics here and hope to discuss them with those interested.

### Some Important Breakthroughs in Economic Theory During the 9 Years of Reform

HK030651 Beijing HONGQI [RED FLAG] in Chinese  
No 2, 16 Jan 88 p 31

[Article by the Theory Propaganda Bureau of the State Commission for Restructuring the Economic System]

[Text] 1. We have established the theory about our country's current conditions in the initial stage of socialism, and have clearly realized the character, tasks, main contradiction, basic line, and duration of this initial stage. This is the foundation for all of our reforms.

2. We have put forward the theoretical viewpoint that the socialist economy is a planned commodity economy on the basis of public ownership, and broken through the previous viewpoint that set the planned economy against the commodity economy.

3. We have affirmed the existence of diverse development models for the socialist economy, and realized that we cannot stick to "socialist principles" which are not in fact attributes of socialism and that we must build socialism with Chinese characteristics through all-round reforms.

4. We have discarded the old idea of seeking a higher and purer degree of public ownership in our economic structure, and realizing this quickly; instead, we hold that in order to develop the socialist economy a variety of ownership forms should be developed simultaneously, with public ownership as the main body.

5. We have changed the traditional conception that state-owned enterprises must also be managed directly by the state, and have affirmed the theory that ownership should be separated from management in the socialist economy and that management forms based on contracts and leases should be widely adopted.

6. We have changed the viewpoint that planning and markets are mutually exclusive, and have put forward the viewpoint that the socialist economy should be an economic structure that includes both planning and markets. We hold that planned regulation should be integrated with market regulation, and we have gradually developed the theory about "the state guiding the markets and the markets guiding the enterprises."

7. We have given up the traditional idea that such production factors as capital goods, funds, technologies, labor, information, and real estate cannot enter the markets, and have clearly pointed out the necessity of building a perfect socialist market system.

8. We have changed the old idea that prices must remain unchanged in the socialist economy and must be fixed by the state, and have clearly realized that the reform of the price system is the key to success in all-round economic structural reform.

9. We have broken the shackles of the egalitarian concept in the field of distribution, and have clearly put forward the theory that a variety of distribution forms should coexist under the conditions of the commodity economy, with the form of distribution according to work as the main body.

10. We have broken through the traditional notion about the state's direct management of the economic activities, and have gradually come to realize the necessity of building a macroeconomic regulation and control system chiefly through indirect management.

11. We have changed the long-standing phenomenon of closing the door and isolating our country from the outside world, and have put forward the new idea of opening up to the outside world and to other parts of the country, while continuously expanding international economic and technological exchanges and cooperation.

12. We have changed the idea that enterprises should be affiliated to government institutions, and now hold that the central link in urban economic structural reform is to invigorate the enterprises. Today, the factory director (manager) responsibility system has been adopted in enterprises, and competent managers are selected through competition.

### **Brief Introduction to Major Viewpoints in Economic Theory Circles From the Recent Few Years of Reform**

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#### **[Text] First, a Number of Thoughts About Deepening the Reforms**

From to different assessments of the present economic situation there are different opinions on the ways to deepen the reforms. To sum up, they can be generally divided into three kinds:

1. The present macroeconomic environment is rather strained and it is currently hard to take major reform steps now. Thus efforts should mainly be made to consolidate the reform achievements and guarantee implementation of the established reform measures by making necessary minor replenishments and improvements. This opinion might ensure stability in the situation, but may also delay the advance of the reforms.

2. In order to overcome the present economic difficulties it is necessary to adopt resolute measures, including some administrative measures, to substantially restrain total social demand and rapidly create a relaxed economic environment. Coordinated reforms of the enterprise management system and the taxation, financial, monetary, and investment systems can then all be

advanced. The steps taken according to this opinion may be more risky, but they also place stress on coordinating the reforms in various fields.

3. The in-depth reforms should be focused on reform of the enterprise management system, and stress placed on the implementation of various management responsibility systems based on contracts and leases. The joint-stock system can also be adopted on a trial basis. All this will promote the separation of ownership from management and will change the enterprise's internal operation mechanisms. At the same time, minor reform steps should also be taken in the pricing, monetary, investment, material distribution, taxation, and financial fields to gradually change the entire economic operation mechanisms. This thought is aimed at laying the micro-economic foundation—enterprises—for the operation of the market mechanisms and for the state's indirect management over national economic activities. At present, reform is advancing in accordance with this thought.

#### **Second, Opinions About Ownership System Reform**

The discussions on ownership system reform are concentrated mainly on reform of the whole people ownership system, and in the main there are three kinds of opinion:

1. The joint-stock system can be taken as the main form of changing the state ownership system, and this will gradually lead to a situation in which the state, the enterprise, and the workers jointly run enterprises. The theoretical foundation for this opinion is that joint-stock business is a product of socialized mass production and the commodity economy, and it is an efficient form to integrate the workers' economic powers over the use of the means of production with their economic interests. This opinion holds that the joint-stock system will not change the character of state ownership, and will merely become a new form of state ownership.

2. State ownership should be turned into enterprise ownership. The theoretical foundation for this opinion is that state ownership is the root cause of such problems as the rigid budgets in enterprises, low productivity, and poor economic results. Thus enterprises should be owned and run by the enterprises themselves, and they should bear responsibility for their own profits and losses.

3. State ownership can be improved through the separation of ownership from management in state-owned enterprises by means of contracted management, leased management, assets management, and the joint-stock system. At present, the economic structural reform is being carried out in accordance with this idea.

#### **Third, Discussions on the Joint-Stock System**

There are three main differing opinions in joint-stock system discussions:

1. The joint-stock system should be adopted in an all-round way for all enterprises. This can be realized in three steps: (1) New enterprises and additional investments in existing enterprises are organized on a joint-stock system basis; (2) the enterprise's original assets are turned into stocks; and (3) all enterprises owned by the whole people are changed into joint-stock companies. The three steps can be completed in 15 years. That is, the national economy in China can be shifted to a joint-stock system basis after the year 2000. There are three reasons for this: (1) The joint-stock system can make the ownership more concrete; (2) this can form interest relations between the owner, the manager, and the workers on the basis of checks and balances, and can rationalize the enterprise's behavior; and (3) this will be favorable to the concentration of funds and will promote the improvement of the combination of production factors. This opinion also holds that the joint-stock system is just a production model and a property organization form, and it does not affect the character of ownership.

2. The second opinion does not agree with adopting the joint-stock system, holding that this system will lead to private ownership because it is a capitalist form. Distribution according to stocks held is equal to gaining dividends according to capital shares. The adoption of the joint-stock system in state-owned enterprises is a retrogression rather than progression. In particular, some comrades have reservations over the practice of selling stocks to workers. They hold that such private ownership of stocks will change the socialist character of the enterprises. As for forming joint-stock companies by selling stocks to the public, the workers may lose their position as masters in the enterprise and become wage laborers.

3. The joint-stock system can be adopted on a trial basis partially in some small- and medium-sized enterprises which have good management and do not take many business risks, and then it can be implemented in some large backbone enterprises which are faced with difficulties and risks in their business. At the same time, new lateral economic combination bodies and enterprise groups can be organized on the joint-stock system basis. It is inadvisable to call for adoption of the joint-stock system in an all-round way, and a headlong rush should be prevented in the experimental stage. This is the idea that has been adopted in the current economic structural reform.

#### **Fourth, Discussions About Whether Labor Force Can Be Taken as a Commodity**

This question is related to the difference between socialism and capitalism and the discussion on this issue is prudent and warm. There are four main kinds of opinion:

1. Under socialist conditions labor force is not a commodity. This is because: (1) Labor force becomes a commodity only under the capitalist private ownership

system; (2) we do not take labor force as a commodity, but this does not affect the opening of a labor service market; (3) the labor contract system is not a condition for turning labor force into a commodity.

2. Under socialist conditions labor force has the attributes of a commodity and also those of a noncommodity. The main theoretical foundation for this opinion is that the socialist public ownership system over the means of production, and the individual ownership of labor force, inevitably give rise to the dual attributes of the labor force.

3. Under socialist conditions labor force is still a kind of commodity, because: (1) The basic conditions for labor force acting as a commodity still exist; and (2) acknowledging that labor force is a commodity does not negate the workers' position as masters.

4. Under the conditions of a socialist commodity economy, labor force in essence is no longer a kind of commodity, but it must still enter the market as a commodity.

#### **Fifth, Opinions About the Relationship Between Planning and Market**

On balance there are three kinds of viewpoint on this issue:

1. One offsets the other. That is, planning and market are antagonistic and incompatible. It is hard to put them together. Their relations are characterized by one offsetting the other. Few people still hold this opinion today.

2. Mechanical combination of the two parts. This opinion holds that the socioeconomic life should be divided into two parts, and that planning and market function in their own respective parts playing a regulatory role in the production of different categories of goods, in different categories of enterprises. One should play a main role, and the other a supplementary role.

3. The two things should be merged into a whole. This opinion holds that planning and market are internally unified and their relations are characterized by their interweaving combination. In the future, the planned commodity economy model in our country should be characterized by "the state's regulation of the market, and the market's guidance of enterprises."

#### **Sixth, Opinions About the Distribution According to Work Issue**

The discussions on the distribution according to work issue concentrated mainly on the concrete forms of this principle in the socialist commodity economy, and there are three main viewpoints:

1. In the socialist commodity economy the principle of distribution according to work can be fully realized because: (1) The workers' income is directly linked with their enterprise's business results which overcomes egalitarianism; and (2) the principle of distribution according to work is in keeping with the principle of exchanges of equal value.

