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No 4, 16 February 1991

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Further Invigorate Medium-Sized and Large Enterprises

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[Article under the rubric "Pen Talks" by Zhang Yanning (1728 1750 1337), Lu Dong (0712 2639), Ma Hong (7456 3163), Wang Xingyi (3076 5281 4135), Zhu Tanlin (2612 6151 2651), Wang Peizhou (3769 0160 3166), Yue Jiazheng (6390 1367 6927), Xu Xiaochun (1776 1321 4783), Li Baoming (2621 1405 2494), Cheng Gang (4453 6921), Zhang Tingyan (1728 1694 1750), Jiang Xincheng (5592 0207 2052), Wang Shengli (3769 0524 0448), and Lu Shijing (0712 1395 3878)]

[Text] **Editor's Note:** The Seventh Plenary Session of the 13th CPC Central Committee pointed out that "continuing to invigorate enterprises and especially medium-sized and large state-owned enterprises has particularly major significance for the development of our economy and the consolidation of the socialist system." Thus, this journal has, in this issue, organized a written discussion on invigorating medium-sized and large state-run enterprises and requested authors to give their views, from different angles, on further invigorating medium-sized and large enterprises.

Medium-sized and large enterprises have a major position and play a major role in our country's modernization. They are the most important material bases of the socialist system and shoulder the tasks of providing to the national economy the most important industrial means of production and means of consumption. They are also a major source of the state's financial income and are a mainstay of modernization. Since the Third Plenary Session of the 11th CPC Central Committee, because of the continuous deepening of reform and adherence to the principle of appropriately separating ownership rights and operational rights, there has been a great improvement in the operational and management autonomy of the state-run enterprises, including medium-sized and large enterprises, and they have been continually invigorated. The vast majority of our country's medium-sized and large enterprises are run well and a number of enterprises have appeared which are particularly outstanding in the way they are run. They make a major contribution to the state and society. However, it must be recognized that there are quite a few enterprises where autonomy has not been implemented. These enterprises shoulder heavy burdens, their capacity for self-transformation and for self-development is quite weak, and they have insufficient reserve strength. A number of enterprises produce products that do not sell well, they have financial difficulties, and profits have declined. We must, in accordance with the demands of the party Central Committee, adopt firm and effective measures, and continually enliven state-run enterprises, especially medium-sized and large state-run enterprises, to further bring into play their guiding and backbone roles.

Beneficial conditions exist for continuing to invigorate medium-sized and large enterprises. Through more than two years of economic improvement and rectification and the deepening of reform, our national economy is now very different from what it was two years ago, and it is changing in a good direction. The capacity for macroeconomic regulation and control has been raised and the measures for initiating the market and developing the market are gradually being implemented. There has been an obvious alleviation in the tight situations of raw materials, energy, and transport. The benefits of capital construction projects and technical transformation projects of a few years ago are being increasingly felt. The cadres and masses of the enterprise have, through the tempering of the economic changes in the last few years, seen their capacity for bearing difficulties and gearing production to the market greatly improved. Our country has political, economic, and social stability. In particular, it must be noted that the party Central Committee has recently called the Seventh Plenary Session and put forward proposals for a 10-Year Program and the Eighth Five-Year Plan, which point out the clear direction for our country's future development. These are all major conditions for further invigorating medium-sized and large enterprises.

The working comrades have expressed it well: "As long as there is no spiritual landslide, there will always be more answers than problems." The broad number of cadres, workers, and technical personnel in medium-sized and large enterprises must rouse their spirits, forge ahead, further bring into play the zeal and creativity of socialism and, in accordance with the orientation pointed out by the central authorities, deepen reform, strengthen technological transformation, actively readjust the industrial structure, the enterprise structure, and the product structure, strengthen enterprise management, establish and perfect various sorts of systems and regulations, tap potential, and put efforts into contributing more to the country. At the same time, all departments and regions must adopt down-to-earth measures, improve the macroeconomic environment, and reform those systems which still fetter the due vigor of medium-sized and large enterprises on the financial, materials, and banking levels, so that medium-sized and large enterprises gradually become socialist commodity producers and operators which take their own operational decisions, assume responsibility for profits and losses, and have the capacity for self-development, self-reliance, self-accumulation, and self-restraint. In this way, medium-sized and large enterprises will certainly become increasingly vigorous and increasingly well-run.

Task of Strategic Significance

By Zhang Yanning [1728 1750 1337]

Medium-sized and large enterprises are the backbone of our country's socialist economy. Since the beginning of the reforms, the party Central Committee and the State Council have continued to grasp the invigoration of enterprises, especially of medium-sized and large enterprises under ownership by the whole people, as the key

link in the overall reform of the urban economic structure. The basic idea is: Through reform and the realization of the separation of the administrative and enterprise functions, there will be an appropriate separation of ownership rights and operating rights and thereby the enterprises will gradually become socialist commodity producers and operators who take their own decisions, assume sole responsibility for profits and losses, achieve self-development and are self-restraining. Seen from the results of practice, the road taken in the reform of our country's enterprises over the last 12 years is completely correct and effective. Medium-sized and large enterprises have seen an obvious improvement, both in speed of development and economic strength over the situation prior to the reforms. This has been especially so in the last few years. Through the implementation of contracted operation responsibility systems, in various industries and various areas there have appeared a number of advanced enterprises and enterprise groups. The 132 first-level state enterprises, including Capital Iron and Steel Works, Jilin Chemical Industry Works, Saige, and the Shanghai No. 17 Cotton Mill, are very good examples of this. Their product, technology, and economic benefit norms have already reached domestic advanced standards and some have approached or reached international advanced standards. A small number of these enterprises have already formed mechanisms by which they take their own operational decisions, assume sole responsibility for profits and losses, develop themselves, and restrain themselves. These enterprises have, by the vigor they have obtained through the reforms, proven that, under socialist conditions, publicly owned enterprises have great potential and broad prospects for development.

However, seen overall, the majority of our country's medium-sized and large enterprises still lack the vigor and strength which large socialist commodity producers must have, and at present they face various types of difficulties. External to the enterprises, the major factors are: Changes in the macroeconomic environment have a great effect on the production and operations of medium-sized and large enterprises; the policies for promoting technological progress of the enterprise are insufficiently complete; the operational autonomy which enterprises should have has not been implemented; the enterprises are often subject to inappropriate interference; their various social responsibilities are too heavy; and so on. Within the enterprises, the major factors are: The due operational mechanisms and self-restraint mechanisms demanded by a planned commodity economy have not yet been formed, the level of management is quite low, and their capacity to react to the market is quite weak. At present, while implementing the requirements of the Seventh Plenary Session of the 13th CPC Central Committee for invigorating medium-sized and large enterprises, we must pay attention to the real difficulties of the enterprises and adopt a series of measures aimed at deepening reform and strengthening management.

First, we must continue to stabilize and perfect the contracted operations responsibility system. The contract system will be the major operational form for most medium-sized and large enterprises during the Eighth Five-Year Plan, and is also an important measure for enlivening enterprises. During the Seventh Five-Year Plan, a large number of enterprises, including Capital Iron and Steel Works, took the contract road. They increased investment through economic development and increased benefits, developed themselves, and took on a new appearance. Their achievements have been a very good role model for the many enterprises in our country. We must bring fully into play the stimulatory and driving role of the contract system, encourage enterprises to expand the "pie," and allow the enterprises to retain a little more money from their increased profits for technical transformation and technical improvement. They should take the road whereby the more they create the more they can retain and the more they can invest, so a number of the old enterprises can, through "self-stimulation" and self-development, achieve technological renewal and product replacement. Whatever the advanced enterprises can do, the other medium-sized and large enterprises should also be able to do. A key matter here is that, when setting down the basic figure to be handed up or the percentage to be retained by a contract enterprise, it is necessary to correctly and properly handle the relationship between realizing more contributions for the state and allowing the enterprises certain funds for development. Regarding these medium-sized and large old enterprises which urgently need to be "revived," the state cannot provide all the investment. Rather, through contracts and other forms, policy decisions should be handed over to the enterprises and the enterprises should be required to "make" the funds they need. At the same time, the state should provide them with appropriate support. This is where the superiority and the potential of the contract system lie.

Second, we must establish and perfect a set of policies and measures to promote the technical advance of enterprises. We should, in accordance with the needs of state industrial policies and structural readjustment, carry out the technical transformation of medium-sized and large enterprises in a planned and focused way. The key point of technical transformation should be to reduce energy and material consumption, raise the quality and grade of products, increase high-technology and high value-added products, increase the diversity of products and broaden export capacity so as to earn foreign exchange, and produce products that are currently imported. In future, we could consider adoption of the following policies and measures: Relaxing examination and approval rights over the use of enterprises' retained funds in production projects. Any project for which enterprises use their own funds to carry out technical transformation and new product development should, in principle, be decided by the enterprises themselves. When projects that are large in scale, require much investment, and affect the overall

industrial situation require approval, the approval procedures should be simplified. We should gradually abolish the practice of taking energy and communications funds and budget regulation funds out of depreciation funds. We could first select a group of medium-sized and large enterprises that have major transformation tasks to fulfill and return to them the energy and communications funds and budget regulation funds which have been taken from their depreciation funds, so they can use them for technical transformation. We should gradually raise the comprehensive depreciation rate and choose a group of enterprises that can achieve swift technical renewal and have a short production cycle in which to carry out experiments in fast depreciation. In accordance with sales, we should appropriately raise the ratio of new production development funds, and include these in costs. We should select a number of old enterprises that urgently require "revival" and some backbone enterprises that play a guiding role in industries and speed their pace of transformation through low-interest and discounted credit. We should form a drive mechanism by which to encourage the technical advance of enterprises and increase the proportion of reward and bonus funds used to encourage invention and creativity, new product development, technical renewal, economizing on raw materials, proposals for rationalization, and so on. We should allow enterprises, which have heavy tasks in terms of technical transformation and are short of funds, to raise their own funds through the issue of bonds, and we should allow enterprises that have the capacity to earn foreign exchange through exports to use more foreign exchange to engage in technical transformation.

Third, we need to continue to deepen reform of the internal structures of enterprises and strengthen enterprise management. Over the last few years, enterprises have carried out various types of reform and exploration in terms of leadership systems, internal economic responsibility systems, cadre personnel systems, labor organizations, distribution systems, internal structures, and so on. Some of these have already seen outstanding achievements, while others need to continue to carry out experiments on the basis of further summing up experiences. The basic aim of reforming the internal structure of enterprises is, through the readjustment of production relations in grassroots-level economic organizations, to motivate the enthusiasm of the operators and producers to the greatest possible degree and promote the development of the enterprise's productive forces. The vigor of enterprises comes not only from advanced equipment and modern science, technology, and operations management. Basically it comes from the people who control the advanced technology, and from the creative spirit and zeal for labor of the staff and worker masses. If reform of enterprises' internal systems is carried out well, it will be possible to free the potential contained within the staff and workers to form a centripetal and unifying force, and push the enterprises onto the track of modernization. Thus, as long as internal reform measures are beneficial to promoting production and raising

benefits and efficiency, we should persist with them. At present, one quite important aspect is that we must persist with the factory director responsibility system, motivate the enthusiasm of the operators, and create conditions so as to guarantee that the factory director (manager) puts all his efforts into management and decisionmaking in production operations. Another important aspect is to adhere to and improve the economic responsibility and "work efficiency linkage" measures, so as to motivate the enthusiasm of staff and workers and guide everyone's energies into developing production, and lead them in carrying out "quality, variety, and efficiency year" activities.

Fourth, with the large enterprises as the focus, we must develop a number of key enterprise groups. In particular, efforts must be centralized in grasping well a number of interregional and cross-industry enterprise groups. In existing enterprise groups, the work focus should be to "improve and perfect, develop and form." The main aspect should be strengthening the economic power of key enterprises and their function as investment centers. By increasing the key strengths of the groups, and, through participatory shareholdings, controlling shareholdings as well as corporate contracts and leasing, they will be able to break through the barriers between regions and departments and expand the number of personnel at the tight-knit level. We should gradually strengthen links and bonds, so the groups' members not only become interdependent on the production and operations levels, but also form a community of interests who share profits and risks. It needs to be pointed out that enterprise groups must be developed in accordance with needs. They should be organized when conditions are ripe, and not just cobbled together or established on a formal level when conditions are not ripe. The enterprise groups which the state has put stress on grasping should be given more operational autonomy than the ordinary medium-sized and large enterprises. The methods adopted could include the following: Implementing independent arrangement planning where, in terms of fixed-asset investment, credit, labor, and total amount of wage targets, as well as in terms of tax income and financial administration channels, there are independent arrangements made for the group and then the group is able to make readjustments among the group members within the limits allowed by the unified figures. In this way, it will not be necessary for there to be examination and approval for every single enterprise member and for every single project; we could allow the enterprises with the conditions to establish financial companies which will arrange financing within the groups (this would include compensated and regulated use of some of the retained profits and depreciation funds). At the same time, we could allow the financial companies, in accordance with the needs of development of the group, to raise funds outside the group through issuing bonds and through other forms. We could expand their autonomy in terms of external economic dealings. This would be manifested mainly in the areas of import-export trade, the building of factories or establishment of branch

organs abroad, the sending of personnel abroad, and allowing them to use their own foreign exchange. We need to create conditions whereby the enterprise groups can operate in external economic dealings in accordance with general international practices.

Fifth, all sides should create necessary external conditions for enlivening medium-sized and large enterprises. State laws, regulations, and policies have already clearly stipulated operational autonomy for enterprises and this must be implemented and realized. All levels of government and economic operational departments should, in accordance with the "Enterprise Law" and other laws, help enterprises to implement autonomy. When there has been no implementation of autonomy or when it stopped halfway, we should fully implement autonomy. Rights that should belong to the enterprise but that have actually been taken back by the upper levels should be returned to the enterprises again. Enterprises should operate strictly in accordance with the law and use the law to guarantee that their legitimate rights and interests are not harmed.

Creating the external environment needed to enliven enterprises is a long-term aim and a pressing matter which needs to be resolved now. In the long term, there is a need to gradually develop and perfect a national unified market system, including product markets, technology markets, funds markets, and labor markets. At the same time, a system of rules and regulations conducive to equal competition and the maintenance of market order should be established. It is also necessary to establish a macroeconomic regulation and control system involving the comprehensive use of economic, administrative, and legal measures and which has indirect regulation and control as its main part. Only with the above-mentioned conditions will enterprises be really able to achieve autonomous operations and take responsibility for profits and losses. At present, we should, through readjusting the credit interest rates and appropriately stimulating investment and consumption, overcome the situation of market weakness. Through economic, administrative, and legal measures, we must resolve the problem of "triangular debt" arrears, firmly deal with the "three disorders," and change the situation where there is excessive and indiscriminate inspection and appraisal to truly reduce enterprise burdens. We should also give great support to the establishment and development of enterprise groups.

In sum, strengthening the vigor of medium-sized and large enterprises is a pressing and arduous task. As far as the government and various levels of economic management departments are concerned, they should positively create conditions and base their actions on "enlivening." As far as the enterprises are concerned, they must look within, raise their own quality and put efforts into improving the "microclimate" of the enterprises. Only if the leaders at various levels form a common understanding with the cadres and staff and workers of enterprises and make great efforts will the demands of the

Seventh Plenary Session of the 13th CPC Central Committee for enlivening medium-sized and large enterprises really be implemented and only thereby will sustained, stable, and coordinated development of our country's economy be promoted and will we be able to achieve the second-step strategic aim of modernization.

Improving the Policy Environment of Medium-Sized and Large Enterprises

By Lu Dong [0712 2639]

According to 1989 statistics, there were 10,706 medium-sized and large state-run enterprises in our country. These constituted only 0.13 percent of the total number of industrial enterprises in the country, but the original value of their fixed assets was 63.9 percent of the total. Their completed industrial output value constituted 35.2 percent of all industrial output value and their realized profits and taxes constituted 61.1 percent of the total. If the medium-sized and large enterprises are not vigorous in their operations, it will certainly affect the overall economic situation. Investigating the medium-sized and large state-run enterprises is both a key link in economic structural reform and also the crux in realizing the strategic goals of China's economic development.

Since last year, there has been a gradual growth in national industrial production, but development has been very uneven. State-run enterprises have not done as well as township and small town enterprises and the three types of partially or fully foreign-owned enterprises. Also, the problems of product stockpiling, fund shortages, stagnant production, and declining benefits exist to a serious degree in many areas. Whether or not China's economy can shake itself free from the difficulties will, to a great degree, be determined by whether state-run enterprises can swiftly get on the track of normal development.

At present, there is the view that it is the difference in ownership systems which explains why state-run enterprises lack vigor as compared to township and small town enterprises and the three types of partially or fully foreign-owned enterprises. This view is without basis. The great achievements of some of our state-run enterprises such as Capital Iron and Steel Works and Jilin Chemical Industry Works refute this mistaken idea. In examining why state-run enterprises have vigor or do not have vigor, we should look for the reasons in policies and mechanisms. According to our survey, through a comparative analysis of enterprises of various economic types, we can say that an important factor, apart from differences in internal operational management and production technology levels in enterprises, is that there are many policies which are obviously disadvantageous to enlivening medium-sized and large enterprises. The inequality which this policy environment produces results in it being difficult for whole-people ownership enterprises to bring their superiorities into play. Here we will make some relevant comparisons, mainly with township and small-town enterprises.

At present, in some places township and small town enterprises have become the major mainstay of the local financial administration, and thus are protected and supported by governments at various levels. However, the state-run enterprises have many mothers-in-law and they shoulder heavy tasks. Many sides hold out their hands to them asking for money, but few will help them resolve problems and difficulties. If the enterprises want to do anything, they have to get through repeated gates and barriers and if one managing department agrees, another may well disagree, and if approval is forthcoming from above, it may well be blocked below.

In terms of enterprise tax burden, the state-run enterprises clearly have a greater burden than the township and small town enterprises and the three types of partly or fully foreign-owned enterprises. According to 1989 statistics for 79 major cities, the product sales tax for township and small town enterprises totaled 5 percent of sales income, while the figure for state-run enterprises reached 9.3 percent. In terms of income tax, township and small town enterprises can enjoy tax remission or tax reduction for several years and the tax rate is also lower than for state-run enterprises.

As for pricing policies, township and small town enterprises can generally set their own product prices and change them up or down in accordance with market conditions. However, one of the most important reasons why state-run enterprises, especially medium-sized and large enterprises lack vigor and have poor results is that their pricing systems have not been put in order. The products produced by the enterprises in accordance with mandatory plans must be priced in accordance with state arrangements. Sometimes the prices remain unchanged for several years and the tasks of the mandatory plans become heavier and the losses become greater. In enterprises where the proportion of mandatory planning production is quite great, if they do not incur losses, their profits will only be very small. Under current pricing policies, the two basic industries of coal and oil are experiencing industrywide losses. Without even discussing their capacity to increase development resources, existing mines and oilfields are finding it difficult to maintain simple reproduction and they have to eat into their capital to get by. If there is no reform of prices, the only option for any state-run medium-sized and large enterprise will be to operate at a loss and they will lose their "blood-making" capacity.

In terms of operational aims, the township and small town enterprises and the three types of partially or wholly foreign-owned enterprises generally have profit as their goal, while the state-run enterprises shoulder diverse social functions. They must provide subsidies if there are price readjustments; they must provide funds for urban construction; when bonds are offered they must subscribe to them; they must arrange employment for people; they must guarantee food, clothing, shelter, and transportation for their staff and workers; and they must provide their workers with care during childbirth, old age, and illness, and funerals for them after they die.

With multiple operational targets, the various tasks increase rather than decrease and these tasks end up drowning the efficiency and results of the enterprises.

In terms of promoting the technical progress of enterprises, township and small town enterprises can, in accordance with their own situations, fix depreciation rates for their fixed assets to guarantee that the enterprise can continually carry out technical transformation. They can also, in accordance with market demands, fix technical development expenses so that the renewal of products and production of new products can be guaranteed. However, in both these respects, state-run enterprises are subject to serious restrictions from the financial system.

In terms of enterprise autonomy, township and small town enterprises are, in name and in fact, economic entities that make their own operational decisions, while state-run enterprises are subject to restrictions from all sides. This extends to all links of production operations and even to how they arrange their internal structure. Also, the excessive and indiscriminate inspections and appraisals mean that enterprises have difficulty getting on with their work. At present, the thing causing the biggest headaches for enterprises is that in the labor and wage areas they do not have autonomy in employment and distribution. Even if people within enterprises are very troublesome or seriously violate discipline, they cannot be sacked and the state-run enterprises have actually become places for deploying the surplus labor of society. In terms of internal distribution, over the last few years, we had begun to expand the income differentials between staff and workers, but now these differentials have returned to what they were. In particular, in the general readjustment of wages at the beginning of last year, there was a revival of eating from "the same big pot," wage adjustments were the same for all, bonuses were given to all, titles were determined by one's schooling, and housing depended on one's years of service. There was nothing which properly manifested the principle of distribution according to work.

The above situation shows that, if we are to invigorate the medium-sized and large state-run enterprises, the key issue is that, adhering to the "one focus and two basic points," on the policy level we must adopt firm and powerful measures to truly resolve the problem of enterprises' operational mechanism. The pressing tasks at present are as follows: 1) In accordance with the stipulations of the "Enterprise Law," we need to give to enterprises the full operational and management autonomy that they should have and reduce unnecessary administrative interference, so they can really become relatively independent socialist commodity producers and operators. 2) We need to readjust various policies in respect of some medium-sized and large state-run enterprises and to truly reduce enterprises' burdens so that the enterprises have economic power for self-compensation, self-accumulation, self-transformation, and self-development, so the existing stock of assets can be guaranteed and increased and so that they do not have to

rely on their original capital to get by. 3) We must firmly take the enlivening of state-run medium-sized and large enterprises as the focal point of economic structural reform and, at the same time as stabilizing, perfecting, developing, and deepening the enterprise contracted operation responsibility system, carry out coordinated structural reform in the areas of circulation, pricing, financial administration, taxation, banking, planning, investment, and wages. In this way, the strengthening of macroeconomic regulation and control systems will be organically combined with the strengthening of microeconomic vigor. Thus, we will be able to fully bring into play the backbone role of medium-sized and large state-run enterprises in socialist modernization, and guarantee the smooth implementation of the 10-Year Program and the Eighth Five-Year Plan.

Developing Enterprise Groups Avenue for Enlivening Medium-Sized and Large Enterprises

By Ma Hong [7456 3163]

The present decline in the economic results of medium-sized and large enterprises is due to many factors. Improving economic results requires the adoption of both short-term and long-term measures and reform and innovation on both the organizational and structural levels. Of the various measures for improving economic results, the development of enterprise groups is one which is not difficult to achieve and which can bring quite ideal results.

First, group operations are beneficial to the development of new products. Prior to forming a group, it is generally quite difficult, because of funds, personnel, and technical restrictions, for individual enterprises to carry out new product development. The implementation of group operations allows the easy centralization of personnel, funds, and technology and the formation of a strong scientific research base for the development of new products. The enterprises within the group will engage in processing and production in accordance with blueprints and technological standards provided by the group headquarters, which will produce specialized division of work between production and research within the group, and this will speed the development of new products.

Second, this will benefit product sales. Large enterprise groups generally have, or find it easy to establish, their own sales networks and the products of enterprises within the groups will be able to use their sales networks to sell their products in domestic and foreign markets. This is also something which individual enterprises cannot achieve by themselves.

Third, it will aid the optimal arrangement of production elements and, on this basis, the realization of specialized production and operations of scale. In this way, the aims of reducing costs and improving results will be realized. In the last few years, one of the factors in the decline of economic results in industrial enterprises has been the lack of a rational economic scale and the low technical

level and level of specialization. If, through group operations, the previously overlapping technologies and elements are reorganized in accordance with the principle of specialization, it will inevitably increase production batch volume. This will reduce costs, raise the level of profits, and improve overall economic benefits.

Fourth, developing enterprise groups will also aid realization of the separation between government and enterprise functions. The separation of government and enterprise functions is a basic task in China's economic structural reforms. Since the beginning of the reforms, we have continually sought to resolve the problem of having enterprises take responsibility for profits and losses through the separation of government and enterprise functions. In recent years, although some progress has been achieved in expanding enterprises' operational autonomy, the results have not been ideal and the relationship between government and enterprise functions has still not been put in order. However, some enterprises, in the process of organizing enterprise groups, have unexpectedly done well in resolving the problem of separating government and enterprise functions. For example, the Saige Group in Shenzhen has engaged in leased operation of six medium-sized and large enterprises—the Chongqing No. 789 Factory, the Jiangxi No. 834 Factory, the Beijing Computer Factory, the Shanghai Geological Instrument Plant, the Zhuzhou Computer Research Institute, and the Harbin Municipal No. 4 Radio Plant. The group signed a leasing contract with the local governments and management departments, agreeing to pay a certain amount of rent annually and to provide a certain proportion of profits; and, on this basis, the personnel, finances, materials, production, supply, and marketing of these leased enterprises would be entirely handled by the enterprise group. This has meant that, at one stroke, these six enterprises have achieved the separation of government and enterprise functions and are taking the road of responsibility for their own profits and losses.

Seen from the industrial management angle, the instituting of group operations essentially involves changing the former "government-enterprise relationship" into "enterprise-enterprise relationships" within groups. That is, enterprises manage enterprises, and enterprises invest in and run enterprises. This is a real reform in our country's industrial management system: 1) The financial relationship between the mother company and the subsidiary companies is quite clear. The various relationships are fixed in accordance with economic principles, the budgetary restraints are quite firm, and the enterprises no longer eat from the "big pot" of the state. 2) The level of management is quite high and groups can provide technical and financial assistance to subordinate enterprises, provide management consultancy and guidance, and so on. If we are able to rearrange the organization of enterprises in accordance with the group principle, we will be able to put the government-enterprise relationship in order and also greatly increase and improve the management level of China's enterprises.

Fifth, developing enterprise groups will aid the search for new avenues for deepening enterprise reform. At present, many enterprise groups, in the process of establishment and organization, utilize a shareholding system or leasing system based on public ownership and in this aspect they have achieved quite good results. The enterprises participating in the group convert the state-owned assets they manage into shares and participate in the board of directors through shares held or through holding companies, and the board of directors appoints and dismisses management personnel. Thus, within the group is formed a quite rational system of earnings distribution and internal management. In the process by which enterprises form a group, the managing of state-owned assets through shares should be stably implemented so that the management of state-owned assets is improved and so the interests distribution relationships between the central authorities, the localities and enterprises are handled properly. This is so social repercussions similar to those experienced with the price reforms do not recur, so the financial administration does not waste money and so that other social problems are not produced. This will allow the creation and accumulation of new experiences of use in our country's reforms in future.

In the early stages of developing enterprise groups, because they were subject to the restrictions of the "three no-changes" principle, it was difficult to achieve tight joint operations within the group. Recently, some groups have, through the forms of shareholdings, holding companies, and leasing, avoided the obstacles which the "three no-changes" have brought and have smoothly realized the unified operation of assets. Experiences in this respect are worthy of our attention. There are today many levels of management for our country's state-owned assets, including central, provincial, municipal and county levels. At each level, management is further divided between different departments. I believe that this multilevel form of management of state-owned assets provides the basic conditions for converting state-owned assets into shares. Of course, whether or not whole-people enterprises need to widely implement the shareholding system is something that needs further exploration on the theoretical level.

If, in the various industries, we are able to form a number of enterprise groups which are responsible for their own profits and losses, have a quite large market share and which organize their production in accordance with the principles of specialization, then the technological situation of overall industry could be greatly improved and the organizational structure would be optimized. This would create a fine basis for further enlivening medium-sized and large enterprises and improve the economic results of the entire society.

Macroeconomic Management Departments Must Think About How To Further Invigorate Medium-Sized and Large Enterprises

By Wang Xingyi [3076 5281 4135], deputy director, Industry and Communications Department, Ministry of Finance

Further invigorating medium-sized and large enterprises and fully bringing into play their "state-supported"

backbone role is of major significance in guaranteeing the sustained, stable, and coordinated development of the national economy. Macroeconomic management departments must strengthen their sense of responsibility in assisting medium-sized and large enterprises to eliminate their worries and resolve their difficulties. They should help and support these enterprises to resolve production, supply, and marketing problems; personnel, finance, and material problems; and the various problems they meet in production operations. They should consider those things which the medium-sized and large enterprises think about and resolve the difficulties these enterprises experience.

Basically invigorating medium-sized and large enterprises requires that great efforts be made in promoting technical progress and technical transformation. There is great potential to be tapped in this area. According to relevant data and typical surveys, the products accumulated for various reasons by medium-sized and large enterprises, are about one-fifth of total products. About one-third of products at a level equivalent to the international level of the 1960's or before are being stockpiled; and about one-fifth the total of products that can really sell internationally are being stockpiled. It is thus essential that the product mix be readjusted. All relevant departments, especially the planning, financial, banking, goods and materials, and other comprehensive economic departments should put all their efforts into supporting medium-sized and large enterprises in the funds, materials, and technological levels, and, through technical progress and technical transformation, readjust the industrial and product structures. Enterprise-retained profits, depreciation funds, and new product development funds and technological transformation funds should all be used, in accordance with state stipulations, to promote technical progress and transformation. They should not, for any reason or on any pretext, be transferred to other uses.