2. Under the conditions of the socialist commodity economy, the principle of distribution according to work cannot be completely realized. This is because the economic results in different enterprises are different due to the effect of the law of value, and the incomes of the workers are affected by the economic results of their enterprises. It is impossible for them to obtain the same remuneration after doing the same quantity and quality of work.

3. Under the conditions of the socialist commodity economy there is no distribution according to work, and wages are merely the price of labor. This is because: (1) The pattern of distribution according to work envisioned by Marx is based on the precondition of public ownership of the means of production, and the nonexistence of commodity and currency relations; (2) under the conditions of a commodity economy it is impossible for workers to achieve the same quantity of products by doing the same quantity of work in the scope of the whole society, and the commodity economy can only guarantee workers equal opportunity for employment; and (3) in the socialist commodity economy the surplus value produced by workers does not belong to capitalists, but is possessed by the whole society. Thus there is no class antagonism and no exploitation.

**New Changes in International Relations in 1987**  
*HK091410 Beijing HONGQI [RED FLAG] in Chinese*  
*No 2, 16 Jan 88 pp 34-39*

[Article by Jin Junhui [6855 0689 2547]]

[Text] For some time now, new changes have been brewing in international relations. There has been severe turbulence in the world's capitalist economies, and their difficulties have been intensified. This has made the imbalance in economic development among the developed countries and between the developed countries and the developing countries more prominent. Obvious changes have occurred in the balance of forces between countries and the influence of the two superpowers has continued to decline. The trend toward the multipolarization of the world has continued to develop. There has been rapid development of modern science and technology, and many countries have been competing to develop comprehensive national strength. The socialist countries are widely carrying out structural reforms, while the capitalist countries are also readjusting their economic structures and policies. The North-South disparity continues to widen, and there has been a strengthening of North-South dialogue and South-South cooperation. The majority of countries and regions, in order to

strive for peace and development, are carrying out readjustments in various respects so as to come into accord with the demands of the changes in the international situation. In this trend of change, 1987 was a year of great significance. With the common efforts of those countries and peoples of the world who love peace, in this year there were, generally speaking, changes for the better in the international situation, but it was still not peaceful.

**I. The Relationship Between the United States and the Soviet Union and the Limited Detente Between the Two Countries**

In 1987, the domestic situation in the Soviet Union was basically as follows: Overall plans for reform were formulated at the two plenary sessions of the CPSU Central Committee held in January and June, and these accelerated the economic reforms that are centered on the soon-to-be-implemented state enterprise law. Steps were taken to expand democracy, with "glasnost" as its symbol, and it was proposed to "get rid of the blanks in history" and to make efforts to resolve some major historical questions left over since the October Revolution. The situation shows that the Soviet leaders are strong in their determination to carry out reform, that the breadth and depth to which the reforms will reach are greater than ever before, and that the momentum of reform is irreversible. However, there are great obstacles, and in the economic area the reforms have not achieved clear results. The Soviet Union's economic plans for 1987 were not well completed. Further, not even one of its millstones abroad was removed. Faced with this situation, Gorbachev has pointed out that the next 2 to 3 years will be the period of greatest difficulty for the Soviet Union's reforms.

In 1987, the main characteristics of the U.S. domestic situation were: First, influenced by "Irangate," Reagan's popularity declined. Added to this was the fact that the Democrats held the majority in the two houses of Congress and that Reagan's term in office is ending. These factors meant that his capacity to guide national affairs swiftly declined. Bills that he opposed were pushed through by Congress, and his proposals for Supreme Court judge were all vetoed by Congress. Second, on 19 October the prices of stocks on the New York exchange began to plummet, the dollar further fell to a postwar low, and the net total of the U.S. debt reached over \$400 billion. These factors both pounded the Reagan government and deeply reflected the weakness of the U.S. economy. The basic cause for this was the huge financial and foreign trade deficits produced by erroneous economic policies. In November, Reagan had no option but to reach a compromise with Congress on reducing the deficit by \$76 billion, and he agreed to the two measures of reducing military expenditures and increasing taxes, measures that he had previously firmly opposed.

At the same time as there were changes in the domestic situations of the Soviet Union and the United States, there also were some changes in their foreign relations.

From 8 to 10 December 1987, Gorbachev visited Washington and held his third personal meeting with Reagan. This was the first time the highest Soviet leader had visited the United States in 14 years, since Brezhnev's visit in 1973. During the visit, Reagan and Gorbachev signed a treaty on the elimination of the two countries' medium-range and intermediate-range nuclear missiles with ranges of 500 to 5,000 kilometers. Thus in the next 3 years, they will jointly eliminate 2,611 guided missiles and 3,431 nuclear warheads (of these, the United States will eliminate 859 missiles and the same number of warheads, while the Soviet Union will eliminate 1,752 guided missiles and 2,572 nuclear warheads). Although these only constitute about 4 percent of the two countries' nuclear arsenals, this is the first agreement reached on reducing nuclear arms since the appearance of nuclear weapons, and it includes supervisory provisions for on-site inspection. Thus, this treaty has received wide attention and the positive appraisal of the international community. When the visit was completed, the two sides also issued a "Joint Statement on the U.S.-Soviet Leaders' Summit," stressing that the two sides are "determined to prevent any war between the United States and the Soviet Union, regardless of whether it is a nuclear or conventional war." It was also stated that "substantial progress" had already been achieved on the conclusion of a treaty reducing offensive strategic weapons by 50 percent, and that they would strive to sign this when Reagan visits the Soviet Union in the first half of this year. The foreign ministers of the two countries also signed a statement noting that the two sides would carry out jointly monitored tests on the other side's nuclear testing sites. However, the two sides did not make much progress on the question of antiballistic missile defense and the questions of regional conflicts and human rights, and they recognized that "serious differences" still exist.

It can be said that this summit between the U.S. and Soviet leaders, the treaty they signed on medium-range missiles, and the joint statement they issued show that in the future U.S.-Soviet relations may move toward a period of limited detente. Basically, there are two reasons for this: The first is that the vast majority of the countries and people of the world, including the people of the United States and the Soviet Union, want peace, and they form a strong force for arms reduction and the alleviation of tense situations. The second is a common requirement deriving from the fact that both the United States and the Soviet Union have great difficulties. The Soviet Union wants to carry out reforms and develop its economic and scientific and technological national forces. This certainly is not an easy task. The United States wants to overcome its economic difficulties, and this is also something that cannot be achieved in a short time. Thus, it is generally said that both sides have a requirement for detente and, therefore, their relationship will continue to become less tense. However, the detente between the United States and the Soviet Union will be limited, and its progress will see ups and downs and complications. The main reasons for this are: First, there is an intense rivalry and basic opposition of interests

between them. Second, reducing arms is not equivalent to stopping the arms race. Rather, in the future this competition will, on the basis of the newest technology, be manifested to a greater degree in qualitative improvements and the entering of new fields, such as space. Just after the medium-range missile treaty was signed, the United States carried out tests of its new submarine-launched guided missiles, while the Soviet Union quickly followed by carrying out its 20th underground nuclear test since the beginning of 1987. These actions were portents of the future. Third, the regional conflicts which they have directly created or in which they indirectly interfere are not conflicts that can be resolved in the short term, while how to resolve them is not determined entirely by their own subjective wishes. Fourth, the changes that will occur in the two countries' domestic situations will play a restricting role. On the Soviet Union's side, although the general trend of reform cannot be reversed, it will be difficult to avoid the appearance of various types of setbacks and new internal struggles. On the U.S. side, its policy toward the Soviet Union has always been subject to the restrictions of various domestic factors, and it has lacked continuity and stability. Furthermore, if the United States and the Soviet Union and East and West want to end the suspicion and lack of trust that has formed over a long period, it will require a long and complex process. To sum up, at present at the same time as fully appraising the important change whereby the United States and the Soviet Union are moving toward some sort of detente, it is also extremely necessary to carry out a sober, all-round analysis of the history and present situation of U.S.-Soviet and East-West relations.

## II. New Trends in "Hot-Spot" Regions

The Iran-Iraq war was the hot-spot of the 1987 "hot-spots." Iran and Iraq escalated the Gulf "oil tanker war." The Soviet Union and the United States successively decided to provide escorts for Kuwaiti oil tankers, and the United States sent a large number of warships to converge in and patrol the Gulf. Iran then took defensive measures and strengthened its military deployment in the Strait of Hormuz. It also increased its attacks on oil tankers. Some West European countries, including the United Kingdom and France, also sent minesweeping and other military ships to the Gulf. The danger of the expansion and internationalization of the Gulf war was very real. However, under the influence of the majority of the countries and peoples of the world strongly demanding that Iran and Iraq cease their fighting, with the unanimous passage of UN Security Council Resolution 598 and mediation and encouragement of the UN secretary general, together with the mutual restrictions by the United States and the Soviet Union, finally the danger was temporarily alleviated to a certain degree. However, an explosive situation could develop in this region at any time.

Concerning the Cambodian question, 1987 saw two new trends: On the one hand, the Vietnamese authorities, although impoverishing their people and exhausting

their resources through being caught in the mire of aggressive warfare, still maintained their obstinate stand of firmly refusing to withdraw their troops. This inevitably induced sharp indignation from the world and resulted in them again being in an extremely isolated situation in this year's sessions of the United Nations. On the other hand, activities by relevant parties on all sides in efforts to achieve a political resolution of the Cambodian issue as quickly as possible were strengthened.

The Afghanistan question took up quite some time during the Washington summit between U.S. and Soviet leaders, and both sides adopted the posture of seeking a political resolution. But they reached an impasse for a timetable for the withdrawal of Soviet troops. From the actions taken, people have come to the opinion that the Soviet leaders are stuck with a dilemma over the Afghanistan question. They want to withdraw their forces to stop the "bleeding wound," but are unwilling to give up their own vested interests of aggression. Thus, the resolution of the Afghanistan question will, it seems, need more time.