Strengthening the various aspects of basic work of enterprises, raising the management quality of enterprises, reducing material consumption to its lowest possible level and increasing income while reducing expenditure are the basic avenues for invigorating medium-sized and large enterprises and for achieving a reversal of losses and an increase in profits. The potential in these areas is quite great. If the comparative product costs of national medium-sized and large enterprise can be reduced by five percentage points, the corresponding increase in realized profits will be over 25 billion yuan. Among medium-sized and large enterprises there are still some loss-making enterprises and loss-making products. If these losses can be reduced by a third, profits will be increased by more than 10 billion yuan. Thus, in "quality, product-type, and results year" activities, relevant departments must help enterprises to really strengthen various types of basic work including primary recording, quantitative inspections, quality management systems

for all staff, monitoring measures, material consumption, funds quotas, economic budgets, and financial management. If at every level, the aims, measures, and responsibilities of dual increases and dual economizing, turning around losses and increasing profits are implemented, and efforts are made to reduce material consumption to the lowest level, this will achieve the best economic results.

Scientific, rational, powerful, and effective macroeconomic regulation and control are of prime importance in further enlivening medium-sized and large enterprises and improving economic results. The various comprehensive economic departments and related departments must, within the scope of existing policies, tightly and organically combine the planned economy with regulation through market mechanism, and in accordance with the principle of selective assistance based on relative importance and needs, provide necessary financial, material, and new technology support to medium-sized and large enterprises. They should also put efforts into devising ways to guarantee the technical transformation funds and floating funds needed by enterprises, as well as their planned supplies of raw materials and fuel. They should use all possible avenues and measures to help medium-sized and large enterprises to increase production and expand sales. All relevant departments must adopt effective measures to basically alleviate the problems of "triangular debt" and stockpiling of products, which seriously exist within medium-sized and large enterprises. Relevant departments should supervise and urge medium-sized and large enterprises, in accordance with state stipulations, to retain sufficient depreciation funds, repair funds, and new product development funds. From enterprises' retained profits, there should be put aside, in accordance with state regulations, sufficient production development funds and supplementary circulating funds, to firmly guard against situations where it appears that there are profits, but actually there are losses, and situations where retained profits are used completely on nonproductive expenditure or are inappropriately used in expanding consumption funds. Capital construction investment should first be used to satisfy the very urgent technical transformation projects of medium-sized and large enterprises. Apart from fixed asset investment, it is also necessary to guarantee initial circulating funds. In capital construction projects, it should be guaranteed that each project is properly initiated, implemented, and completed.

In the Enlivening of Enterprises, There Must Be Reliance on One's Own Efforts and the Stability of Policies

By Zhu Tanlin [2612 6151 2651], director, Beijing People's General Machinery Plant

The enlivening of enterprises must rely mainly on the efforts of the enterprises themselves. How, through the efforts of enterprises themselves, disadvantageous conditions are to be turned into beneficial conditions, so as to improve the adaptability of enterprises and their

capacity to react to changes, is certainly a question worthy of exploration by medium-sized and large enterprises.

Under current conditions where market competition is intense, enterprises must have the capacity to develop new products, as only thus will they be able to accord well with market changes. If we take our factory as an example, in 1986 and 1989 we suffered weak markets on two occasions and orders for old products fell greatly. The economic results of our enterprise did not see a great decline only because we continually accorded with the demands of technological improvement, renewed fixed assets in a timely way, and swiftly developed new products, so our product types numbered seven times the figure at the beginning of the Sixth Five-Year Plan, and the new product output value rate exceeded 67 percent.

In order to accord with changing demands as quickly as possible, so that enterprises are invigorated, an enterprise's information gathering and handling capacities must not lag behind the market. Rather, stress must be placed on obtaining lead information. If we adopt countermeasures only when we find that we are in a weak market and we only grasp readjustment when the trough is reached, it will be too late and we may fall into a real crisis. In the 10 years of reform, the reason that there have been no failures in the series of decisions we have taken is that we have relied on sensitive and accurate information. We have also grasped many diverse channels of information, including, for example, decision-making information obtained through managing departments and market forecast information obtained through expert investigation and research. This information provides us with a scientific basis for making and improving production and operational strategies and plans for product development; through aftersales service and visits to users from whom we have obtained qualitative information, which has spurred us to raise product quality; through introducing products to users at sales exhibitions and fairs, we have guided users to understand the functions of our products and to use our products first; through visits abroad and other such activities, we have gained information which induced us to decide to push our products in the direction of technologically intensive products and take the integration of electronic and mechanical technologies as the breakthrough point in further raising the level of products.

We consider that in enlivening medium-sized and large enterprises, the internal factors are basic, but this is not to say that there is no need for a relatively stable external environment. Without a good external environment, enlivening medium-sized and large enterprises will be very difficult. At present, we should continue to adhere to and improve the contract system. The contract system where "there are two guarantees and one linkage" is beneficial to having enterprises overcome their short-term activities and strengthen their development vigor. If we do not have the contract system with "two guarantees and one linkage," then when the state adopts various

policies, the enterprises will not know how much income they will receive and they will be unable to fix medium- and long-term plans and will not be able to carry out long-term technical transformation of their enterprises in a planned way. With the implementation of the system where there are "two guarantees and one linkage," the interests of the state, the enterprises, and the staff and workers are taken fully into account and the degree of policy transparency is high. Thus, the amount of input is guaranteed and there is a basic output which has to be produced. Therefore, the policy of "two guarantees and one linkage" should be firmly pursued.

Bringing Into Play the Superiorities of Large Enterprises

By Wang Peizhou [3769 0160 3166], deputy managing director, Baoshan Iron and Steel General Plant, Shanghai

Last year, the situation we faced was extremely serious: The price of raw materials and transport had soared and exchange rates had been readjusted, which meant increased costs; product sales were stagnant, customer payments were in arrears, and there was a severe shortage of floating funds; production in various work processes was unbalanced and energy was tight. Thus, organizing production was difficult.

Whether, in such a difficult situation, we would be able to advance and whether we would be able to push onward, was a major test for us. We persisted in implementing the policy of "improvement, rectification, and deepening of reform," persisted in the policy of "first we need stability and second we need inspiration and effort," put forward the resounding call "if the state has difficulties, we will shoulder them," resolutely took the whole situation into account, took the pressures on ourselves, and sought to create outstanding quality products in order to enliven the enterprise.

A large state enterprise like Baoshan Iron and Steel has both superiorities and defects. The superiorities are that its facilities are advanced, technology is advanced, and management is quite advanced. The defects are that the ore and some other raw materials and equipment must be imported and raw materials are high priced. Therefore, product costs are higher than other domestic enterprises and thus the sales price is also high. However, we think that, given the large investment in the plant, if we are unable to provide the superior products which the state urgently needs, then there was no point in building Baoshan Iron and Steel. At the same time, if we do not produce the quality products that others are unable to produce, Baoshan Iron and Steel cannot continue to exist. We thus determined to "give play to the advantages and avoid the disadvantages" and thus set down the product orientation for Baoshan Iron and Steel. We would produce the products which the state urgently needs and which others could not produce or could not easily produce, and products which could replace exports or which could be exported. Thereby we could achieve the situation where "we produced what others did not

and what others produced well we produced excellently." This was not only a requirement for the continued existence and development of Baoshan Iron and Steel, but also manifested the type of concern for the overall situation that a socialist enterprise should have.

In order to raise product quality, from the day production began, we persisted in organizing production 100 percent in accordance with international standards and also formulated and implemented internal control standards that were more rigorous than international standards. Last year, we advanced even higher standards in organizing production in accordance with international materials standards. With the joint efforts of the staff and workers of the entire factory, product quality improved in a stable way and many products have already reached the standards for similar products abroad. Through deep-level processing, the mechanical properties, chemical composition, and the metallurgical organization of the hard wire steel and welding rod steel produced by Baoshan reached the quality levels of Japanese products and it was quite possible to use these to replace imports.

Last year, the market for cold-rolled steel plate was weak, but there was still good demand for thin-specification cold-rolled plate of less than 0.5 millimeters. The production of thin steel products involves low output, difficult production, and much waste; thus, others are generally unwilling to produce such products. We considered that, as users' demands for this was a major matter, even if production were more difficult, we had to produce more of it. We thus increased the proportion of thin-specification products from the cold-rolling mill from the originally planned 4.5 percent to 10 percent and thus produced for the country a further 230,000 tons of thin-specification cold-rolled plate. At the same time that we raised product quality and satisfied market demand, we put great effort into developing new products urgently needed by the state. The 60-kilogram-grade high-strength welding and structural steel used for manufacturing large open-cut mine equipment has always had to be imported. The development of this steel was a key project of the state's Seventh Five-Year Plan. We brought into play the wisdom and ability of the broad numbers of technical staff and the worker masses and successively trial-produced the steel. We used this steel to manufacture vehicle bodies for electrically driven vehicles, each of which saved \$50,000 in foreign exchange. Steel plate for enameling has, over the last several decades, always been imported. We were anxious about the state's anxieties and successfully trial-developed it, and the quality reached the level of imported products. In a year, we provided 30,000 tons of enameling plate to five enameling factories throughout the country, changing the situation where our country was unable to produce this sort of steel plate. Only a few industrially developed countries in the world can produce the "05" surface deep-drawn cold-rolled plate used in the manufacture of cars, as the surface quality and property requirements are very high. To fill in blanks in

domestic industrial production, we put great effort into its development, painstakingly arranged production, and finally achieved success. We have now trial-produced over 80 such new products; last year alone we developed 26. The majority of these new products fill in many blanks which existed in domestic industrial production. The development of these products allowed imports to be replaced. This not only saved a large amount of foreign exchange for China (last year more than \$85 million was saved), but also opened up new sales avenues for Baoshan Iron and Steel products.

Large enterprises, at the same time as stressing their own results and the provision of more quality products to society, should also use new technology to assist other enterprises. Up to the present, Baoshan Iron and Steel has propagated 900 new technologies to metallurgical, mechanical, electronic, and planning industries and departments and achieved benefits of a scale difficult to calculate. I believe that in the process of enlivening medium-sized and large enterprises this superiority of large enterprises should be fully brought into play. This is also a manifestation of the superiority of the socialist system.

Strengthening Market Concepts, Readjusting Operational Factors

By Yue Jiazheng [6390 1367 6927], deputy chief economist, No. 2 Vehicle Factory

At present, weak markets and poor sales have had an effect on the macroeconomic environment. However, we believe that enterprises should not just lay the blame for their woes on others and adopt a negative attitude. Rather, they should grasp this opportunity to strengthen their market concept and readjust operational tactics and strive, in some major operational links, to achieve breakthrough developments. For quite a few years, our factory's vehicle output saw an annual growth of 12 percent, supply was unable to keep up with demand, and economic results were very good. However, from the last quarter of 1989, the market for motor vehicles weakened, sales were poor, and funds were tight. In the first quarter of last year, the situation became more serious and there was a great decline in sales income. Facing this serious situation, the staff and workers of the whole factory joined together, roused their spirits and sought, in the difficult situation, to fully utilize the pressure from the market and change it into a challenging opportunity. They took a long-term view and actively resolved some longstanding problems which had been difficult to resolve in a sellers market. Last year, on four occasions we sent out sales promotion teams of more than 100 persons and divided them into six major regions; they then conducted market surveys among users and intermediate sales links around the country, listened to customers' feedback, did well in service work, and achieved quite good results.

In accordance with market demands, we implemented the policy of "closely following the market, making

rolling readjustments, and deciding production in accordance with sales," actively readjusted the product structure, and did all we could to provide more of the EQ144 extra-long trucks and the EQ14055B public bus chassis and lorries with curved-glass driver cabs, which are so well received by the market. In production plans, we implemented cyclical planning and cyclical arrangements, so that the production system could, in the cycle following the obtaining of information on changes in market demand, carry out corresponding product readjustment. We made arrangements for production of products which had ready markets, even though production batches were small. At the same time, we actively increased production of the vehicle parts needed by the market and strengthened the sales and technical service systems. In 30 provinces, cities, and autonomous regions, we have established 245 technical service stations and now one can find a sales and service outlet of the No. 2 Vehicle Factory within 200 kilometers in the heartland and within 500 kilometers in the remote areas. We were also first to implement the free compulsory maintenance system and provided superior service to the customers purchasing Dongfeng vehicles. According to estimates, through the readjusted product structure, the average sales income per vehicle last year was 255 yuan higher than in 1989, and thus quite good benefits have been obtained. In a situation of domestic market weakness, we have actively developed the international market and throughout the year we have earned about \$17 million in foreign exchange. We have signed export contracts with Thailand and Malaysia for 100 extra-long vehicles and 700 dump trucks. This is the largest order for vehicle exports throughout the whole country in the last few years.

The situation we face is still quite serious. However, we believe that, as long as we have clear goals and we formulate practical and feasible measures, further motivate the masses, look within, and tap internal potential, we will be able to raise our work to a new level and make a contribution to the invigoration of our country's vehicle industry.

Form Alliances To Develop Markets

By Xu Xiaochun [1776 1321 4783], director, Beijing Printing and Dyeing Mill

Quality is the life of an enterprise. Using new products to develop markets is the avenue by which an enterprise continues to exist and develop, while the development of new products requires the bringing into play of the superiorities of alliances.

In intense market competition, fighting as an isolated force is not as good as battling together. We changed the practice of the past where the printing and dyeing mills and the spinning and weaving mills did not coordinate with each other and instead complained and grumbled about each other; in the face of difficulties, we joined hands to organize a production chain and jointly develop new products in accordance with market demand, so as

to strengthen competitive capacities. Doing things in this way has endless advantages. For example, many cotton spinning factories and dyeing and weaving factories throughout the country supply us with the various types of blank cloth necessary for production. The Xinming Dyeing and Weaving Mill alone provides us with about 3 million meters of pure cotton crepe cloth. This is the major raw material for the decorative fabrics which are backbone export products of our factory and for the clothing materials which sell well in the Beijing and Fujian markets. This alliance has allowed the various factories to jointly improve economic results in the face of a weak market.

Not only has there been alliance in terms of production, but also alliance in terms of sales. New products must be seen by customers. If many are to see them, one cannot rely on one or two shops. Rather, it is necessary to establish a sales network to send goods to the door, and for a sales system. In this respect, apart from establishing exhibition and sales counters in some medium-sized and large cities throughout the country, we have also established sales points in the various major department stores in Beijing. Every month, our factory produces about 100 types of floral-printed and dyed cloth. In order to develop markets and expand sales, we have established small groups to deliver goods to the door. They are equipped with a vehicle and a driver and, as soon as a shop telephones in an order, the goods are dispatched to the door. Regardless of whether it is one bolt or one roll, it will be delivered in a timely way, rain or shine. Daily delivery of goods and accounting on a batch basis provide great convenience in the sale of goods and has been widely welcomed in the shops, and many departments stores have sought to be included in the sales network. This method of delivering goods to the door has resulted in monthly sales jumping from tens of thousand of yuan to 800,000 yuan, and in the near future, we foresee the monthly figure exceeding 1 million yuan.