In the Middle East, although the Arab-Israeli conflict has temporarily taken second place to the Iran-Iraq war, the impetus for calling an international peace conference on the Middle East question so as to resolve this conflict is growing. The active initiatives by Jordanian King Husayn, the improvement of Jordan and Egypt's relations with Syria, and the new reconciliation between Jordan and the PLO have all played important promotional roles in this respect. The growth of Soviet influence in the Middle East has resulted in the U.S. stand on this issue becoming more flexible. Thus, the resolution of the UN General Assembly on the Middle East problem clearly demanded that a preparatory committee in which the five permanent Security Council members are represented should be established to call an international peace conference on the Middle East question. Most recently, the actions by the Israeli authorities of suppressing and killing Palestinian residents in the occupied Gaza Strip and the West Bank of the Jordan River have not only stimulated indignation and condemnation by the people of the world but given more urgency to the question of calling an international peace conference on the Middle East. People have also demanded that the U.S. Government change its persistent stand of partiality for and protection of Israel.

In 1987, the situation in southern Africa, while still deadlocked, saw some relaxation. The Botha government of South Africa, under strong pressure at home and from abroad, took both hard and soft measures to maintain its apartheid policies and to obstruct true independence for Namibia. It released [Govan] Mbeki, a former leading member of the African National Congress who had been imprisoned for 23 years, and tacitly agreed to a white representative group comprising 61 South Africans going to Dakar, the capital of Senegal, to hold a "dialogue" with the African National Congress.

At the same time, South Africa continued to send armed forces and spies into the neighboring African frontline states to carry out attacks and harassment operations. In another development, the governments of the countries of Zambia, Zimbabwe, Angola, and Mozambique strengthened military and economic coordination and cooperation. Concurrently, they strove for greater sympathy and support and became more flexible in their tactics, thereby further isolating South Africa.

The peace process in Central America saw major breakthroughs in 1987, and there was an alleviation of the tense situation that has existed in the region. This was a result of the governments of the five Central American countries excluding superpower interference and banding together to solve the region's problems through consultations. This was also closely related with the unremitting mediation efforts made over many years by the Contadora Group to achieve Central American peace. On the basis of the 10-point peace proposal put forward by Costa Rican President Arias in February 1987 (abbreviated to the "Arias Peace Plan"), the leaders of the five Central American countries signed the "Program for the Establishment of a Stable and Lasting Peace in Central America" in Guatemala on 7 August. They agreed that within 90 days they would implement a cease-fire, and they reached a unanimous consensus on the principles and processes of democratization, national reconciliation, arms reductions, and stopping military assistance to antigovernment armed forces. Since that agreement was signed, the five countries have all made their own contributions in implementing it. Of these countries, the flexible and active policies of the Nicaraguan Government have been particularly praised by the people. Although the Central American peace process will be a process of long, arduous struggle, the solemn undertakings by the governments to implement this agreement as well as the follow-up measures they have taken, together with the strong support of many countries of the world, particularly the Latin American countries, will ensure that this process will continue to develop.

### III. Other New Changes in International Relations

#### 1. Concern-Inducing Japan

The further growth of the Japanese economy over the last few years has attracted people's attention and concern. In 1985, it became the world's biggest creditor nation. In 1986, its current accounts surplus was \$85.8 billion. A clear comparison with Japan is provided by the United States. In 1986, its trade deficit with Japan reached \$58.6 billion. In that same year, its net debt totaled \$263.6 billion, of which one-third was to Japan. This meant that the United States was the world's biggest debtor country. It was with this background that the economic relationship between Japan and the United States, which had always been very close, saw daily increasing friction and contradictions. In 1987, the United States brusquely implemented tariff sanctions on

the import of some Japanese electrical products, and later it implemented economic sanctions against the Toshiba company. The United States wants Japan to expand domestic demand, increase imports, readjust its industrial structure, and increase its aid to the Third World. Japan, however, complains that the United States has not made efforts to reduce its financial and foreign trade deficits and wants Japan to make sacrifices for it. Up till now, Japanese funds still mainly flow toward the United States, Europe, and the newly industrialized countries and regions of the developing countries. How is the Japanese economy going to change? This is a question to which the people of the world are paying attention.

In 1987, Japan's military expenditures for the first time exceeded the limit of 1 percent of the gross national product, and Japan decided to participate in research work for the U.S. Strategic Defense Initiative. At the same time, a small right-wing force frequently stirred up trouble in Japan, and a small number of people in Japan's scholastic and cultural circles have responded to the ideological tide of national chauvinism. These phenomena have attracted the vigilance and induced uneasiness in many countries, especially the countries of Asia and the Pacific. What sort of role will post-economic-boom Japan play on the international political stage? This is another question to which people are paying attention.

## 2. Changes in the Internal Relationships of NATO

The decline of America's capacity to lead, the loosening of the nuclear ties between the United States and Europe, and the superiority of Warsaw Pact conventional weapons have meant that Western Europe has taken new actions to safeguard its own security. In 1987 the establishment of a brigade-level joint French-FRG force was discussed, France and the United Kingdom planned to jointly produce air-launched guided missiles and strengthen nuclear strategic cooperation, and the West European allies formulated a "European Interests Security Program." These initial measures reflected the joint determination of Western Europe and showed that Western Europe will, within the scope of NATO, strengthen the European mainstay, so that European members play a greater role. At the same time, Western Europe also required that in the future the focus of U.S.-Soviet arms reduction talks should be placed on the reduction of conventional arms and chemical weapons, so as to guarantee the security of Western Europe. However, there are, it seems, still doubts as to whether these requirements will be accepted by the United States. In another respect, under the momentum of detente, Western Europe will indeed further develop ties of economic cooperation with the Soviet Union and Eastern Europe, while among the peoples of Western Europe further antinuclear movements may develop. This may further cause the United States, in its relationship with

Western Europe, to have worries about the trends toward a "non-nuclear" and "neutral" Western Europe. Thus, the relationship between the United States and Europe will face new rigorous tests.

## 3. New Developments in Eastern Europe

In 1987, the countries of Eastern Europe, which are carrying out reforms, persisted in and deepened their reforms in accordance with the situations of their own countries, and they obtained new achievements and experiences. Some of them obtained good results in combining scientific and technical progress with improving economic results; some of them made new experiments with expanding basic-level democracy and bringing into play the initiative and enthusiasm of enterprises and local government organs; and some of them, faced with difficulties, carried out new readjustments. There have been further readjustments in the relationship between Eastern Europe and the Soviet Union, and the Soviet Union has recognized that socialist countries have equal positions and that each country should carry out socialist construction in accordance with that country's reality, and it should not be subject to interference. The foreign relations of Eastern Europe have continued to develop and, on the basis of equality and mutual benefit, its dealings with Western Europe have become more frequent. Its relationship with the United States has also seen improvement.

## 4. Some Changes in Third World Countries

The various countries of the Third World face the common tasks of developing their national economies, consolidating national independence, striving to establish a new international economic order, and opposing big-power hegemonism. In 1987, they strengthened unity and cooperation and achieved many results. Apart from the Central American peace agreement detailed above, there were also the following achievements: The first was that in the Asia-Pacific region, two regional cooperative bodies held summits. The South Asian Association for Regional Cooperation held its third summit of leaders in Nepal at the beginning of August and issued the "Katmandu Manifesto." The six countries of ASEAN also held their third summit of leaders in Manila to celebrate the 20th anniversary of the founding of their organization, and further strengthened political consultation and economic cooperation. The second was that in the first part of November, a special summit of Arab leaders was held in the Jordanian capital of Amman. Under the difficult conditions whereby the Iran-Iraq war was continuing and the Gulf situation was extremely tense, the calling of this summit in itself was of great significance. The summit played a good role by pressing Iran and Iraq to accept UN Security Council Resolution 598 implement a cease-fire, in urging Syria and Iraq to realize initial reconciliation, and in urging the Arab states to restore diplomatic relations with Egypt. The third was that the eight countries of Mexico, Brazil, Peru, Argentina, Venezuela, Panama, Uruguay, and Colombia,

which represent 80 percent of the population of Latin America, held a summit of leaders in Acapulco City, Mexico, and signed the "Acapulco Agreement," which seeks peace, development, and democracy. This was an important contribution in promoting the cause of Latin American integration. The fourth was that the Organization of African Unity called a special summit of African leaders to explore how to solve the problem of Africa's \$200-billion debt. This played a definite role in getting the various countries of the world to pay attention to Africa's debt problem and in urging the developed countries to rationally solve this problem. The fifth was that through coordination the OPEC countries were able to ensure that the price of crude oil remained relatively stable at about \$18 per barrel.

#### **IV. The Continuing Growth of China's Role in International Affairs**

The year 1987 was an important milestone in the course of China's socialist modernization. The successful holding of the 13th CPC Congress, the putting forward of the theory of the initial stage of socialism, and the smooth takeover by the new generation of leaders strongly promoted the continued implementation of the party line since the 3d Plenary Session of the 11th CPC Central Committee. The important information relayed to the whole world by this conference was that China's road of reform and opening up will grow broader, that China's new leading group is more vital and lively, and that China will unwaveringly persist in an independent and peaceful foreign policy and will make its due contribution to world peace and development.

In the past year, our country has done much active and positive work in many areas on the foreign affairs front, and we have realized important achievements.

In 1987, our country, using the "one country, two systems" idea, achieved new progress in realizing the major undertaking of unifying the motherland. Following the smooth resolution of the Hong Kong question by China and the United Kingdom, on 13 April 1987 the joint declaration by the PRC and Portugal on the Macao question was officially signed in Beijing by the premiers of the two countries. The declaration stated that on 20 December 1999, the Chinese Government will recover the exercise of sovereignty over Macao.

Over the last year, our country's friendly relations of cooperation with the various countries of the Third World saw further developments. These developments included: Chairman Kim Il-song's official visit to our country further consolidated the friendship, sealed with blood, between the people of China and Korea. This also made a contribution to promoting the cause of peace in the Asia and Pacific region. Our country established diplomatic relations with the Republic of Belize and restored ambassadorial-level relations with Laos. Premier Zhao Ziyang visited Pakistan, while the crown prince of Thailand and the foreign minister of that

country successively visited China. This further deepened the political consultation and traditional cooperation in many respects between our country and our close neighboring countries of Pakistan and Thailand. The visit to our country by King Birendra of Nepal again vividly showed an example of peaceful coexistence between countries of different sizes and with different systems. Our country's signing of several additional protocols of the "South Pacific Nuclear-Free Zone Treaty" was welcomed by the various countries of the South Pacific. The visits to China by President Sokomanu of the Republic of Vanuatu, by President 'Ali 'Abdallah Salih of the Yemen Arab Republic, and by al-Sadiq al-Mahdi, the prime minister of Sudan, strengthened the friendly relations between our country and their countries. At the same time, the NPC vice chairman, the foreign minister, and state councillors also made friendship visits to Asian, African, and Latin American countries, increasing mutual understanding and signing some economic and cultural cooperation agreements, thereby further promoting South-South cooperation. Our country continued to clearly support all just struggles by the peoples of Third World countries, to oppose interference in and aggression against these countries by the superpowers and regional hegemonists, to denounce the Israeli suppression and slaughter of the Palestinian people, and to denounce South Africa's apartheid policies and its armed aggression into neighboring African countries.

In 1987, there were also major developments in our country's relationship with the various countries of Western and Eastern Europe. The visits to France, Italy, Belgium, and Luxembourg by President Li Xiannian wrote a new chapter in the history of friendly cooperation which our country has continually developed over many years with the various countries of Western Europe. Following the visit to our country by Jaruzelski and Honecker in 1986, in June Comrade Zhao Ziyang visited Poland, the GDR, Czechoslovakia, Hungary, and Bulgaria, and the Czechoslovak, Bulgarian, and Hungarian leaders, Strougal, Zhikov, and Kadar, respectively, visited our country. These visits deepened the mutual understanding between our country and the five East European socialist countries in terms of our respective construction undertakings, promoted economic and cultural cooperation, and made a contribution to safeguarding world peace.

The promotion of the long-term development of relations of friendly cooperation between China and Japan is a fixed policy of our country's government. On China's part, in 1987 it warmly welcomed Noboru Takeshita, who visited in his capacity as secretary of the Liberal Democratic Party, as well as many other Japanese friends. Our country's government warmly welcomed Noboru Takeshita's taking up the posts of president of the Liberal Democratic Party and prime minister of the Japanese Cabinet. We will also welcome him in making an official visit to China in 1988. We hope and look forward to the new Japanese Government being able to

smoothly resolve the various unsettled issues that exist between China and Japan and that it will earnestly push forward the friendly relations of cooperation between China and Japan.

In 1987, the relationship between China and the United States continued to develop in a sustained and stable way. In March, Secretary of State Shultz visited China and in May, Yang Shangkun, the vice chairman of the Central Military Commission, and State Councillor Fang Yi led a Chinese Government delegation on a visit to the United States. These visits played a good role in increasing mutual understanding, promoting cooperation between the two countries, and deepening the friendship between the peoples of the two countries. However, some parties in the United States openly received the Dalai Lama, the religious leader of our country's Xizang region, who lives in exile, and allowed him to carry out activities aimed at splitting the motherland. In addition, the U.S. Congress, at the instigation of a small number of congressmen, brazenly passed the so-called resolution on the "human rights" question in Xizang, which wantonly interfered in our country's internal affairs and viciously slandered the situation in Xizang. These actions greatly harmed the feelings of the Chinese people and were greatly disadvantageous to friendly cooperation between China and the United States. They of course met with stern protests and condemnation from our country's NPC, our country's government, and all Chinese people.

In the past year, our country's cooperation with the Soviet Union in the areas of the economy, science and technology, and culture saw further development. There has been a fine start in border talks, and there has been deeper understanding between the peoples of the two countries. The people of our country have great interest in and high hopes for the reforms that the Soviet Union is carrying out. However, there has still not yet been substantial progress made on the normalization of the political relationship between the two countries. As Comrade Deng Xiaoping has clearly pointed out, China has great hopes that the relationship between China and the Soviet Union will be completely normalized, and he is even willing to hold a meeting with Gorbachev. However, the precondition is that the Soviet Union must first cease its support for Vietnam's aggression in Cambodia and urge Vietnam to withdraw its troops from Cambodia. This is the principled stand held to and persisted in by the Chinese Government and people, based on the safeguarding of China's overall interests, support for the just struggle of the people of Cambodia, and the overall interests of maintaining world peace.

China has also made unstinting efforts in the United Nations and various other international forums in order to achieve peace, reduce arms, and promote development. It has made many proposals on arms reduction and on development, and these proposals have been widely welcomed and supported. China welcomes the U.S.-Soviet treaty on eliminating medium-range guided

missiles and the improvement of U.S.-Soviet relations, and it hopes that the international situation can move toward detente. Like the people of all countries of the world, the people of our country are awaiting and demanding that the United States and the Soviet Union truly implement the stipulations of the medium-range guided missile treaty. They hope that they will reduce, on a larger scale, or even completely eliminate, their various nuclear weapons and chemical weapons, and at the same time reduce their conventional weapons to the lowest level necessary for defense.

In looking forward to 1988, it seems that the U.S.-Soviet relationship will continue to ease, but their competition and antagonism will continue to be intense. The world's capitalist economies will see more turbulence, and the economic friction and contradictions among the various developed countries and between the developed countries and the developing countries will grow. The imbalance and trend of multipolarity in world economic development will also see development. In international relations, there will appear some new organizations. We hope that in the new year, with the common efforts of the people of the whole world, the international situation will continue to develop in a good direction, and the efforts of the various countries of the world in striving for peace and development will continue to realize new achievements.

### **Consultative Dialogue Is an Effective Way of Developing Socialist Democracy**

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[Article by Su Fengchi [5685 7685 3069], secretary of the CPC Committee of Weichang County in Hebei Province]

[Text] Since the beginning of last year, the leading comrades of the Central Committee have repeatedly stressed the establishment of a consultative dialogue system in society. The 13th Congress listed this as an important part of political structural reform, and provided a thoroughgoing explanation on the theoretical level of the significance, role and basic principles of such consultative dialogue. Through seriously studying and understanding these expositions and integrating them with our county's explorations in these areas in the past, we have come to deeply feel that developing consultative dialogue in society is, under the conditions of reform and opening up, an important avenue for further developing socialist democracy, making the relationship between the party and the masses a tighter one and improving ideological and political work.

I came to Weichang County to take up leadership duties in April last year. This county is situated in the high and cold flatlands area in the northernmost part of Hebei Province. The county measures 10,000 square kilometers, has a population of close to 500,000, and is a

construction base for Hebei Province's livestock industry. Since the 3d Plenary Session of the 11th CPC Central Committee, the economy of the whole county has seen great development, but it is still one of the poorest counties in the province. Doing leadership work in a place which is so vast with a sparse population and which is high, cold, and poor was a completely new task for me. In order to gain a good understanding of the situation in all areas so as to avoid mistakes in work, apart from asking advice from the comrades who worked in this place formerly, I also paid attention to drawing on the experiences of other areas where consultative dialogue in society had been developed. I also went to offices, to see the farmers and to visit basic-level cadres, and held direct dialogues with them, so as to find the key to administering Weichang. Through dozens of dialogues with cadres and the masses, I gained a fairly complete understanding of the county's basic situation as well as of what the cadres and masses think, are concerned about, are worried about, and what they expect. At the same time, this resulted in the work of the party committee receiving the understanding and support of the broad masses of cadres and the masses. From practice I have realized that consultative dialogue has at least the following four roles:

First, carrying out consultative dialogue in society, having the people discuss major decisions and listening to the ideas of the masses can open up channels of consultation and participation, can pool the wisdom of the masses and is of assistance to cadres in avoiding bias and mistakes in decisionmaking. Looking back on the past, a major reason that decisionmaking was not very good and why mistakes occurred was that repeated consultation with representatives of the different social interest groups was overlooked, there was reliance on the ideas of a small number of people and decisions were taken in a "closed" manner. Of course, seen from the actual situation of the cadre contingent in our county, only a small number did not listen to the masses' ideas. In the majority of cases, because they did not do sufficient investigative research and they did not really understand the masses' ideas and the reality of things, one-sidedness occurred in decisionmaking. We have seriously summed up these lessons and in major decisions which touch on the overall situation the county committee has always carried out consultation with the various sides through various avenues and particularly through the form of dialogue and through mass discussions. In autumn last year, the calls from villages in our county to readjust the contracted land were very loud, land disputes often flared up and relevant departments also provided to the county committee specific plans for land readjustment. As the level of economic development of the villages and townships in our county is not high, in the villages the land is still the basic means of production and the land contract policy relates to the overall decisionmaking of the county in terms of economic development and political stability. Thus, we adopted a prudent attitude to this question. In order to directly hear the ideas of the grass-roots-level cadres and broad numbers of farmers, I

and several other comrades from the county committee went separately to several areas where reaction on this question had been strongest and carried out dialogue with the masses. In the fields of Zhangjiawan village, there was the problem of whether there should be readjustment as necessary of the contracted land as the number of household members rises and falls, or whether the contracts should continue to be implemented. I sought the ideas of cadres and the masses in that place. Many farmers calculated their investment accounts for what they had put into the land in the previous few years and clearly expressed disagreement with the annual readjustment of land in accordance with changes in the number of household members. Some farmers even said: "If there are going to be readjustments every year, who will have the inclination to put their efforts into transforming the land?" "When the upper levels had meetings they always said that the stability of the policies will be maintained, and this reassured us. If the contracts are changed before the contract period is completed, will this not be tripping ourselves up?" The people who advocated readjustment of the land on the basis of number of household members also provided many reasons. For over a week, we had over 10 sessions of discussion with the farmers and these discussions provided much first-hand material for the county committee's decisionmaking. After much study and repeated discussion, the county committee decided that within the stipulated contract period, the contract relationship could not be arbitrarily changed. At the same time, it pointed out that in encouraging the centralization of land in the hands of those most able in using it, the contract transfers must only be carried out on a voluntary basis, and must not rely on administrative orders. Then the county and township governments issued to the farmers a "notice to reassure the public." When the policies are stable, the people's sentiments are stable. In the autumn quarter of 1987, basic construction in agriculture saw great development compared with previous years. The area plowed in the autumn totaled 970,000 mu, 370,000 mu more than the year before last.