In order to expand the sales of new products, we have also developed a "specialized supply to the market," to satisfy users' special demands. We have engaged in close cooperation with the Damei Group design department and over 20 famous fashion factories in Beijing. The design department provides color photographs of the most in-vogue fashions around the world to the fashion factories to choose from. Our factory then designs patterns and materials in accordance with the requirements of the fashion factories. We then produce a small amount of the materials and provide them to the fashion factories, which design and manufacture the clothing. This clothing is then sent to the market in a small volume to test sales. We frequently achieve success doing things this way. Developing "specialized supply to the market" has meant that the relationship between the fashion factories and the printing and dyeing factories have become increasingly close. There is cooperation, benefits are obtained by all sides, and everyone is pleased with the arrangement.

In brief, we have learned that only if enterprises continually develop new products and continually develop markets will they be able to get out of the difficulties and be imbued with vitality and vigor.

Looking Within, Rousing the Spirits

By Li Baoming [2621 1405 2494], director, Tianjin No. 1 Cotton Spinning and Weaving Mill; and Chen Gang 94453 6921], party secretary

The stress placed by the Seventh Plenary Session of the 13th CPC Central Committee on invigorating medium-sized and large enterprises was absolutely necessary. In recent years, medium-sized and large enterprises have faced a severe challenge posed by shortages of raw materials, price rises, market weakness, and funds circulation difficulties. The problems have been particularly marked in the spinning and weaving factories and, from being "money trees" they have become "bitter vegetables." This is especially true of the older spinning and weaving factories, as they also suffer from the disadvantages of old factory buildings and old equipment. Outdated equipment not only affects the development of an enterprise, but also influences whether an enterprise can continue to survive in intense market competition.

However, two difficulties exist at present in carrying out technical transformation projects: First, the state cannot provide sufficient funds at one time. Second, the transformation of old enterprises cannot be completed overnight. How then, under existing conditions, can enterprises increase their vigor? We believe that the key lies with the enterprises doing things themselves, rousing their spirits and tightly grasping people, the most lively element of the productive forces. By motivating people's enthusiasm, they should bring into play the superiorities of the old enterprises, such as a strong management base, rich experience, and powerful technological strengths, and use the level of management to raise product quality, occupy the market, and enliven the enterprises. If this is not done, then even when the external conditions are better, enterprise vigor will not naturally emerge.

In a situation where there are difficulties internally and pressures externally, there are two avenues open to enterprise leading groups: 1) Accept that they are hopeless, resign themselves to their fate, and allow the enterprise to be manipulated by the outside environment. 2) Rouse the spirits, unite and cooperate, and lead the staff and workers in pushing through the difficulties. We chose the latter path. If an enterprise is to be enlivened, the key lies in product quality. If one has quality, one will achieve benefits. Thus, centering on raising product quality, we unified the ideas of cadres and staff and workers, and we developed education in the three guarantees, whereby product quality guarantees the brand, guarantees the factory, and guarantees the rice bowls of the staff and workers. The situation and resources of the factory were explained to the staff and workers, and thereby the immediate interests of the staff and workers were tightly linked with the continued existence of the

enterprise. The broad masses of staff and workers offer all sorts of plans for solving the enterprise's difficulties. They found 25,000 problems and put forward 2,787 ideas for readjustment and reform. This prompted three revisions in the results targets and resulted in profits targets growing from 11.67 million yuan to 20 million yuan.

Rousing the spirits also requires doing well in internal reform, so as to accord with the changes in the external environment. Last year, because of reforms in the foreign trade management system and readjustment of the product structure, we suffered a shortfall of 40 percent in our raw materials supply. Thus, 1,480 looms and 48,000 spindles stopped production and over 3,000 staff were idled. Faced with this situation, we proposed reform as the way out and set down the policy of "four ourselves," by which we would seek product types ourselves, make up the raw material shortfall ourselves, raise funds ourselves, and find sales outlets ourselves. We focused on strengthening product management and operational sales, readjusted the organizational structure, and accorded with the operational mechanism of combining the planned economy with regulation by the market mechanism. At the same time, we reformed the distribution method. We also instituted the qualitative veto right over subordinate contractors. For department and workshop cadres, we instituted linkages between bonuses and quality targets. Also, for first-line quality, we trial-implemented first-quality wages, so that there was a tight linkage between product quality and the interests of staff and workers. This resulted in improved concern for quality among the staff and workers and resulted in the staff and workers of the whole factory seeing the link to changes in the external environment and market demand as the point of departure and point of return in their work.

Technological Advance Is Key to Enterprises' Continued Existence and Development

By Zhang Tingyan [1728 1694 1750], party secretary and director, Weifang Soda Ash Factory, Shandong

If we want to enliven medium-sized and large enterprises, we must, on the basis of strengthening management, take the road of technological advance. To this end, at the same time as strengthening management and in accordance with characteristics of current market competition, we advanced the call to "use science and technology to improve the factory," thereby decisively shifting the key to the enterprise's continued existence and development to technological advance. Science and technology are the primary productive forces. Facts have proven that grasping scientific and technological advances has advantages in many respect for enlivening an enterprise.

First, input is small and output is great, and results can be obtained quickly. The majority of our factory's equipment was imported from abroad and is at the international advanced level of the 1980's. However, just

having imported equipment is not the answer to all the problems. If we are to truly bring their role into play, we must do well in digestion and absorption and, at the same time, must carry out technological renewal and transformation. After the test-running of the equipment, the factory identified various problems in the equipment and in other respects, and thus engaged in technological renewal and transformation, propagated and applied over 360 new techniques, technologies, and results, and improved over 600 pieces of equipment, overcame 120 technical difficulties which were obstructing the development of the enterprise and, with little input, obtained increases in output of up to tens of times. In the last year or so, we have put only 550,000 yuan into technological transformation, but through this we have obtained an annual increase in economic benefits of 25 million yuan. Thus, the ratio between input and benefits was 1:45. On the basis of digesting and absorbing, we also engaged in courageous creation. For example, we imported from Germany five steam refining furnaces. These furnaces used oil lubrication for the furnace tail-gas axle, but this technology did not make the grade, it resulted in great waste of oil, provided poor seals, and wasted 2,500 cubic meters of distilled water every day. Also, it had to be stopped every two weeks for inspection. Even the German experts were unable to solve this problem. Within the factory, we established a problem-solving group and, through meticulous theoretical demonstration and after repeated experiments, they bravely carried out an operation on the foreign equipment and changed the oil lubrication seals into expanding graphite oil-less lubrication seals. Success was achieved at one stroke. Thereby, the improved part saw a 50-fold increase in its life expectancy, there was increased annual output of 5,000 tons, and annual comprehensive benefits totaled 3 million yuan. As a result, the Shi-da-fu-te [2457 6671 4395 3676] Chemical Industry Equipment Company of Germany paid 146,000 Swiss francs (equivalent to 540,000 yuan renminbi) to compensate for the technical transformation and the cost of damaged parts and paid 130,000 Swiss francs (equivalent to 520,000 yuan renminbi) to import this new technology from China.

Second, technological advance must both serve reality and also pay attention to the long-term development of the enterprise. Serving reality means that technological advance must be oriented toward the first line of production, must resolve the outstanding problems in production at present, must enable the enterprise to lower costs and raise product quality and guarantee that it has a beneficial position in competition. However, medium-sized and large enterprises must bring into play their superiorities in various respects and, at the same time as ensuring that technological advance serves reality, they must stress the long-term development of the enterprise and must engage in profound and crucial new technological development and new product development, so the enterprises can grasp the two trump cards of new technologies and new products. Within our chemical industry, the coal chemical industry lags behind the petrochemical industry, while the salinochemical

industry lags behind the coal chemical industry. However, this industry has abundant raw materials, costs are low, the market is broad, and there is great potential for development. Thus, proceeding from the interests of the factory and the state, we persisted in placing science and technology first, linked our factory with the advantages of tertiary institutions and scientific research units, organized the research of key problems, and studied the problem of developing profound and key technologies and new products. For example, in order to change harm into benefit and waste into wealth, the factory engaged 62 domestic and foreign experts to join the engineers and technicians of the factory in resolving key problems, and this allowed us to be the first in the world to change the 20,000 cubic meters of waste liquid, produced daily in the manufacture of soda ash, into useful products. This was done by separating the sodium chloride in the waste liquid from the calcium chloride. Thus, we now produce soda ash, plan to breed marine products, and have turned the waste water tanks into a saltworks. After being put into production, annual output of salt products will exceed 60,000 tons. Together with other comprehensive development projects, the annual economic benefits might reach 10 million yuan. More recently, the factory has engaged in replacing sea water with underground brine in the production of salt. It has also been developing microcomputer control systems and is engaged in the development of advanced technologies, including deep-leuc processing involving processing of solid caustic soda through causticization, hot lye retrieval, and retrieval of steam from waste fluid.

Over the last year or so, by strengthening management and taking technological advance as the major orientation, our factory has persevered in using science and technology to invigorate the factory, and in this has achieved clear results. First, we have freed ourselves from a passive situation of difficulty, established a brand name, occupied the market, and enabled the enterprises to see continued development. At present, the products of our factory are sold in 29 provinces, municipalities, and regions throughout China, we supply to over 130 users, and also export to Southeast Asia. This has ended the situation where for several decades we imported soda ash. Second, there has been a marked improvement in quality and costs have fallen. The quality product rate is now 100 percent and, in a situation where the price of raw materials has doubled, we have reduced costs by 4.3 percent from the preceding year. More important, through technological advance, we have drawn benefits, obtained experience, and strengthened our faith. Success or failure in market competition is determined by the levels of product costs and the quality of one's products, and technological progress is the crux in reducing costs and raising quality. Thus, medium-sized and large enterprises should bring into play their own advantages and be willing to spend some money and make some efforts on technological advance. They must have a long-term view, and certainly must not engage in short-term actions. I believe that, as long as enterprises are enthusiastic, and the state adopts policies to encourage them,

there is plenty of scope in this respect. This is a major avenue by which to invigorate medium-sized and large enterprises.

Perfecting Systems and Regulations Important Link in Enlivening Enterprises

By Jiang Xincheng [5592 0207 2052], director, Changling Oil Refining and Chemical Industry Plant; and Wang Shengli [3769 0524 0448], party committee secretary

Establishing a management mechanism with systems and regulations as its core, strengthening management, and running a factory firmly can play a major role in raising the quality of an enterprise and enlivening an enterprise.

We proceeded mainly from the following four aspects in establishing and perfecting this management mechanism. First, we established a system of systems and regulations proceeding from the stimulation of the workers' enthusiasm and willingness. The systems and regulations must manifest the will of the masses and have a strong democratic nature. For many years, our factory has put real effort into democratic management and done much work in this respect. We have established and perfected a series of democratic management systems, including staff and worker suggestions for rationalization, staff and workers democratic discussion and participation, three-level democratic management, democratic appraisal of cadres and prizes for raising problems and revealing shortcomings. Not only have these powerfully guaranteed the democratic rights of the staff and workers, but greatly strengthened the staff and workers' sense of being masters and motivated the enthusiasm of the staff and workers.

Second, we have guaranteed safe, stable, long-term, full-load, and optimal production. The systems and regulations should reflect the objective patterns of socialized large-scale production. The type of production in the petrochemical industry means that our production is characterized by high temperatures, high pressures, inflammability, explosive and poisonous by-products, and continuous production. We have formulated and gradually perfected various systems and rules which have the post responsibility system as their core. These include, for example, the specialized post responsibility system, work shift hand-over systems, production safety systems and so on. These systems stipulate, in simple terms, the work responsibilities, work requirements, and mutual relationships between the 10,000 staff and workers at our plant, and these systems have become standards which everyone must respect. We have also organically combined modern management and traditional management and, at the same time as scientifically stipulating the "10 unifieds" in the post responsibilities for the whole factory, we have systematically summed up 27 operational and work practices which are popular with workers, were locally produced, and have

scientific content. These have played an important role in guaranteeing "safe, stable, long-term, full-load, and optimal" production.

Third, we have been strict in production quality management. Beginning in 1979, we seriously implemented overall quality management and formed a complete and powerful quality guarantee system. Although we suffered disadvantageous conditions, including a reduction in the quality of the crude oil, the up-to-standard rate of products leaving the factory was maintained at 100 percent.

Fourth, the systems must be beneficial to scientific, democratic, and centralized decisionmaking. The capacity, or lack thereof, to make democratic scientific decisions directly affects the success or failure of the enterprise. In order to avoid mistakes in decisionmaking on major questions, we established relevant systems to make decisionmaking democratic and scientific. All major matters that affect development of the enterprise, the immediate interests of the staff and workers, and the enterprise's operational management first go to a high-level group of engineers for discussion and to a consultancy committee and other consultancy organs to discuss and demonstrate their feasibility. After these groups put forward their ideas on revising the proposals, the proposals are put to the staff and workers' representative committee and the factory management committee for approval. This method not only guarantees the scientific correctness of the decisions, but also realistically shows to the staff and workers the situation and tasks faced by the enterprise. This strengthens the staff and workers' sense of being masters, centralizes the wisdom of the staff and workers, and raises the enthusiasm of the staff and workers for participating in management. This in turn effectively strengthens the cohesiveness and vigor of the enterprise.

Everything Depends on Human Effort

By Lu Shijing [0712 1395 3878], director, Beijing No. 3 Daily-Use Chemical Industry Products Factory

I believe that, in invigorating medium-sized and large enterprises, it is necessary to look outside in order to grasp the market and to look inside in order to grasp management. Taking technological advance as the lead, scientific management should become the base and ideological work should be used as the guarantee. Then, by perfecting specialized management systems, raising the overall quality of enterprises, and strengthening their capacity to meet changes, greater benefits will be created.