The rural reforms have brought great changes to interest relationships in all areas of society, and quite great disparities have occurred in the speed at which and degree to which people have become prosperous. Thus, people's demands in terms of interests have different points of emphasis, and people have different personal feelings about the same things and the same policies. This requires that our policies are able to scientifically and rationally coordinate all sorts of interests, represent the most basic interests of the majority of the masses and motivate the enthusiasm of the majority of the masses in building socialism. However, the knowledge which can be grasped and the situations which can be understood by any single leading cadre are limited. Thus, if mistakes are to be avoided in decisionmaking, it is necessary to go among the masses in a timely way, to understand the situation, to draw in nourishment, to centralize the masses' wisdom and to seek avenues by which to coordinate the different interests' relationships. I have come

to realize that developing consultative dialogue is an effective way of achieving this aim. Since last year, in all of the seven major decisions we took, the decisions were made and the ideas on implementation fixed only after dialogue with the masses. The results achieved have been universally quite good.

Second, in carrying out consultative dialogue, the people come to know about major matters. This can increase the degree of openness in the activities of leadership organs and will assist in completing and improving the socialist democratic political system. Under the socialist system, the people are the masters of the state, and the masters have the right to know and to participate in government. Having the leadership organs publicly announce to the people of the region, in a timely way, major matters relating to that region is a duty and obligation which should be carried out, and is a manifestation of the rights of the people as masters. This mutual understanding and communication between the leaders and the masses is extremely important in the smooth promotion of the reforms. At the beginning of last year, the central authorities promulgated a document which proposed the improvement of township and village cooperative organizations and the implementation of a double-level operational system under which dispersed operations and unified operations were combined. Some farmers felt that it was again reviving the "big pot" and some people in one village, giving the pretext of strengthening the collective economy, demanded the return of 3,000 mu of wasteland which a farmer had contracted for 3 years. We felt that this event represented a trend in villages in respect of land contracts and showed the errors of some farmers in understanding the spirit of the central documents, and that if it was not handled well, it might lead to a chain reaction. Thus, I and several comrades from various departments went to the village and held talks and dialogue with the farmers, the village cadres and the farmer who contracted the wasteland. We very clearly explained that the spirit of the central document was to explain to farmers the improvement of village-level cooperative organizations, not to throw the contract system into chaos, or to again return to the old road of collectivization. On the contrary, it mainly stresses the strengthened provision of production services for the household operations of farming households, strengthening management and coordination and increasing township and village economic strengths. Only if the household contract operation system is stable can the township and village cooperative organizations be gradually perfected. Dispersed operation is the prerequisite and condition for the double-level operation system. Only when there is the stability of "division" can there be the firmness of "unity." At the same time as clearing up some of the blurred understandings among the masses, we firmly indicated our support for the farmer who had contracted the wasteland in his continuing to implement the contract. Where the contents of the contract were imperfect, it was permitted for the two sides, through consultation, to add to the contents, but they could not

terminate it without reason. After this, through broadcasts and documents, we expanded the influence of the dialogue. This both settled the people's minds and led the cadres and the masses to again study the party's rural principles and policies.

I feel that in transmitting the party Central Committee's principles, policies and plans to the masses, there is a need to explain them in the light of the local reality. In this way, the people feel that they can see and touch them and that they are closely related to their own interests. Thus implementation is both firm and swift. At the same time, the masses are candid in expressing their ideas and suggestions to the leaders. Thereby, the leading cadres can directly grasp the ideas and demands of the masses, carry out education aimed at the unclear concepts among the masses and correct and improve the work of the leading organs in a timely way.

Third, carrying out consultative dialogue allows the leaders to have personal contact and to understand the various feelings, ideas and understandings of the masses. Thus, through discussions which involve both feelings and logic, they can help the masses to become clear about the principles and eliminate doubts. Thereby, the party's ideological and political work can be effectively improved and strengthened and the people's socialist enthusiasm for throwing themselves into reform and into construction will be stimulated. First, the method of sitting down together and discussing problems with the masses with the status of equals allows the leaders to get closer to the masses than did the former methods of meetings and reports. This is of benefit in promoting interflow of sentiments between the cadres and the masses and results in the fine atmosphere of speaking genuinely and truthfully. Thereby, leading cadres can understand ideas which before they did not even hear when they sat in their offices, can suit remedies to the ideological reality of the masses and can develop ideological and political work in a targeted way. Second, only if we carry out dialogue on some of the "hot" questions and difficulties of concern to the masses by closely linking up with reality will we be able to ensure that our ideological and political work enters both the ear and the brain. We should recognize that the ideological problems among the masses are linked up with their specific difficulties in work and life and their different understandings of various questions. If, without paying attention to their real difficulties and their problems of understanding, we ramble on about principles, it will be like scratching an itch from outside the boot. If dialogue generally centers on the real problems and questions of understanding which are of concern to the masses, it will be of assistance in improving understanding and clarifying ideas and will also help in understanding the masses' real difficulties so that they can be resolved in a timely way. For a time now, when we came to know, through dialogue, of difficulties of the masses, we took all possible measures to assist the masses in properly resolving them. When nothing could be done we did not claim that we could do anything, while those things which we

promised to do, we did quickly and well. If there were things which we promised to do, but in which difficulties were encountered and it was not possible to completely resolve the matter at the time, further explanations were made to the masses. In this way, the masses felt that dialogue was effective and they truly welcomed it. Third, the good point about dialogue lies in its dual nature, whereby there is interaction and questions and answers by both sides. The leaders lay themselves open, set down the problems and difficulties in work and let the masses put forward ideas and think of solutions. At the same time, during the dialogue, the problems raised by the masses are answered face to face. This also stimulates the leading cadres to seriously study and master the party's principles and policies, to raise their own ideological level and to improve their abilities in synthesis, analysis, induction and expression. Carrying out ideological and political work through this form is a vivid and lively method and is also effective.

Fourth, carrying out consultative dialogue in society is a way to open avenues by which the leadership organs and leading cadres are subject to democratic supervision and public supervision. Our party now faces the double test of holding office and carrying out reform. Seen from the situation in our country, in facing the new test, the majority of party groups and party members are good and can pass the test. However, we have also noted two situations: The first is that some comrades, because of errors in their understanding of the policies of reform and opening up, have made mistakes in their work. The second is that in a small number of party members and in particular in some leading cadres, there exists the corrupt phenomena of bureaucratism and using power for private gains. As our democratic system is not complete, in the past there certainly existed among the masses the situations whereby there were grievances but nobody to voice them to and there were ideas, but no place to put them forward, or where when one spoke it did not make any difference and putting forward ideas meant running into trouble. Direct dialogue between leading cadres and the broad masses provides an important avenue by which the masses can supervise the leadership organs and the work of leading cadres. Last year, through dialogue, we discovered indications that the work style of some cadres had been unhealthy or even illegal. After verification, two township-level cadres were prosecuted. At the same time, we corrected some impractical, formalistic and inflexible practices which existed in some localities in the development of livestock-raising, township industries and capital construction of farmland. In order to make supervision of cadres more open, more systematic and more regular, we also established an achievement assessment and report system for cadres, under which they are subject to periodic examination, the results of which are, when necessary, reported to the masses of the unit where the cadre is stationed.

The farmers welcome dialogue and hope to tell us about their ideas, their proposals and the irrational things they see. The majority of the ideas of the masses are correct or

basically correct, while there are some which are not too correct. The attitude of the masses in putting forward ideas is generally quite sincere, but some are not sufficiently clearly and soberly presented. In this respect, our attitude is that we will seriously listen to and respond to all ideas. In respect of the people who put forth ideas, we cannot be demanding in terms of how they express them or worry about our own face. We must not be arrogant and overbearing and refuse criticism and likewise cannot be equivocal and beat around the bush. Much less can we push things away and not take responsibility. I feel that a session of dialogue is in fact an examination for leading cadres. Those suggestions and criticisms which are which are seen to be correct should be wholeheartedly accepted. Shortcomings should not be defended and a clear-cut stand should be taken. Those ideas which are biased, extreme or not too amicable, should be sincerely listened to and responded to with logic, and the proponents should be given patient explanation and guidance. Those mistaken opinions which involve major questions of principle should be criticized with clear viewpoints and with perfect assurance. However, this type of criticism must also stress the down-to-earth principle that the individual must be subordinate to the happiness of the group.

Developing consultative dialogue has injected new vigor into the county committee leading organs. Facts tell us that consultative dialogue is certainly not an expedient measure for handling matters which occur suddenly. Rather, it is an important form for increasing the degree of openness in leadership organs and for promoting democratic political construction. My understanding of how to develop dialogue in a way which accords with reality and which does not engage in formalism is:

First, attention must be paid to the choice of dialogue partners. It is necessary to choose representatives of different social interest groups and it is also important to select people who have a certain capability to discuss administration. In this way, not only can an overall understanding of all sides' ideas be gained, but valuable suggestions can be heard. In dialogue at the grass-roots level and among the masses, it is necessary to select appropriate representatives beforehand. Participation should be voluntary and no one who comes should be refused. All should be welcomed and all questions should be answered. It is also necessary to consciously expand the influence of the dialogue.

Second, attention must be paid to making preparations before the dialogue. As soon as the basic contents of the dialogue are set down, it is necessary to seriously study relevant principles and policies, and get a thorough grasp of the spirit of the directives of the central authorities and upper-level party committees. Also, as many as possible of the problems which the masses may raise should be collected and necessary arrangements made for their discussion. At times it is also necessary to ask the comrades of relevant departments to participate in the dialogue and bring into play a collective role.

Third, attention must be paid to expanding the results of the dialogue. Dialogue situations which have guiding significance for the overall situation can be spread through broadcasts, television and other mass media channels and reported to the grass-roots level masses. This is also beneficial to resolving the problem of "mountains of documents and oceans of meetings."

**12th Lecture of Forum on Socialist Commodity Economy: Turnover of Working Capital and Economic Benefits**  
*400501501 Beijing HONGQI [RED FLAG] in Chinese No 2, 16 Jan 88 pp 44-46*

[Article by Li Jianjun [2621 1696 6511]]

**[Text] I. An Accelerated Turnover of Working Capital Is Important for Improving Economic Results**

Various production and business activities by enterprises must involve a considerable sum of capital. In terms of turnover, the production capital of enterprises may be divided into two categories: fixed capital and working capital. Working capital is used to make advance payments for raw and processed materials, supplementary materials, wages of workers as well as the money in circulation. The value of the capital spent on raw and processed materials, as well as supplementary materials, is, after a production cycle, totally transferred to the newly made products. This part of capital will be made good after the products are sold. The part paid to workers as wages will be partly made good by the value newly created by them in the production. In reality, for the sake of capital management, people always classify that capital which exists in the form of raw and processed materials reserve and inventory, as well as the money for circulation yet to be settled, into the account of working capital. In order to keep the operation of an enterprise going, we must maintain a working capital-fixed capital ratio. When establishing a new enterprise, we must, in addition to investing in the fixed assets, maintain a corresponding amount of working capital. The practice of expanding the scale of capital construction investment by seizing the working capital inevitably creates a shortage of working capital in the enterprise. The enterprise in question therefore does not have sufficient capital to purchase sufficient amount of raw and processed materials, as well as energy. The fixed assets are thus left idle and it is difficult to maintain a normal operation. Whenever such kind of situation develops, the reproduction by other relevant enterprises is adversely affected. Therefore, it is an essential condition that we must ensure a coordinated ratio between working capital and fixed capital.

Of course, the amount of fixed capital required for maintaining a particular level of production and business scale is not rigid. Rather, its absolute amount will be reduced in the wake of a drop in the materials consumption for producing a certain amount of products, as well as a reduction of expenses on direct labor. The amount

will also be relatively reduced as a result of having an accelerated turnover of working capital. The turnover of working capital refers to a cycling flow of capital in the forms of money capital, reserve capital, goods in process and semifinished goods, and commodity capital used in the production and business activities by an enterprise in a continuous supply-production-sale process, which will eventually return to the starting point. The time needed by the turnover of working capital is measured and compared in terms of year. Let's suppose there are two enterprises. Such time needed by the working capital of one of them is 3 months, and that of the other is 12 months. Thus, the former experiences four cycles before the latter experiences one. The time needed by the turnover of working capital is inversely in proportion to the number of cycles. The time will be reduced when the turnover rate is increased, and more cycles we shall have in a year. Conversely, the time will be increased when the rate is reduced, and lesser cycles we shall have in a year.

Why is it that an accelerated turnover of working capital will reduce the amount of working capital and improve the economic results of enterprises?

First, an accelerated turnover of working capital may reduce the amount of working capital per unit product. Under the circumstances where the production scale is fixed, this helps reduce the advance payment of working capital. For instance, an enterprise needs 30 days to produce 100 bicycles, from the purchase of raw and processed materials to the sale of products, and the advance payment of working capital is 10,000 yuan. As a result of adopting improved production techniques, the enterprise reduces the time needed to 15 days. Therefore, the same amount of working capital may experience two cycles within 30 days, and the amount of working capital needed for producing 200 bicycles is still 10,000 yuan. The amount of working capital per unit product is therefore reduced from 100 to 50 yuan. If the output volume remains unchanged, the enterprise only needs 5,000 yuan to produce 100 bicycles, a reduction of 5,000 yuan.

Second, an accelerated turnover of working capital may reduce the amount of interest expenses per unit product. In the wake of gradually reforming the economic management system, some 80 percent of the working capital needed by an enterprise comes from bank loans on which there must be interest payable after a period of time. An accelerated turnover of working capital may either help an enterprise to reduce the loan amount needed for producing the same quantity of products or reduce the length of a loan period, which will reduce the amount of interest expenses.

Third, an accelerated turnover of working capital may increase the rate of capital profit, so that an enterprise may expand its scale of production without increasing the advance payment of working capital. The rate of working capital profit is a ratio between the annual volume of profits on sales of products and the average

amount of working capital it accounts for. It is an important sign for evaluating the results of utilization of working capital by an enterprise. If the working capital of an enterprise is 50,000 yuan, its turnover rate is three cycles per year, and its annual volume of profits on sales of products is 60,000 yuan, its rate of working capital profit is 60,000 yuan over 50,000 yuan, or 120 percent. If the enterprise adopts scientific methods to improve its management and to increase the turnover rate to four cycles per year, the same amount of working capital will, under the same conditions, promote a larger scale of production and increase the annual profit to 80,000 yuan. The rate of working capital profit will thus be increased from 120 to 160 percent.

## II. Factors Affecting the Turnover Rate of Working Capital

The turnover rate of working capital is determined by a number of factors. As the time needed for the turnover of working capital includes time spent on purchase, production and sales, factors affecting the flow of working capital during these stages are also the major factors affecting the turnover rate of working capital.

First, the flow of working capital at the stage of purchase is determined by the rate of transforming the capital from currency form into the material form of production factors. In order to engage in production, an enterprise must buy on the market raw and processed materials, as well as supplementary materials, needed by its production (which are consistent in terms of quality, specifications, type and model and which are coordinated with each other in terms of quantity and proportion). It must also have recruited a number of laborers whose technical quality and level of skillfulness meet the production requirements. If the quantity and quality of raw and processed materials, as well as laborers, available fail to meet the requirements, the flow of working capital at this stage will be restricted and the turnover rate will be slowed down. The rate is also affected by the distance between the enterprise and the markets where raw and processed materials, as well as supplementary materials, are available; the conditions of the means of transport; and so on which determine the time needed by transportation. At present, we have a long period of working capital flow because the development of transport falls behind that of economic development. Consequently, some enterprises must strengthen their reserve of raw and processed materials. This has reduced the turnover rate of working capital, which is rather common.

Second, the turnover rate of working capital at the stage of production is determined by the time needed for producing the finished products. This period includes the labor time, that is the time spent by laborers on the target of labor with the help of tools. For agriculture and some other trades, this period also includes the length of time when the labor is interrupted and the target of labor is directly affected by the nature. For example, the production of grape wine needs time for fermentation

and cellar storage, as well as time for storing raw materials in granary as reserve. In order to shorten the period at which the flow of working capital is tied up, we must first improve the quality of enterprise management, strengthen the systems for production organization and supervision, and rationally organize the production. Second, we must use highly effective production technology and equipment, update and transform the production tools and techniques, and improve the scientific knowledge and educational background of laborers.

Third, the turnover rate of working capital at the stage of sales is determined by the turnover rate of commodity sales, that is, the pace of transforming the form of commodities back to the form of currency. The turnover rate of commodity sales is affected by the following factors: (1) The product in question should meet the need of society in terms of specifications, type, variety, quality and quantity. Furthermore, it is absolutely necessary that we should maintain an appropriate amount of sales stock. A commodity will be overstocked whenever it becomes unmarketable, which also means an overstock of working capital. (2) A rational sales network of commodity should have been established. Only when there is a multichannel and open sales network of commodity marked by simple pattern and scattered outlets can the goods circulate without obstruction and can we avoid overstocking the commodity. (3) The collection of, as well as its feedback on, sales information should be able to be made promptly and precisely. The transportation network should be perfect and convenient; and the distribution of warehouses and sales outlets in society should be near and rational. These are also factors affecting the length of time needed by sale.

## III. The Current Situation of Turnover of Working Capital and Problems We Should Address

It is very prominent in China's economic construction that the turnover of working capital is slow and the results of utilization are poor. At present, the situation is manifested in the areas of having excessively overstocked raw and processed materials and the finished products are unmarketable. Statistics show that some 60 percent of our working capital norm in industry is capital in the form of reserve materials, and more than 23 percent is in the form of finished products. In 1986, the time needed for the turnover of working capital in industry was 107.3 days on average, or 3.4 cycles per year. Not only did this level fall far behind that of the economically developed countries, but was also 1.7 cycles less than the rate achieved during the First 5-Year Plan. A slow turnover of working capital increases the share of working capital in the output value per 100 yuan of products. The portion of working capital in the output value per 100 yuan of products made by state-owned enterprises accounted for 35 yuan in 1986, or 200 percent of the 1956 figure.