In production operations, we have come to recognize that we must base ourselves on being "early" and firmly grasping "change." Being "early" means that we must grasp market information in a timely way. Grasping "change" means that we must change the product mix in order to align with market demands. Market weakness is actually structural weakness. In May last year, we had 11 million yuan of products stockpiled in our warehouses. This situation caused us to clearly realize that, even if

our output value increased, if we could not find sales avenues for our products, we could gain no benefit from them. Thus, we resolutely changed direction, firmly grasped the development of new products and, in a timely way, readjusted the product mix. This swiftly resulted in slack sales turning into brisk sales and changed the weak sales situation. At the same time as developing new products, we did all sorts of things to gain markets. Poor sales of some products did not necessarily mean that the consumers were unwilling to buy them. It was often the result of "obstructions." The commercial departments are, because of their poor funds circulation, afraid of losses and at times they think it is better to be short of goods rather than risk possible losses. In such a situation, we actively supplied goods and joined forces with the commercial departments to jointly breach the difficulties. This was welcomed by the commercial departments. We also changed the former practice whereby we sat and waited for the commercial departments to make purchases. Rather, we actively went out to sell and develop markets. The result was that, within half a year, the 25 million yuan of products in the warehouse was completely sold and a situation arose of supply not meeting demand. Today, our factory has a business relationship with 193 department stores in places all across the country and sales volume has reached 85 million yuan. At the same time, we have stressed development of the rural market and, through second-level wholesale stations, have sent products into the rural areas. Cheap, good products are welcomed by rural consumers, sales have increased greatly and there is great potential in this area. In supporting sales, we have engaged in display and advisory activities in Beijing, Kunming, Chifeng, Jiamusi, and Fuzhou. Through makeup demonstrations and skin-testing, we gathered customers and explained our products to them. This expanded sales and brought satisfaction to the operators, the consumers, and the producers.

Everything depends on human effort. As long as enterprises positively readjust operational countermeasures and accord with market demands, there are bright prospects for enlivening enterprises.

'Others' Advice' and 'Our Advice'

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[Article by Chen Lumin (7115 7627 3046)]

[Text] "Rocks from other mountains will help us carve our jade." This proverb explains in simplest terms the reason behind our open policy. For more than a decade we have imported from outside lots of management experiences and management theories. The truth is that within the sphere of management study we tend to look outward for no reason other than that "the Greeks have a word for it." We look up to the "rocks from other mountains," taking them as the standard, while the "rocks from our own mountains" are cast away. Therefore, when an American management expert came to

teach us a lesson by using "our own rocks," many people felt surprised and were overwhelmed with emotion.

A newspaper reported that in Shanghai a joint-venture enterprise with 10,000 employees had scheduled a training class and invited an American expert to give lectures. The American expert drew four red curves on the projector screen and asked his audience to guess what the curves were about. "Industrial production lines?" "No." "Planned quota lines?" "No." "Quality standard?" "No." "Employees' job evaluations?" "No." The answer to the question was a total surprise to everyone. The expert replied that these curves represented the Red Army's Long March routes from 1934 to 1935. Their routes were incredible by any world standard. The Red Army overcame the most difficult obstacles, yet they did not ask for bonuses because they had walked a long way. Later, the expert drew a red circle. Outside of the red circle, he added a white circle. And outside of the white circle, a blue circle. He explained that red circle represented the Chinese Communists, surrounded by the KMT [Kuomintang], and the blue circle was the United States. The KMT, supported by the United States, was more powerful than the Communists, yet the Communists won. At that time the Red Army lived poorly, but no one asked for extra subsidies. On the surface the Red Army looked weak, but they beat the stronger enemies. What did they have to depend on? They depended on their faith, and their spirit...

The audience was stunned, as well as impressed by this lecture. This traditional teaching material of our ideological education, the long-ignored "rocks from our own mountain," was used by a foreigner, who just gave us a lesson in ideology. How was it possible for us not to feel embarrassed or ashamed? As a matter of fact, this is not an isolated incident. In Japan *Sunzi's Art of War* and *The Three Kingdoms* are the popular texts for management and administration studies among entrepreneurs. From these texts they designed their administrative methods and management strategy, which then are highly valued by us. We organized groups of representatives and crossed over the ocean to Japan to learn about the "advanced experience" created by the Japanese workers. The Japanese just frankly told us that they simply learned from the experiment of "one reform, two participations, three combinations" in China. In South Korea, Confucianism has been the theoretical origin of the nation's economic development. In Singapore, the *Analects* of Confucius is the basic teaching material for improving social morals and customs. In the United States, the Lei Feng spirit was once advocated at the West Point Military Academy. But all these precious "rocks from our own mountains" are slighted, despised, and ignored by us.

After taking a look at our past experience, we should be more alert. While we study foreign experiences and utilize the "rocks from other mountains," we must not forget "our own rocks." If we continue to look down on

ourselves and forget our ancestors, we will keep going on the wrong path, regardless of the implementation of the open policy.

Strive To Fulfill China's Goal for Agricultural Development for the 1990's

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[Article by Yang Yongzhe (2254 7167 0772), State Council research office]

[Text] To Comprehensively Understand the Past and Grasp Future Development in a Sober-Minded Manner

In the 1980's, China made headway in agricultural development, solved the longstanding problems of having insufficient food and clothes, and began its move toward the goal of becoming well-off. Judging from the world's agricultural situation as a whole, we can see that China was one of the countries that saw some of the fastest agricultural development during that period. Throughout the 1980's, China's average annual growth in agriculture was about 5 percent. The world's average growth rate during that period was about 2 percent. Before 1978, in terms of China's output, only tobacco was ranked among the world's top major agricultural products. Today, the volume of cereal crops, cotton, meat, rapeseed, eggs, and tobacco from China are ranked among them. At present, China's per capita average area of farmland is 17 percent that of developed countries. However, its per capita amount of grain, meat, and eggs is respectively 47, 34, and 42 percent that of developed countries. Compared to the developing countries, China's per capital average area of farmland is 47 percent, but its per capital amount of grain, meat, and eggs is 134, 170, and 163 percent, respectively. Between 1978 and 1989, a considerable part of the world's growth in the gross output of grain, cotton, and meat came from China. For example, 40.5 percent, or 104.56 million tons, of the world's 257.86-million-ton increase in cereal crops came from China; 162 million tons, or 40.7 percent, of the world's 3.98-million-ton increase in cotton came from China; 14.679 million tons, or 71.0 percent, of the world's 20.7-million-ton increase in the output of meat (pork, beef, and mutton) came from China. China thus became a major force in promoting growth in the world's agricultural products.

Our practice in the 1980's has enlightened us in three major aspects: 1) China has great potential in agricultural development provided that leadership is strengthened, policies are correct, science and technology are emphasized, more input is made, production conditions are constantly improved, and the initiative of agricultural laborers is fully mobilized. 2) Our success in agriculture originated from our reforms in rural areas, and a powerful vitality aroused by the self-perfection and development of the socialist system, thereby manifesting the advantages of the socialist system. And, 3) a characteristic of China's reforms, as well as the way to success,

is to begin our reforms in agriculture, and go from rural areas to cities, so that the results of agricultural reform favor a smooth process throughout such reforms.

In the 1990's, China's agriculture has to face significant but arduous tasks. In order to achieve the goals of quadrupling the 1980 GNP, and becoming well-off in terms of people's living standards, we should, in the coming 10 years, increase grain output to 450 billion kilograms and then to 500 billion kilograms and promote comprehensive development of agriculture, forestry, animal husbandry, sideline production, and town and township enterprises, while focusing on maintaining steady growth in grain and cotton. It is often said that China feeds 22 percent of the world's population with its cultivated land, which accounts for 7 percent of the world's total area. This is indeed a remarkable achievement. Nevertheless, it must be realized that, since China is a populous country, its average amount of grain output for each peasant in 1990 was still below the 1984 level, even though its grain output had reached a record level. At present, China's population grows at an annual rate of 15-17 million, and its area of cultivated land decreases at a rate of several million mu per year. In order to maintain the average per capita amount of grain at the present level, it is necessary for output to be increased by about 6 billion kilograms per year. Together with a continuous improvement in the people's living standards, the demand for grain and other agricultural products will be much greater. By the end of this century, our population will be about 1.3 billion. At that time, even if our grain output reaches 500 billion kilograms, the average per capita amount will generally be just about 400 kilograms. Upon calculation, one may see that the goal of grain output at the 500-billion-kilogram level is a new but not a lofty level. Nevertheless, it is very difficult to achieve this level, and we must expend major efforts to realize it. How can we reach this new level? Undoubtedly, the key rests with our approach to improve the comprehensive productive forces of agriculture. At present, our comprehensive productive forces in grain and cotton, the output of which are regarded as more stable, generally reach the "double-eight" level, that is, 800-odd billion jin of grain and 80-odd million dan of cotton. If the weather is favorable, we may reap a better harvest. If serious natural calamities occur, the output will plummet. We must not overestimate our stable comprehensive productive forces just because we have reaped bumper harvests for several successive years thanks to certain favorable weather conditions. Recalling our experience in 1958 and 1984, we failed to make an objective and correct judgment of the situation after reaping bumper harvests for two successive years, so that we made mistakes in our work and our agricultural development took a winding course. It is just because of the above lesson that even though there were difficulties in selling grain after a bumper harvest in 1990, an absolute majority of the people were sober-minded, and nobody shouted again that "we have succeeded in grain production" so as to check such development. This is a giant step forward. We should be

sober-minded and understand that there is still a wide gap between the present level of grain and cotton productive forces and the new level. In all cases, we must insist on unswervingly improving the comprehensive productive forces of agriculture, and gradually strengthen the weak agricultural base. Only thus will it be possible for us to reach the new level in the 1990's. In the long run, even if we become wealthy, under no circumstances must we take a relaxed attitude toward agriculture or undermine agriculture's significance.

In addition to having comprehensive productive forces that fail to conform to the requirement of development, China's agriculture also faces new contradictions. For example, it became a common phenomenon that after two successive years of bumper harvests, there emerged the problem of difficulties in selling grain and other agricultural products, so that the market price dropped and peasants in some localities received lower incomes, thereby adversely affecting reproduction. There were also problems relating to such areas as reforming the circulation system, strengthening macroeconomic readjustment, and integrating the planned economy with market readjustment. As there is no instant or standard answer to the question of how to run a commodity economy under the socialist condition, we must, in the 1990's, conduct further exploration in this respect.

In light of the above-mentioned situation, we must not be pessimistic. We must avoid taking an optimistic attitude toward our agricultural development in the 1990's. We should be sober-minded, understand the situation, and work out countermeasures in a truth-seeking manner. Such countermeasures are those forwarded by the 13th CPC Central Committee's Seventh Plenary Session, that is, to take agriculture as the focal point of our future economic construction, and, on the basis of stabilizing the basic policies toward the rural areas, to develop the productive forces while intensifying our reforms.

Major Aspects of Our Experience in Rural Reforms in the 1980's

Our experience in the past decades includes both successful and unsuccessful cases. Consequently, we found in the 1980's a way to develop socialist agriculture that conformed with China's situation. Simply put, our approach included the following points:

- Under the prerequisite that major means of production, such as land, are owned by collectives, we found, mainly on the basis of a diversified contracted responsibility system with payment linked to household output, a way to mobilize the peasant households' enthusiasm to diversify their operations while giving play to the superiority of centralized operations by collectives, so that there gradually developed an energetic form of collective economy marked by integrating centralization with decentralization.
- In the principle of integrating the planned economy with market readjustment, we abolished the system of

centralized purchase and distribution of agricultural products; practiced the state purchase of major agricultural products such as grain, cotton, and oils; and at the same time, expanded the scope and scale of market readjustment. We established a reserve grain system in preparation for any poor harvest. We insisted on handling agricultural products that were open to the market through various channels and fewer links, actively developing a wholesale market of agricultural products, and supporting peasants to take part in the circulation process.

- While firmly grasping the work of grain production, we encouraged the approach of actively developing the diversification of operations, developing secondary and tertiary industries in rural areas, and finding a new way that would invigorate the rural economy by developing town and township enterprises.
- By upholding the principle of taking socialist public ownership as the principal form, and coexistence of varied economic elements, we developed in the rural areas an individual economy, a private economy, and other economic elements which augmented and supplemented public ownership.
- Taking joint prosperity as the goal, we allowed and encouraged some people and some areas to get rich first. At the same time, we helped certain "old, new, remote, and poverty-stricken" areas to get rich, and advocated the practice that those who have gotten rich would help those who are not rich.
- We did well in both the coordination and planning work for speeding up agricultural development, and checking the rapid population growth in rural areas. We established among peasants the thinking that they might end their poverty-stricken situation only when they bore and raised children in better conditions, and we established among cadres the thinking that both materials production and complete reproduction are necessary for the rural economy.

It was just because of the above truth-seeking and extensive reforms that China's rural areas began to thrive at an unprecedented scale. In the 1990's, China's rural areas will, of course, encounter new situations and new problems. However, we must continue to maintain stable development and carry forward those basic policies and development approaches that were found and proven to be successful and were welcomed by the public. Our focal point will be to maintain and constantly perfect the system of contracted responsibilities mainly on the household basis. We should make headway by basing our progress on the policy of maintaining the situation.

Intensifying Rural Reforms Is the Basic Force To Promote Agricultural Development

The system of contracted responsibilities on the household basis played a significant role in mobilizing the

peasants' initiative and in promoting agricultural development. Up until now, the responsibilities system has had great vitality as it still conforms to the development of productive forces in most rural areas. At present, its deficiency is that in many localities, the level of centralized operations by collectives is rather weak, and its service to and necessary management work regarding operations contracted by households are not up to standard. Therefore, to develop the provision of services for production, to perfect two-tier operations, to integrate the advantages of diversified operations by households with the superiority of centralized operations by collectives, and to perfect and expand the collective economy are from now on a major aspect of our rural work.

To an individual household diversifying its operations, not only will it very likely take noneconomic acts with respect to purchase, sales, and storage, but it will also need, at a certain scale, organized operations and services in such production processes as irrigation, tractor plowing, plant protection, and agricultural technology. Facts have shown that, once we have done well this work, we shall be able to offer socialized services and shall fully realize economies of scale in agriculture. At present, very few rural areas in China have the conditions to expand the scale of land business, but every place is capable of realizing economies of scale by offering services. It is not necessary to strengthen the service functions of the collective economy by again emphasizing "rigid centralization" or "formation of large groups." Rather, it should be done by introducing economy of scale and new vitality by offering services, so as to make up for the deficiency of household operations. We should fully utilize the initiative of household operations and raise such operations to a higher plane instead of shaking the basic level of such operations.

Strengthening the collective economic organizations' service functions is closely related to the strength of developing the collective economy. At present, in China's rural areas, only about 20 percent of collective economies at village level have better strength and offer better services. About 40 percent of the collective economies have a certain level of purchasing power and offer some limited services. About 40 percent of the collective economies have so weak a base that they cannot offer any services, still less meet the need for production development. Therefore, we must make measures suit local conditions and gradually set up village-level collective enterprises and developmental production for centralized operations by collectives, so as to increase the means of providing services. Development of the collective economy is not only economically significant, but also politically important to consolidate the close relationship among the masses. Of course, the collective economy's development is done mainly by locating new financial sources through developing new resources and ways of production. We must not adopt such erroneous practices as forcefully retaking land plots contracted by peasants, inappropriately increasing the share retained by peasants, or equalitarianism and indiscriminate

transfer of resources. Though the collective economy's development is favorable to the development of production services, it is not necessary that such services be offered only when the collective economy becomes strong. In areas where the collective economy is weak, we may first spend a little money or no money to provide services concerning organization and coordination; or we may first grasp the transportation of products and develop the collective economy by developing services that can yield high returns, accumulate capital, and that are favorable to the service system's self-development.

In the course of developing production services, the centralized services offered by collective economic organizations are very important. Nevertheless, they must not limit themselves to this area. Rather, they should mobilize the initiative of various sectors in society to provide varied services for the peasants; and they should set up a socialized agricultural service system. Different departments and units have different functions and means of service. It would be better for them to complement rather than substitute each other. At the same time, the services offered by collective economic organizations are closely related to the cooperation of and support given by relevant departments such as state departments in charge of science and technology, commerce, and foreign trade. In addition, it is necessary for peasants to augment these services. Judging from the current situation, many places in China are developing in this direction. Generally speaking, this can be done in the following ways: First, rural collective economic organizations may offer centralized services concerning the supply of seeds, tractor plowing, irrigation, plant protection, and harvesting. Second, grassroots agricultural technology stations, agricultural machinery stations, irrigation stations, forestry stations, animal husbandry and veterinary stations, and business administrative stations subordinate to agricultural, forestry, and water conservation departments may offer services. Third, supply and marketing cooperatives, commercial departments, and foreign trade departments, as well as their subordinate enterprises, may offer services for the supply of production means before the process of production and for the purchase, processing, and sale of products after production. Fourth, scientific and research departments at various levels, as well as universities and secondary and vocational schools, may develop in rural areas services for technological training, consultation, and contracting. Fifth, various professional associations, research institutes, combines, and specialized households established by peasants may form a self-serving system. These services, particularly those that take the processing of certain products in enterprises, and the provision of a series of industrial and commercial services ranging from the supply of improved variety and technological guidance to transportation and sales are the most popular. They are also the direction of our future development. However, our country is so vast that conditions vary greatly between localities. It is not suitable to hastily seek rigid uniformity. Generally, it is not necessary to urge every locality

to set up its own systems or to duplicate construction projects. Otherwise, no atmosphere will be formed. The development of socialized agricultural services is closely related to government support. We should give these service systems support with respect to capital, materials, and policies; and help them promptly develop and perfect themselves.

An accelerated process of large-scale production was a prominent feature of China's agricultural development in the 1980's. At present, China's commodities account for 60 percent of its agricultural products. This indicates that China's agriculture has gradually ended the state of partial self-reliance, and has reached the stage of large-scale agricultural production. In the 1990's, China's large-scale agricultural production will be further developed, and this will further help the transition from traditional to modern agriculture, and will further develop the primary large-scale agricultural production. This is a profound and historically significant change. Therefore, circulation problems have become more significant and prominent.

In the 1980's, we carried out a series of reforms in the circulation area. Because of the traditional thinking of "stressing production at the expense of circulation," however, we still did not have a thorough understanding of the development of large-scale agricultural production. Therefore, under the condition that the aggregate volume of agricultural products was relatively scarce, there were successive regional and even national cases of difficulties in selling agricultural products, and in keeping circulation channels clear. Under the commodity economy, production is inseparable from circulation and determines the flow of circulation; and circulation must tally with production. At the same time, circulation counteracts production and, under certain conditions, determines production. Whenever there is a problem in one of them, the entire reproduction process will be hampered. The present situation is that the circulation of agricultural products is so sluggish that it has become a major factor restricting the development of agriculture at the new stage. This is because first, the sluggish circulation of agricultural products has made it more difficult for one to sell his products, thereby seriously hampering peasants' initiative in production. Second, the sluggish circulation of agricultural products has placed governments and operating departments of localities, which are major producers of agricultural products, in a dilemma of being "difficult to purchase, sell, take inventory, or implement distribution." As a large sum of capital has been tied up, the development of various trades was hampered, and the shortages in every aspect of economic life were intensified, thereby affecting the initiative of governments in localities, which were major producers of agricultural products, in developing agriculture. Third, difficulties in selling agricultural products arising from sluggish circulation have brought to many government departments, as well as all of society, the illusion that there was a "glut" of agricultural products, so that our attitude or our support toward

agriculture was relaxed. We must realize that, because the cycle of agricultural production is quite long and production responds slowly to market signals, agricultural production will fluctuate or even drop if we now fail to fruitfully solve problems in selling agricultural products. Then, it will need several years to bounce back to the previous level. This has been proven by our practice adopted since 1985. We must attach great importance to and must not ignore this point.

In solving the sluggish circulation of agricultural products, we must actively adopt some contingent measures, give it further thought and discussion, intensify reforms in the circulation system, and gradually mitigate contradictions at the deepest level. Over the years, the state-run commercial sectors and supply and marketing cooperatives played an important role in and made great contributions to the circulation of agricultural products, and became major circulation channels. In the wake of gradual improvement of large-scale production of agricultural products and the continuous increase in the circulation volume, the number of products subject to open operations is increasing, and to simply rely on the major circulation channel is far from practical. Therefore, in order to invigorate the circulation channel, we must give full play to the role of the state-run commercial sector, as well as supply and marketing cooperatives; at the same time, we must run operations through diversified channels. The key point is to organize peasants to take part in circulation. We must protect the legal business activities, rights, and interests of the current collective commercial sectors and individual transportation households in rural areas. We must solve their current problems through strengthened administration and we must perfect the system, so as to achieve the goal of promoting what is beneficial and abolishing what is harmful and to more quickly form an environment of policies favorable to diversified circulation channels.

After perfecting the circulation channels, we must actively cultivate and perfect the market system. We must grasp well the administration and transform the facilities of existing wholesale and agricultural trading markets, and make them conform to the demand for selling and buying agricultural products. Large and medium-sized cities must make things convenient for the delivery of agricultural products. We must establish in a planned manner wholesale markets for agricultural products in major agricultural production areas, traditional agricultural distribution sites, major communication hubs, and large and midsized cities; and gradually replace cash transactions with futures transactions, so as to satisfy the exchange needs of rural and urban areas, as well as of producers and wholesalers. Provided that we set up an appropriate number of rationally distributed wholesale markets, and have linked the producers to wholesalers, not only can we reliably guarantee a smooth flow of circulation, but also provide conditions for improving the macroeconomic readjustment.

With people undertaking the circulation process and the markets, we also need a smooth transportation line. Over

the years, the shortage of transportation capacity has, of course, affected the circulation of agricultural products. But there were too many checkpoints and cumbersome irrational charges on the highways, which was the most important point. It will be difficult to make the circulation of agricultural products smooth unless this problem is solved. We should straighten out the order on highways, abolish all unauthorized checkpoints, invalidate all illegal fines and undue charges, rectify acts of regional and market separation, safeguard the normal transportation of agricultural products, and develop a centralized national market. We should also make corresponding improvements in rail transportation and make things convenient during the peak seasons of purchasing agricultural products. Taxes on agricultural and forestry native products should be levied at the production areas. Anyone holding his receipt of tax payments or his proof of such payment issued by the tax authority at the relevant production area must be allowed to pass through.

Furthermore, we must strengthen the construction of circulation facilities, and set up a special reserve system. The backward processing, storage, and transportation facilities is another weak point in the current circulation system of agricultural products. In particular, the storage capacity shortage is one of the major reasons for difficulties in selling grain. In addition to solving this problem by depending on the efforts of the business departments, we must, when working out state and local plans, consider both production development and circulation facility development, which is the most important. While building bases that produce on a large-scale major agricultural products, we should work out the content of circulation facilities. We must gradually improve the capacity of various circulation steps, and both the state and localities must set up reserve systems for major agricultural products that have a great bearing on the national plans and people's livelihood, so that we can make up for losses when we fail to reap a bumper harvest, stabilize the market, and protect production.

Key Points in the Future Development of Agricultural Productive Forces

Simply put, we must focus on three tasks when developing the agricultural productive forces in the 1990's: first, comprehensively develop agriculture; second, increase the per unit area yield by relying on science and technology; and third, develop town and township enterprises.

In order to improve the overall production capability of agriculture, in the late 1980's China continued to build large and medium-sized water conservation projects and basic farmland irrigation projects, and to actively improve the production conditions of agriculture. At the same time, both the state and localities concentrated their efforts on increasing their input, and engaged in the comprehensive development of agriculture. It seems that it was a successful example.

According to present technology's mode of resource utilization, the load-bearing capacity of China's land to its population will reach the critical level in the 1990's. Thus, a comprehensive development of agriculture is not only of great importance, but is also a basic way other than the increase in town and township enterprises to solve rural unemployment. Although China's arable land resources are limited, it has abundant resources of mountain slopes, lakes, grasslands, abandoned beaches, and bodies of water which have yet to be developed. The key to developing such resources mainly rests with the accumulation of labor. It was learned by investigation that the percentage of labor input to investment in agriculture was 50:60. As the target of agricultural development is undeveloped or poor agricultural resources, its economic results are very important. According to relevant departments' estimates, if the comprehensive development of agriculture is done well, it is possible that such resources will undertake half the tasks of increasing the output of major agricultural products. Therefore, the comprehensive development of agriculture should be taken as a significant point to improving agriculture's overall output capacity in the 1990's. It is necessary for the state to increase its input in this respect.

By the world's standard, China's per capita amount of agricultural natural resources is low. Moreover, its population growth will still be at a peak level in the 1990's, so that its amount of agricultural natural resources shared by each person will drop. Such a basic situation determines that China must take the "invigoration of agriculture by science and technology" as a basic countermeasure, and increase the per unit area yield of planting and breeding industries by greatly depending on technological progress, thereby forming a high-yield, good-quality, and low-consumption agricultural production system.

Judging from China's present agricultural situation, there is great potential to improve the per unit area yield by depending on science and technology. China's per unit area yield of grain was increased from 77 kilograms in the early days of liberation to 250 kilograms at present, which is at the middle level by the world's standard. Compared to scientifically and technologically developed countries and regions, however, there is a very wide gap between them and China. In France, the per unit area yield has reached 375 kilograms, which is the highest. At present, there are a number of such grain fields in both southern and northern China, indicating that various areas have great potential for increasing their per unit area yield.

The key to increasing the per unit area yield rests with the cultivation and popularization of improved varieties. In order to make improved varieties of grain continue to play their role in a better way in agricultural production, we must mobilize the peasants' initiative in the cultivation, sale, and popularization of such improved varieties. Today, China's departments responsible for selling seeds are making profits, while those

undertaking cultivation and popularization work can hardly make any profit. This hampers their enthusiasm and affects their normal work. We may consider withholding a certain percent of profits derived from the sale of seeds for distribution to departments undertaking cultivation and popularization work according to their performance, just as we are doing in the case of technology progress. Thus, we closely link the interests of the three areas to promote the work of growing grain of improved varieties. After having the improved variety that yields high output, we need corresponding technology for cultivation. In view of the regional characteristics of agriculture, we should scientifically sum up our experience in achieving high yields under different conditions, and, after making arrangements, form a standard cultivation technology and popularize it through technology contracts. In concluding technology contracts, we may link the intellectual investment of scientific and technological personnel to their proper rewards, which is favorable to mobilizing the scientific and technological personnel's enthusiasm and providing a guarantee for better economic results. In order to give full play to agricultural technology, there must be a corresponding quantity of material input. This requires that we help industries that support agriculture and thus increase the effective supply of materials, technology, and equipment to agriculture.

In "invigorating agriculture by science and technology," we must place the importance of training in a prominent position. The quality of personnel is the key factor constraining China's investment returns. In the past, when we undertook agricultural projects, we usually emphasized the supply of funds and materials, and paid little attention to input in science and technology or scientific management skills, so that the input of hardware did not match that of software. In most cases, we failed to achieve our expected investment results. A significant aspect of our experience in recent years in helping the poor was to withhold 5 percent of the investment in development projects to fund the training of supervisors and laborers at the project locations. It seemed that this had increased expenses. In fact, this was a necessary input in terms of software, thereby ensuring the realization of hardware input, which involved a large sum of money. We should advocate such a practice. The target of scientific and technological training should be educated youths in the rural areas. Among China's rural population, about one-fourth are young people. In due course, we shall pin our hopes on them, and let them shoulder the burden of China's agricultural development. It has become an urgent task for us to cultivate tens of millions of educated youths who can master knowledge of modern agricultural technology and economic management. We should constantly improve their education and their scientific and technological quality through special training classes, agricultural vocational schools, and adult education in agriculture technology. We may consider awarding titles to peasants who have attained a certain level of knowledge upon receiving education in agricultural technology, or implementing

on a trial basis the "green certificate" system adopted by agriculturally developed countries. We may give preferential treatment to those youths awarded a title or certificate when they contract agricultural projects and when supplying materials to them, so as to encourage them to become the first group of people in the rural areas who to get rich, and who will develop the socialist commodity economy.

In the 1980's, agriculture's rapid development and the improvement of agriculture's comprehensive production capacity were inseparable from the great support of town and township enterprises. In the 1990's, China's rural areas still suffer from capital shortage and surplus labor. Compared to the 1980's, the situation may be more serious. It has been estimated that in order to achieve agricultural development goals by the year 2000, we need tens of billion yuan and must make job arrangements for more than 200 million rural laborers. Therefore, we must unswervingly and actively support and correctly guide town and township enterprises to develop in a continuous, steady, and healthy manner.

When developing town and township enterprises, we must "actively support, rationally plan, correctly guide, and strengthen our management." Localities in different regions should be categorized and given corresponding instructions.

Generally speaking, coastal areas, suburban areas of large cities, and other areas where there is rapid development of town and township enterprises have passed the stage of preliminary development, and their community of enterprises have begun taking shape. Town and township enterprises in these areas must readjust their industrial composition, depend on technological progress to strengthen their internal management and improve their overall quality, and gradually replace their extensive development with an intensive one. They should switch their focus from the growth of asset value to the improvement of economic, societal, and ecological results; should simultaneously develop the domestic and international markets instead of depending on the domestic market; and should change their operations from a small-scale and scattered pattern to a specialized and large-scale one playing a supplementary role for the large state-run enterprises. Thus, they could really stand the test in every aspect, and become a newly emerged economic strength that develops in a healthy manner.