An excessive overstock of raw and processed materials is directly related to the price increase in such materials and fuel. In 1986, the price increase of raw and processed

materials, as well as supplementary materials, needed by industry and capital construction projects pushed up the capital in the form of inventory by about 56 percent. A protracted shortage and price increase of raw and processed materials and fuel made people incline toward the practice of hoarding. Many enterprises therefore purchased raw and processed materials no matter whether or not they were useful, so that the inventory continued to increase. Statistics show that this abnormal capital in the form of inventory accounted for 12.4 percent of the 1986 total increase of capital in the form of inventory. It is absolutely necessary to appropriately increase the raw material inventory because of expansion of the scale of production and the growth of investment in capital construction.

Quite a considerable part of the inventory of finished products was overstocked inventory. This was of course closely related to the out-of-date market information, inconvenient transportation and the underdeveloped service industry. But the most important reason is that business management level of enterprises was poor, they were not market-oriented, they one-sidedly pursued output value and speed, they neglected the product quality, and their production structure did not correspond to the consumption structure. Statistics show that by the end of 1986, 30 commodities kept by the state-owned commerce, as well as supply and marketing cooperatives, as inventory were overstocked, an increase of 9 commodities compared to that of the previous year. Though there has been improvement in the inventory structure of finished products since 1979, there are still 24 overstocked commodities accounting for 2,240 million yuan of working capital. Essentially, an abnormal overstock of commercial inventory reflects that there are problems in the industrial production.

In order to overcome the above situation, to accelerate the turnover of working capital, and to improve the results of utilization the capital, we must stress the following issues:

First, enterprises must, under the guidance of state plans, organize their production in accordance with the market demand, stress the marketability of products and the sale of quality goods at a lower price. These are the key to accelerate the turnover of working capital. A product should meet the demand of society in terms of type, variety, specifications, model, quantity, quality and after-sales service. This is because this directly determines the portion of working capital per unit product at the stage of sales. Furthermore, to a considerable extent, this determines the pace of turnover of working capital as a whole, as well as the economic results of capital utilization. If a person produces unmarketable and poor goods to be sold at a high price, the more he produces the more he overstocks and the more his capital is tied up. Therefore, enterprises must strengthen their work of market projection, establish a stable network of information transmission, collect market information, predict changes in demand, and provide reliable information for

making correct decisions on product research and production. Under the prerequisite of improving the labor productivity, they must reduce the amount of material consumption and direct labor expenses per unit product, so as to sell at a favorable price. The more they sell the better the turnover of working capital they get and the more profits they will attain. They must, by relying on scientific and technological advancement, speed up the replacement of products so as to meet the market demand.

Second, we should modernize the internal management of enterprises, which is the basis for accelerating the turnover of working capital. We must implement and perfect the contracted responsibility system in the area of operation. We should implement the management of working capital by objectives. For instance, some localities have established "internal banks" which link the acceleration of working capital to the material benefits of workers in charge of storage, financial, business management, design, production and sales matters. Therefore, both the operators and producers of enterprises have voluntarily established their concepts about turnover of working capital and interest payments, and strived to reduce the amount of working capital per unit product. Consequently, the acceleration of the turnover of working capital bases itself on the work of monitoring and supervision by all staff.

Third, the acceleration of the turnover of working capital also requires better overall decisions on the arrangement of social production and circulation. We must rationally handle the major relations such as those between accumulation and consumption, and gradually readjust the industrial structure. When making arrangements for investment in capital construction, we should give priority to the development of energy resources and the production of raw and processed materials. We should strive to develop our transportation industry so as to reduce both the time and money spent on the relocation of commodities. We must strengthen the provision of services before and after sales, simplify the circulation structure, and do well in making sales arrangements. We must make good use of the functions of interest rate, acting as an economic lever. Banks should insist on upholding the policy of selectively granting loans as working capital to enterprises with development potential. They should establish and perfect an index system for assessing the proportion of working capital to the capital of enterprises. They should stop granting loans to any enterprise which continues to produce its goods despite overstocking, and which uses the working capital to invest in fixed assets without authorization. They should also increase the interest rate on any working capital loan granted to an enterprise which uses it to excessively overstock materials so that the repayment of such loan by the enterprise is not possible. Doing this would urge the enterprise to clear out the stock so as to invigorate the circulation of materials and capital. They must further establish and perfect the capital market, promote financing activities in society and improve the economic results of working capital utilization.

**Concentration of Farmland in the Hands of Capable Farmers Should Be Encouraged**  
*40050150p Beijing HONGQI [RED FLAG] in Chinese No 2, 16 Jan 88 p 46*

[Letter to the editor by Lin Leng [2651 0397] of Fujian CPC Committee's Policy Research Office]

[Text] Dear Editor:

Document No 1 (1984) of the CPC Central Committee clearly stipulates that the concentration of farmland in the hands of capable farmers should be encouraged in places where conditions permit. This is no doubt a far-sighted and wise policy decision. However, no major breakthrough has been made in this connection over the past few years. What is the reason for this? Objectively speaking, the concentration of farmland is conditioned by a number of factors and is itself a slow and gradual process; subjectively speaking, the rural cadres in many localities have not recognized the importance of this issue because their understanding cannot keep up with practice and with the masses. In many places subcontracting of farmland is a frequent occurrence, but in most cases it is initiated by the masses themselves. Not much farmland actually could find its way into the hands of capable farmers, and even fewer is the acreage that is being farmed on an appropriate scale. It is thus necessary to further publicize the need to concentrate farmland in the hands of capable farmers in order to achieve an appropriate scale of operation.

I have recently been to the rural areas where I carried out an investigation in the hope of better understanding this issue.

In China's efforts to achieve specialization, socialization and commercialization of agriculture, an inevitable development would be the concentration of farmland in the hands of capable farmers in order to achieve an appropriate scale of operation. It is wrong to act rashly after taking note of this trend of development and even resort to arbitrary measures in an effort to be of help. However, it is also harmful to regard the whole thing as a slow and gradual process and hence let things take their own course.

The concentration of farmland in the hands of capable farmers involves a number of theoretical questions, such as the relationship between centralized operation and household operation, the relationship between scale and effectiveness, as well as whether or not subcontracting involving payment should be allowed and what should be done about food rationing after subcontracting. All these questions have to be studied from a theoretical angle in order to unify understanding.

Based on the above understanding, I would like to suggest that HONGQI step up publicity for an appropriate scale of operation.

**Yanzi's Responsibility**

*40050150m Beijing HONGQI [RED FLAG] in Chinese No 2, 16 Jan 88 p 47*

[Article by Lan Nan [5695 2809]]

[Text] With the development of democratic politics, more and more cadres have consciously placed themselves under the supervision of the masses. They welcome criticism and suggestions from those around them and from their subordinates. This reminds me of the story of Yanzi [2518 1311] giving Gao Liao [7559 4933] the sack.

"Gao Liao had served Yanzi for 3 years, yet Yanzi decided to give him the sack. His aides pleaded with him, saying: 'Gao Liao has served you for 3 years. Instead of giving him promotion, you gave him the sack. Is this justifiable?' Yanzi replied: 'I have but limited knowledge and need to be reminded of the four cardinal principles in order to stay upright. He has served me for 3 years without even once pointing out my mistakes. That is why I gave him the sack.'" (The chapter on "The Craft of Being a Minister" in "Shuo Yuan" [6141 5373])

It goes without saying that this story is one which praises Yanzi and relegates Gao Liao. Gao Liao had served Yanzi for 3 years. He must have noticed some of Yanzi's mistakes during that time, yet he never made any criticism or suggestion. He was probably a worldly wise person who preferred to play safe by keeping quiet. This is naturally not helpful to Yanzi who was keen on seeing the last of his shortcomings and mistakes. It is understandable why Yanzi was dissatisfied with him and decided to give him the sack.

However, I somehow feel that it is not fair to put all the blame on Gao Liao. Gao Liao probably had his reasons for not daring to criticize his boss. Would Yanzi have accepted his criticism with an open mind? Would Yanzi bear a grudge and even take revenge against him if he had made the wrong criticism? If there were indeed these misgivings in his head, he would naturally have adopted an attitude of "do nothing if it is of no concern to you" and "keep quiet even though you know something is wrong." Were these worries uncalled for? Not necessarily. A supervisor should place himself under the supervision of his subordinates and the masses of his own accord. He must sincerely seek suggestions and listen to criticism rather than passively wait for his subordinates or the masses to come to him. Who knows whether your backside can be touched? Who would dare swim across a river without first finding out how deep the water is? Had Yanzi taken the initiative to seek opinions and hear criticism? If he had, I do not think Gao Liao would have "kept his lips sealed." At least it would not have taken Yanzi 3 years to find out that Gao Liao had not pointed out his mistakes. If he had not, it could be interpreted that Yanzi ordinarily was not someone who liked to hear suggestions. He could have been half-hearted when he admitted that he himself "had but limited knowledge

and needed to be reminded of the four cardinal principles in order to stay upright." Besides, it shows at least that Yanzi had been very negligent during those 3 years. He had not let it be known that he wanted others to point out his mistakes. Thus Gao Liao should not be made to take all the blame. We might even suspect Yanzi of being a hypocrite who fished for fame and compliments.

Actually, in the age Yanzi lived in, the relationship between the king and his ministers and between the leadership and the rank and file was no more than a master-servant relationship. A minister or subordinate had to obey every word uttered by his monarch or superior. He could not go east when ordered to go west. He had to carry out orders whether or not he understood them. Even though some kings did actually ask their ministers to remonstrate them and did in fact listen to remonstrations, they did so only because they had to protect their own rule. They did not want the people to become masters of the country. Cases where ministers were put to death because they had offended their kings with their remonstrations were by no means rare. In the general environment of this kind of society, however humble or enlightened those at the top were, it could not have removed the worry on the part of those below that they would court their own disaster by saying something against their superiors. This is something we should clearly bear in mind.