Generally, such development has just begun in central and western China and in areas where the development of town and township enterprises is rather weak. The issue of development is still very important. However, when developing themselves, these areas should draw lessons from the developed areas. They should not arbitrarily start their preliminary development without careful planning. Enterprises must pool their efforts and give consideration to "village-run factories" being established in towns where there are facilities such as water, electricity, and transportation lines. Since they lack advantages in terms of technology and market, they

should be more cautious when developing industries and enterprises identical with those in the developed areas. These areas should use their advantages in terms of abundant natural resources and labor to mainly develop industries that are labor intensive and that utilize resources, such as the planting industry, breeding industry, processing of products from the farming industry, exploitation of mineral products, and handicrafts. They must set up large-scale lateral links with the advanced technology and markets of coastal areas and other developed areas. While the developed areas will give support in terms of qualified personnel, technology, and management, the not-so-developed areas will provide raw materials, primary products for processing, and so forth. Therefore, they can achieve mutual benefits and develop jointly. This will be a general trend for development in the 1990's.

From now on, the state should give more consideration to the development of town and township enterprises when working out industry policies, making technological progress, training qualified personnel, or granting financial credit. It is felt that the 1990's will be a period of carrying out the great development plans for China's town and township enterprises.

On the 'Liu Zaifu Phenomenon'

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[Article by Lan Yan (5663 4291)]

[Text] Several years ago, Liu Zaifu glibly talked about this or that ideological phenomena. Today, Liu Zaifu has himself become a historical and cultural phenomenon well worth looking into. When bourgeois liberalization spread unchecked, the hitherto unknown Liu Zaifu made a name for himself and was actually seen by some as a literary "hero." Why is it that such a phenomenon could have emerged in the great land of China? I believe it will give people some useful insights to dissect this typical model and trace the grounds and clues behind the emergence and development of the "Liu Zaifu phenomenon."

According to historical materialism, no social phenomenon is fortuitous. In order to truly understand the "Liu Zaifu phenomenon," we must not only pay attention to Liu Zaifu's "academic" and political activities, but must also take into account the temporal and historical factors. This is what is meant by knowing both the person and his times. In studying a phenomenon, we must have a scientific attitude and seek truth from facts. We are opposed to the metaphysical approach of exaggerating good and evil. This principle also applies to our study of the "Liu Zaifu phenomenon."

I. The Emergence of the "Liu Zaifu Phenomenon" and the history of its development.

Liu Zaifu's literary activities truly began with his coauthorship of *Lu Xun and Natural Science*, which was

published in October 1976 shortly after the Cultural Revolution. Out of his reluctance to associate the book with the Cultural Revolution, he postdated the publication by one year when he prepared a bibliography of his own writings. However, such efforts were futile as there was no way that he could have removed the book's obvious Cultural Revolution birthmark. In this book, he took class struggle as the key link, idolized Lu Xun, and retained the imprints of the struggle between the Confucian and Legalist schools.

Let us make an analysis based on the revised edition published in December 1979. Shortly after the downfall of the gang of four, the whole nation tried to put right the "left" mistakes of the past and launched a major discussion on the criterion of truth. The 11th CPC Central Committee's Third Plenary Session, held in December 1978, marked the beginning of a great and new historical stage. In his postscript to the revised edition of *Lu Xun and Natural Science*, Liu Zaifu said things like "advancing bravely toward the grand objectives of the four modernizations" because the situation required him to do so. However, in the book he also retained many ultraleft viewpoints. For instance, without bothering to make any analysis, he categorically denounced as "diehards who worship Confucius" all those who thought that the Confucianists had made positive contributions toward historical and cultural development. He said that "Confucianism, as the counterrevolutionary ideological weapon of reactionary classes of past generations, functioned as the executioner of natural science." He denounced Confucianism and Taoism, the mainstay of Chinese traditional culture, as feudal dregs. He also held that "the world" was "created by fools" and that "wise men" and "scholars" were in a lowly position. These views, which drew their lines on the so-called struggle between Confucianism and Legalism, indiscriminately negated all cultural heritage, advocated obscurantism, and belittled the role of intellectuals in historical development, were precisely what the media criticized and tried hard to put right. The fact that Liu Zaifu still preached these views after the 11th CPC Central Committee's Third Plenary Session is convincing proof that his ideas were both backward and "left." This was the first and most striking feature of Liu Zaifu, who appeared as a sociohistorical phenomenon.

Before 1979, Liu Zaifu, while still maintaining some sort of spiritual link with the ultraleft line of the Cultural Revolution, also made new explorations and began to study Lu Xun from a truly literary angle. In 1981, he published his first book of literary theories, entitled *Manuscripts on Lu Xun's Aesthetic Ideas* and subtitled *Thoughts and Explorations on Truth, Goodness, and Beauty*. This book caught public attention as soon as it was published.

In terms of writing, this book leaves much to be desired. The main problems include:

1. His listing of Lu Xun's views on truth, goodness, and beauty was conceptual. Rather than proceeding from Lu

Xun's aesthetic thought and drawing inference on the basis of his analyses of facts, he merely enumerated cases that were tailored to illustrate his point. His methodology showed a striking reversal of cause and effect.

2. Also related to this is that, in his programmatic "Introductory Notes," he took the casual remarks Lu Xun made in his essay "Critics of Critics," collected in HUABIAN XINWEN [FRINGE LITERATURE], that critics all use "circles" to highlight their points, "be they points of aesthetics, truth, or progress," as the basis of his argument that Lu Xun's thought was the pursuit of the unity of truth, goodness, and beauty. This argument is neither proper nor precise, and cannot but mortally harm this book's seriousness and scientific nature.

3. Since this book touches on a wide range of issues and the author was not up to the task, many wrong assumptions are found. These include: "Wang Guowei's [3769 0948 4850] aesthetic concepts" were put forward at a time when the feudal idea that "writings are for conveying truth" prevailed. Wang Guowei was the first to talk about the "state" of things in the history of aesthetics in China, while Cai Yuanpei [5591 0337 1014] was the first to suggest aesthetic education. "During the Tang dynasty, there was a clear distinction between the style of poetry and the style of prose. Because of this, poetry was able to reach the summit of its development. After the Song dynasty, the Confucian school of idealist philosophy was dominant and the distinction between poetry and prose became blurred. People only knew that writings were to convey truth... All these only caused literature to lose its appeal." The notion that "writings are to convey truth" "has two shades of meaning, namely, truth based on feudal ethics and the truth of unruliness." Examples like these are simply too numerous to be enumerated one by one. While it is unavoidable for any serious-minded author to make isolated mistakes, it is unforgivable to make so many factual mistakes.

In point of fact, this book also has its positive aspects.

First, Liu Zaifu was ultimately able to basically free himself from the shackles of ultraleft ideas. In the "Postscript" to this book, he wrote that the mind's emancipation "enabled me to free myself from the unsettling state of hesitating at the crossroads and to independently ponder about life with my own mind and conscience for the first time." This confession is plausible. Under the strong impact of the movement to emancipate the mind, Liu Zaifu began to shake off the shadows and specters of ossified thinking. In spite of everything, this is a cause of celebration.

Second, there are some good ideas in this book. For instance, when analyzing Lu Xun's views on aesthetics, he was able to make reference to two biased views, or "extremes," in the development of aesthetic thinking in modern times, namely, to stress utility at the expense of art or to stress art at the expense of utility, and to point out that Lu Xun desired both.

Third, he basically upheld the scientific and Marxist principles of aesthetics. For instance, he not only valued truth but also valued "the law of utility which is of significance to social progress," giving full affirmation to the latter. He attached importance to the need for art to "accord with the utilitarian demands of the masses" as well as the role of art as "a means of political struggle." He also set great store by the revolutionary quality of artists (in sharp contrast to his subsequent attitude when he despised all these). These should be fully affirmed.

Last, he also demonstrated a truth-seeking and modest attitude in his academic research at that time. For instance, in his "Postscript" to the book, he said, "I am just a beginner both in the study of Lu Xun and in the study of aesthetics. I always feel depressed because I 'do not have the wings of the colorful phoenix' and lack a good and solid training in Marxist theory and professional knowledge."

It is a praiseworthy academic attitude for someone who had just started to embark on literary research to frankly admit that he was seriously lacking on these two scores.

All these should be affirmed. It is also on account of the above-mentioned factors that this book caught the attention of some people when it came out.

The above was the true state of Liu Zaifu's literary thought in the early 1980's. We may also say that these were the distinctive features of Liu Zaifu as a social phenomenon. In brief, although Liu Zaifu's academic research was still fraught with serious mistakes and pitfalls at this stage, his efforts on the whole were at least worthy of encouragement and support.

Not long after, in May 1984, Liu Zaifu published in WENXUE PINGLUN [LITERARY REVIEW] an article entitled "On the Principle of the Dual Constituents of Human Nature" in the course of his "exploration." This was subsequently expanded and published in book form under the title *On the Constituents of Human Nature*. The article met with criticism as soon as it came out. On the other hand, the publishing house organized a lavish publicity campaign to launch the book and succeeded in boosting sales to record numbers. Liu Zaifu instantly shot to "stardom" in the literary arena and his name came to be known far and wide.

To be honest, this book has its good points. Over the years, the author had the effect of creating oversimplified characters and a "left" approach of exaggerating the good and evil when he wrote the book. After the Cultural Revolution, many people wrote articles criticizing past mistakes in this respect and stressing the need to pay more attention to the complexity of human nature. Liu Zaifu's criticism, though nothing new, was meaningful. In particular, his efforts to directly and systematically reveal the complexity of human nature and give a theoretical summation were very positive.

However, this book also has its fatal weaknesses and drawbacks. First, it shows an obvious tendency to go

against Marxist principles. The author claimed in his "Preface" that he wrote this book because he was inspired by Lu Xun's "inquisitive" spirit, but what he did was in direct contradiction to Lu Xun's thinking and spirit. For instance, in his *Manuscripts on Lu Xun's Aesthetic Ideas*, published not long before this, he still devoted long paragraphs to discussing Lu Xun's criticism of abstract human nature, including his criticism of Liang Shiqiu's [2733 1395 4428] theory of human nature, and referred to Lu Xun's struggle in this connection as "efforts to defend the historical materialist principles of aesthetics." He also rightly pointed out that the crux of the problem lies "not in affirming or negating the question of 'human nature...'" The problem lies in interpreting 'human nature' as man's natural attribute or as man's social attribute." However, before long, Liu Zaifu went back on his word and turned around by fully departing from the principles of historical materialism in his analysis of human nature. He regarded human nature as an abstract existence independent of history and society. He departed from the historical materialist principles of aesthetics by glibly saying that human nature, which embodies the dual constituents of good and evil, is something truly beautiful. Some Hong Kong papers hailed the publication of this article and book, but they too could not but admit his ideas were an out-and-out bourgeois theory. Some people pointed out: "In 'On the Principle of the Dual Constituents of Human Nature,' Liu Zaifu's put forward the idea that we all 'retain the animal side, with the primitive desires of animals,' and have 'a social side that transcends the animal characteristics,' which together constitute the contradiction between 'the soul and the flesh.'" This, they noted, was an "out-and-out 'theory of human nature'."¹ They had really hit the nail on the head. Second, while it is a dogmatic and metaphysical view to think that goodness and evil in human nature form a dichotomy, is it not another kind of dogmatism and metaphysics to view human nature, which is so rich and varied, as nothing more than the dual constituents of good and evil?

On the Constituents of Human Nature concerns itself mainly with art, but through this question, it is not difficult to see how Liu Zaifu quickly adjusted his own state of mind and value judgment to meet the needs of certain trends of thought which prevailed in society at that time. He paused only briefly after basically returning to the Marxist orbit from the ultraleft state of mind in 1979. In less than two years he quickly moved on to the bourgeois theory of human nature and became an avid advocate of the bourgeois world outlook and outlook on art. This marked a turning point for Liu Zaifu. After this, Liu Zaifu moved further and further down the path under the impetus of the bourgeois trend of thought.

In July 1985, Liu Zaifu published "Literary Studies Should Have People as the Central Idea," which he subsequently expanded into a lengthy treatise entitled "On the Subjectivity of Literature" and published in WENXUE PINGLUN No. 6, 1985, and No. 1, 1986.

These two articles drew even more applause from readers at home and abroad, but they were also refuted by some comrades. Some viewed this as the "Liu Zaifu incident"; it was the first time Liu Zaifu met with any true challenge since his emergence as a social phenomenon.

About the publication of Liu Zaifu's article on the subjectivity of literature and the debate over it, we would say that the issue is both academic and political.

On the academic level, we should still stick to the two-point approach.

First, it should be stated that Liu Zaifu indeed advanced a positive suggestion when he called attention to the subjectivity of writers in light of the mistakes made in literary studies in the past. However, it must also be pointed out that the theory of subjectivity goes fundamentally against Marxist principles. He arbitrarily cut off the relationship of the unity of opposites between man on the one hand and society and history on the other, based his entire theory on the idea of taking the self as the center championed by 16th-century and contemporary humanists of the West, regarded man as a historical existence that transcends both history and society, and took man's primitive desires as the starting point in observing the subject while rejecting the principle of historical materialism. When explaining why he wrote this article, Liu Zaifu said: "After accepting the guidance of the historical materialist world outlook in our literature," "we tend to regard people as powerless and passive appendages controlled by the 'social' structure (mainly class structure)." There is no denying that we had indeed been too simplistic in our application of the principle of historical materialism, but historical materialism itself was not to blame. The too simplistic approach should be and has been rectified. What Liu Zaifu sought to "break through" was the principle of historical materialism itself, to be replaced by historical idealism with the abstract subject as the core. Compared with *On the Constituents of Human Nature*, in this article Liu Zaifu was more conscious and systematic in his preaching of the bourgeois outlook on philosophy, life, and art. Although the question of subjectivity is not a purely academic issue, its principal aspects are still within the bounds of academic research. It had been discussed before, and may still be discussed as an academic issue today.

However, the debate over subjectivity also unavoidably involves a political issue, namely, the question of bourgeois liberalization. This has often been overlooked by many of our comrades.

In an effort to defend his advocacy, as his article "On the Subjectivity of Literature" increasingly came under fire, Liu Zaifu instructed a comrade to compile and publish a book antititled *Current Polemics Over the Subjectivity of Literature*. This book includes a politically sensitive "Appendix," which mainly contains a collection of articles, including some very reactionary ones,

published in some Hong Kong newspapers and magazines and supplied by Liu Zaifu himself. Many of the "Appendix" articles blatantly applauded and master-minded the bourgeois liberalization on the mainland. The problem centers mainly on the following three points:

First, it encouraged and applauded the strategy employed by Liu Zaifu and other members of the "elite" in waging their struggle on the mainland. For instance, in its discussion of Liu Zaifu's humanist views on literature, an article subtitled "The Theory of Human Nature Has Become the Subject in Literature" said, "I do not intend to give a political interpretation to this kind of philosophical language employed by Liu Zaifu, as our clever leaders will have no problem getting its true meaning. The current ideological rejuvenation in China shows an obvious aversion for the use of political language to make one's point, as one is more likely to be pinned with political labels if he uses political language." Thus, when people working on the "rejuvenation of literature and art" "touched on political issues," they were "usually very prudent with their choice of words."² It was actually saying that Liu Zaifu was negating and tampering with Marxism in the name of academic research. This was an ingenious method of political struggle.