Thus, if our cadres could be like Yanzi in considering themselves as persons with "but limited knowledge who need to be reminded of the four cardinal principles in order to stay upright," that is well and good; and if they do not show partiality to people who prefer not to point out their mistakes, that is also very nice. What is more important, however, is whether they can with conscience answer this question: Do I truly, positively and sincerely welcome the masses to "point out my mistakes"? Will I consciously and earnestly rectify my mistakes? We must point out in particular that encouraging the masses to point out our mistakes and accepting supervision from the masses is something determined by the nature of our party and by the socialist nature of our country. It is not a means by which we try to please the public or fish for fame and compliment. In our society where the people are the masters, all cadres must wholeheartedly serve the people. It is the right of a citizen to supervise the cadres; and it is the duty of a cadre to accept supervision from the masses. I believe that if this concept is inculcated in the minds of the people, there will be more and more good cadres like Yanzi, and fewer and fewer Gao Liao's, without giving them the sack.

### **The Story of Healthy Trends Among Communists—Reading the Novella '8th Route Legs'**

40050150n Beijing HONGQI [RED FLAG] in Chinese  
No 2, 16 Jan 88 p 48

[Article by Li Qingyu [2621 1987 1342]; "8th Route Legs" by Lu Yuanzheng [0712 6678 1767] published in SHIYUE [OCTOBER], No 4, 1987]

[Text] In the film "Wreaths Under the Mountain" there is this scene: Auntie Liang, holding the hands of Sergeant Lei Zhen in hers, said emotionally: I'm so glad to see a cadre like you, even if you are the only one.... There is always a sigh in the audience every time this scene appears on the screen.

Auntie Liang's remark, though short, carries a lot of weight. It reflects the ardent hope the masses pin on our party cadres, as well as the people's hope to see a turn for the better in the party's work style. The people need cadres like Lei Zhen who share weal and woe with them; our socialist literature and art also need to portray images of cadres who are "upright and uncorrupted" like him. Fu Yunfei in "8th Route Legs" is another Sergeant Lei, another portrait of an upright and brilliant senior cadre in the gallery of our socialist literature.

We all know that the question of party style is a major issue that has a vital bearing on the survival of our party. However, it is precisely on this issue that some of our cadres have failed to break away from the network of personal ties and feel they cannot say no to demands from friends, relatives and children and to requests from them to be allowed to go abroad. Perhaps they should all have a pair of "8th Route legs" as Fu Yuanzheng has. This pair of "8th Route legs" had "performed indelible feats" during the war years, and had been "in the limelight" on many occasions after liberation. How they walk now is altogether a different story.

In the story, the "8th Route legs" of the hero Fu Yunfei which had performed indelible feats in campaigns fought to "cross the Yellow River in the East," "capture the Dabieshan Mountain" and so on and which remained very much "in the limelight" after liberation are still walking straight and have not gone askew in the slightest. His old comrade-in-arms who once saved his life during the war years, and who still has the power to "pull a person down just as he could place him in a position of power," asked him to make special arrangement for his niece, a request he tactfully refused. His supervisor at the higher level, who "had made brilliant achievements in the war years and had held important posts in the fields of domestic and foreign affairs, capital construction and the most advanced branches of science at the time the PRC was founded," asked him to give special treatment to his daughter, a request he flatly refused. His relative, who had been a benefactor of his family and had helped them out when things were most difficult, asked him to give the green light for the installation of advanced equipment. He had given his promise, but when he discovered that this went against regulations, he "went back on his word" without the slightest hesitation. Because he upheld his principle in everything he did, refused to bend to the ways of the world, and offended his old comrade-in-arms, his supervisor and his relative, his family did not receive any New Year call. It reflects "the inconstancy of human relationships" for a cadre

who has fallen into disgrace to find "visitors few and far between," but how do you explain the fact that this cadre in power is "so much left in the cold"?

Fu Yunfei's so-called "ignorance of the times" is also reflected in the matter of "going abroad." He went to Japan on business, but came back exhausted rather than "fully loaded" with electric appliances as did some cadres. He insisted on checking and examining every technical item and brought back with him piles of technical data. His own daughter was awaiting job allocation after graduation, and his son was hoping to be transferred back from Xinjiang. But he believed in doing things in accordance with regulations and refused to abuse his power for personal ends.

The story has a surprising, O'Henry-style ending: When the whole family was immersed in happiness, thinking that he was going to "move into Zhongnanhai" and take up an important post, Fu Yunfei submitted his application for a leave of absence. This was a very shocking turn indeed. From this sudden decision to step down at the height of his career, we can clearly see his courage to fight unhealthy trends and his determination to maintain his revolutionary integrity and the party's fine style of work.

It is unavoidable that people would find such a cadre and such actions hard to understand. On the surface, it seems that he knows nothing about the ways of the world. The fact is, he knows all about the corrupt practices, but is determined to wage a struggle against these unhealthy trends. This shows the inviolable uprightness of a communist. When the general mood of society is corrupted, Fu Yunfei's spirit appears all the more commendable. He has had frustrations, painful moments and dissatisfaction, but he also has undying passion. It was this passion that made him think about the state in everything he did and wage an irreconcilable struggle against unhealthy trends coming from all corners of society. While it was conservative of him to "worry" about and frown on the young people, his uprightness as a communist cannot but deserve esteem.

The author of this story chose the point of view of the children and wrote about the father and his friends as they saw them. In so doing, he skillfully presented us with an in-depth look at the family, relatives and friends and old acquaintances. Although the characters of the story have not done anything earth-shaking and that everything seems so ordinary, yet as we read on, we can clearly see Fu Yunfei's noble character. The humorous touch of the story makes reading all the more interesting. As we smile our understanding smile, we have also learned a lot about how to conduct ourselves in society.

### **Much Can Be Done in Lowering Costs and Raising Output in Agriculture**

40050150o Beijing HONGQI [RED FLAG] in Chinese  
No 2, 16 Jan 88 inside back cover

[Article by Xu Xianglin [1776 4161 2651], secretary of the CPC Committee of Rudong County, Jiangsu Province]

[Text] The starting point in our county's agricultural development was fairly high, and added to this are certain factors such as the instability and the integral nature of agricultural economic results. These factors mean that agricultural growth in future will be more difficult. Is there then potential for reducing costs and increasing output in agriculture? There certainly is.

First, the phenomenon whereby between various areas and between different agricultural households, there are differences in per unit area output volume and value and whereby people obtain different benefits from the same conditions, is a widely occurring phenomenon. For example in 1986, the average per mu output of ginned cotton from our county's cotton fields was 44 kilograms and per mu output value was 166.5 yuan. The high-yield household fields had a per mu output of approximately 100 kilograms, with output value of over 400 yuan, while the low-yield household fields only produced 20-30 kilograms with an output value of only 70-80 yuan. Second, the material costs of agricultural production are fairly high. Investigations have shown that a major reason for the rise in material consumption is excessive use of chemical fertilizers and insecticides by peasants, and that great waste exists. If, for each mu of crops, we could save just 1 yuan on chemical fertilizers and insecticides, the expenditure of the whole county could be reduced by 6 million yuan. Third, labor productivity is still not high. In 1986, in our county, the grain output volume for each agricultural laboring day was approximately 18 kilograms, a net output value of under 6 yuan. The net output value for the use of labor in the cotton fields was even lower. Further, there is also potential which can be tapped in terms of comprehensive use of natural resources, raising the level of agricultural technology and raising the level of scientific management. From this we can see that lowering costs and raising output in agriculture is not only possible, but that there is quite great potential for this.

At present, in lowering costs and raising output in agriculture, we should pay attention to grasping the following measures:

1. Rationally using land. On the one hand we must rationally readjust the land-use structure and fix crop deployment in a way in which local conditions are taken into consideration. On the other hand, we must make efforts to raise the rate of land use and propagate experiences such as dual crop planting, raising fish in paddy fields, and the courtyard economy. We must also persist in combining utilization and improvement, and through various avenues increase the organic content of the soil and put an end to operations which rob the soil.

2. We must rely on technological progress. Over the last few years, we have propagated the coordinated technology of nontillage strip sowing for the three grains. Over 9 yuan has been saved on every mu and per unit area output grew about 15 percent. After the "coordinated technology for chemical control and treatment of snout

moth's larvae which cause vertical leaf roll in paddy," which was developed by our county, was spread throughout the whole county, the direct economic benefits totaled 2.5 million yuan, while the social and ecological benefits were also extremely obvious. In relying on science and technology in developing agriculture, the current foci of work are strengthening the propagation of agricultural technology and improving and strengthening the agricultural service system, especially the village-level service networks.

3. Strengthening scientific management. We must gradually work out a system, which is convenient and easy to operate, to guide peasant households in establishing family operation accounting so that they can carry out cost accounting for production operations on a classified basis item by item. In this way efforts can be made toward achieving high efficiency and low consumption in terms of technology, equipment and facilities.

4. Increasing material input. In a situation whereby the state cannot in the short term increase agricultural investment by a large amount, we can consider developing agricultural investment avenues from three angles: (1) Relying on labor accumulation, and using labor to replace funds. (2) Establishing and improving an agricultural construction fund system, and taking some funds from the profits of township and village enterprises, the retained proportion of township and small town tax income and land-use fees as a fund for agricultural construction. (3) Guiding peasants to be rational in their consumption and to use more funds in expanding reproduction.

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