This article also applauded Liu Zaifu and others when they negated Marxism's guiding role in the name of "developing" it during a "seminar on cultural development strategies." It said, "People at the seminar were right to say that Marxism was no more than part of mankind's cultural legacies." In conclusion, it said, "Upholding Marxism and Leninism is one of the 'four cardinal principles' and supposedly cannot be negated. However, those present at the seminar were really ingenious in their choice of words. Rather than directly negate Marxism, they played along with the central authorities about the need to 'develop Marxism' and 'put forward' these 'important views.' It is obvious that these members of the mainland 'elite' were 'ingeniously' negating Marxism's guiding role and preaching ideological pluralism in the name of 'developing' Marxism. They had wanted to introduce political pluralism and change our country's socialist nature. We can see this at a glance by simply comparing these remarks against recent utterances by bourgeois statesmen and advisers of the West in their effort to 'help' China promote political pluralism.

Second, this article also barefacedly talked about the importance of the tactical struggle waged by the handful of "elite" people in China: "The truth was quite the opposite." The "people outside the government" "precipitated an ideological conflict within the top party hierarchy with their active ideological explorations. When the internal conflict among the top party hierarchy headed in a favorable direction, it would in turn stimulate active ideological explorations among the people." It was thus quite obvious that an important aim and means of the struggle waged by the handful of mainland "elite"

was to change the theoretical foundation of the party's guiding ideology through their struggle. A change in the guiding ideology of the "top party hierarchy" would in turn promote the unchecked spread of bourgeois liberalization and, "as two opposite yet complementary things," change the direction of the socialist cause.

Third, quite a number of articles attacked by name those central leaders who upheld Marxist principles, calling them "conservatives" who represented the past, and referring to those who did exactly the opposite as "liberals" who represented the future. They also attacked the party's leadership over literature and art as a complete failure.

The above three points prove conclusively that this well-orchestrated and "ingenious" political struggle within and without the mainland sought to restore capitalism in socialist China by negating Marxism.

It is quite obvious that the publication of this book, in so far as its "Appendix" is concerned, is a purely political issue. It laid bare Liu Zaifu's thorough hypocrisy in his repeated high-profile attempts to depart from and play down politics, "return" to pure literature and art, and oppose "trial" in political courts. It shows that Liu Zaifu had done his utmost to oppose socialist politics, that he not only did not oppose but fervently supported bourgeois politics. Liu Zaifu not only provided the materials and ordered the compilation of this book, but expressed his sincere "gratitude" to the unbridled attack and schemes engineered by the bourgeoisie against us. He said: "I... understand that people abroad are very concerned about me. I am really touched. Today, I wish to express, through your paper, my sincere gratitude to friends at home and abroad for their care."³ This also convincingly shows that, at that time, Liu Zaifu consciously and willingly colluded with the bourgeoisie's advisers to wage a sharp political struggle against us on "a battleground without gunsmoke" (Liu Zaifu's words).

Liu Zaifu had always been keen on politics. In the past, his compassion was concealed behind his "scholarly" facade. Although "On the Subjectivity of Literature" had an unmistakable political overtone, it was still mainly an academic discourse. However, by this time he had completely discarded his mask and was appearing as a political fighter for bourgeois liberalization.

If we understand this point, we should be able to find ample logical clues for his political behavior during the spring and summer of 1989 and should not find his behavior strange or puzzling.

Toward the end of April 1989, Liu Zaifu serialized in WENYI BAO a long article entitled "The Loss of and Return to the Enlightening Spirit of 'May 4th' Literature." In this long article, he took subjectivity, which was founded on the basis of the humanist trend of bourgeois thought, as the only yardstick for historical development in China in the 70 years since the May 4th Movement. He negated the spread and development of Marxism in China after May 4th, the mighty national liberation

movements that took place in China under the guidance of this ideology, and the historic and inevitable choice made by revolutionary Chinese intellectuals to join the Chinese revolution and firmly follow the road of integrating with the masses. He obliterated our party's great heroic deeds in leading the revolution to end the century-long history of oppression and exploitation and found New China, as well as the great achievements won in socialist construction since the founding of the People's Republic. He even regarded Marxism's spread and development as the culprit responsible for the dissipation and loss of subjectivity of intellectuals and for the "deflection of value." In the meantime, he clamored for the "return" of "the humanist spirit of the West" in socialist China... Here is an article which is in the nature of a political call to arms. While thoroughly negating Marxism and the revolution, it summoned back the long-departed souls of the bourgeoisie and objectively prepared public opinion and provided the theoretical basis for the turmoil and counterrevolutionary rebellion during the spring and summer of 1989.

In early May the same year, Liu Zaifu, who had always prided himself on his "life as an academic," eagerly plunged into the turmoil by signing petitions, publishing declarations, holding meetings at his home to plot reactionary leaflets, and making frequent trips to Tiananmen to engage in political agitation. In the end, he fled the country. Once outside, he began his anti-China activities even before he had recovered from his fright.

During the past 10 years or so, Liu Zaifu started off by upholding ultraleft literary viewpoints, gradually shifting "right" as the situation developed and, under the banners of opposing the "left" and the reform and opening up policy, finally ended up in the anti-Marxist and antisocialist camp. He actively waged a political struggle against us and was forced to flee the country in panic in the end. This was the historical track of the development of the "Liu Zaifu phenomenon."

II. The Social and Historical Causes of the Emergence of the "Liu Zaifu Phenomenon"

Historical materialism, as one of Marxism's two contributions, is the only scientific basis for analyzing complicated social and historical phenomena and there is nothing quite like it.

From the historical materialist viewpoint, although the "starting point" of "individuals" functioning in history was "always themselves," they were but "individuals in given historical conditions and relations, not 'pure' individuals as understood by thinkers."⁴ As a social and historical phenomenon, Liu Zaifu's "starting point" is personal and bears his own distinctive style. However, he is also an individual in given "historical conditions and relations" and does not function in an "inner universe" in the strict sense, one which transcends history and

society. When we analyze the emergence and development of the "Liu Zaifu phenomenon," we cannot overlook his subjectivity as a subject, or his personal factors for that matter. Still less should we overlook the role of given historical conditions.

Not long after the Cultural Revolution, people began to earnestly ponder and explore the historical reasons for the national catastrophe as they drew their lessons from the bitter experience. Thus, from the late 1970's to the early 1980's, the whole nation was busy discussing issues and summing up lessons. This was something of far-reaching significance that concerned our country's destiny and prospects, something that touched the hearts of Chinese people in the hundreds of millions. However, in a discussion and summation of such magnitude, it was unlikely for a single voice or opinion to prevail. All sorts of views and their proponents would fight to influence and grab the public. If this contradiction was not quite obvious in the late 1970's, we have to admit that it grew more and more acute after the 1980's. The divergence centered on the fundamental issue of what to do with the serious mistakes brought on by the "left" guiding ideology and the ideological emancipation (and subsequently this evolved into one's attitude toward the reform and opening up policy). In short, there was a sharp antithesis between two different attitudes and points of view. Some people firmly and soberly criticized the "left" mistakes of the past as well as the related theoretical taboos, thereby removing the obstacles and paving the way for socialist literature's healthy development. (With respect to literary theories, they boldly and firmly straightened out mistakes on questions ranging from Marxist humanitarianism, subject matter, supporting characters and heroes, to aesthetic characteristics and law in art that were produced by the "left" guiding ideology). They opposed "left" ideas because they wanted to restore Marxism's vitality; they advocated the emancipation of the mind because they wanted to return to the Marxist practice of seeking truth from facts. Others believed in the opposite. They totally negated and painted a pitch-dark picture of the socialist construction's brilliant achievements. They opposed "left" ideas not because they had a Marxist stand to maintain but because they wanted to replace this stand with a bourgeois sense of value. They glibly talked about "emancipation of the mind" because they wanted to shake off the guidance of Marxism and "emancipate" themselves to the embrace of the bourgeoisie. This was the essence of the problem, the focus of the contradiction.

Under the circumstances, every theoretical worker was pondering and trying to make his or her own choice in the face of this complicated situation. Liu Zaifu, who always had keen political acumen, was also reconsidering and choosing his own bearings. We cannot say that Liu Zaifu had consciously chosen the anti-Marxist road immediately after shaking off the ultraleft influence. After all, he was educated by the party and the revolution. After awakening from the blind deeds of the Cultural Revolution, he, like the overwhelming majority of

people, had deep and bitter feelings about the mistakes made by socialism in the course of its development. As I see it, he was at a stage of genuinely "exploring" and "searching" for a way to better develop Marxism and Marxist literary and art theories. However, under certain historical conditions, people develop an abnormal state of mind contrary to the force of the long-established habit of "better left than right," quite a number of people even developed an aversion for "leftism." A tendency of "better right than left" emerged. After the Cultural Revolution, many young people felt really perplexed. With the country just being opened up to the outside world, some of them eagerly hoped to find a way out in Western ideologies. The remnant poison of ultrademocracy and anarchy, which maliciously expanded during the Cultural Revolution, not only had not been thoroughly eradicated, but continued to exert their influence in the new situation. On top of this, there was the incursion of bourgeois ideas following implementation of the reform and opening up policy. People who persisted in rectifying "left" mistakes and upheld Marxism's basic principles began to be regarded indiscriminately as "conservative" and "ossified." Moreover, the public media were also aiding and abetting this particular trend of thought. Together, these factors created favorable conditions for the unchecked spread of bourgeois liberalization. The situation went from bad to worse. Liu Zaifu, who had a meager Marxist background to begin with, was naturally unable to maintain his stand and clearly see his bearings. To the contrary, under the impact and influence of the ever-growing and spreading bourgeois trend of thought, he swiftly moved to the right.

Here, special reference must be made to the first struggle in the ideological sphere after the Cultural Revolution, popularly known as the struggle against spiritual pollution. This ideological struggle, which took place in the early 1980's, broke out with the following historical background: In the course of reform and opening the country to the outside world and during the movement to emancipate the mind, many people betrayed or even attacked Marxism's basic principles and advocated the bourgeois world outlook and sense of value in the ideological sphere. It had come to a stage where it would have been impossible to guarantee Marxism's guiding position in the ideological sphere unless these were heeded and criticized. For various reasons, however, this struggle died a premature death. A noteworthy consequence of this eventuality was that the healthy criticism of Marxism was frustrated and repressed, even ridiculed and jeered at. It actually gave the green light to the further spread of the bourgeois trend of thought in socialist China by giving it encouragement and support. Like a miasma hanging over us, this became a spiritual, cultural, and psychological climate which affected work in many spheres for some time. It was under such a social backdrop that Liu Zaifu published his *On the Constituents of Human Nature* to preach the bourgeois theory of human nature. This article's publication created a special "sensational effect." Before this, Liu Zaifu might still have been subjectively desirous of "exploration"

along the Marxist line and had only gradually deviated to the right under the growing impact of the bourgeois trend of thought. After this special "sensational effect," and dictated by this spiritual, cultural, and psychological climate, Liu Zaifu realized all the more clearly that "exploration" along Marxist lines not only would not produce red-carpet treatment and honor for him, but would involve great difficulties, which he did not think was a very smart thing to do. Thus, Liu Zaifu decided to "advance boldly" along the path he had already embarked on. The inevitable outcome of this move was to slip further down the erroneous path and become more and more bogged down. This was not only his own political and psychological desire, as the development of bourgeois liberalization would also compel him to move along this track.

Looking back, I think things would have been different had our leaders been more sober-minded, upheld the Marxist principle and stand, really cared about Liu Zaifu, and, after the publication of *On the Constituents of Human Nature*, taken notice of the trends of his ideological development as well as the tendencies of his bourgeois outlook on art, and given him sincere and realistic criticism and advice. But things did not turn out this way.

In 1984, Liu Zaifu was appointed director of the Chinese Academy of Social Sciences' Institute of Literature. He was also given exceptional treatment and promoted in one single move from assistant researcher to researcher. Not only that, he was also honored with all sorts of social titles. People engaged in bourgeois liberalization were really thrilled to see this. Liu Binyan said, "At long last we have a director who is our own peer." Liu Zaifu also indulged in self-expansion, as if once he became director of the Institute of Literature he became a learned scholar who knew everything under heaven. He talked irresponsibly, even on issues he had absolutely no knowledge of, and often made a fool of himself, as in the case of the story regarding the battle between the Duke of Guan and Qin Qiong.

After the first attempt to fight bourgeois liberalization was thwarted, Liu Zaifu was again lauded by some as a "vanguard" in the emancipation of the mind. Some newspapers and magazines lavished praise on his articles and speeches. Some local authorities even compiled his speeches and articles for distribution as study material. A person who lauded Liu Zaifu to the sky once said that Liu Zaifu was a historic person "born out of historical needs." Although this remark, aimed at giving a universal historic significance to Liu Zaifu's preaching of the bourgeois trend of thought, was absurd, it conformed with reality up to a point. The "Liu Zaifu phenomenon" emerged in response to the needs of a particular turning point in history. That is to say: At a time when subversion, infiltration, and peaceful evolution prevailed in the international arena, when a hot bed and deep economic rooted bourgeois ideas were present at home, and when individual responsible comrades of the party Central Committee had relaxed or given up the ideological

struggle against bourgeois liberalization, the bourgeois outlook on philosophy, life, and value spread unchecked in society. Taking this opportunity, international and domestic antisocialist forces coordinated with each other from afar to create a given spiritual, cultural, and psychological climate. In the past "the class struggle in France had created the necessary conditions and situation for a mediocre and ridiculous person (referring to Louis Bonaparte—author) to play the role of hero."⁵ During the period of reform and opening up in socialist China, the acute class struggle in the ideological sphere has also "created the necessary conditions and situation" for Liu Zaifu, a "mediocre and ridiculous person" in the ideological sphere, to "play the role of hero" within a short time. This character, who had not yet shaken off the ultraleft ghost of the Cultural Revolution six or seven years ago, and who still claimed to be a "beginner" in the study of Lu Xun, who was "depressed" by his serious lack of theoretical accomplishments and specialized knowledge four years ago, suddenly became an omnipresence in the literary arena. Looking back with a level head today, the whole thing may sound comical, even absurd, but under the special historical conditions and situation created by class struggle, it was possible for people like Liu Zaifu to distinguish themselves and be admired and applauded by many. There had been many such instances in the history of the development of human civilization, and Liu Zaifu was but a more recent example. Under that kind of special historical condition and situation, the emergence of the "Liu Zaifu phenomenon" was inevitable. Even without Liu Zaifu, there could have been a Zhang Zaifu or Li Zaifu with the same basic characteristics and attributes as the "Liu Zaifu phenomenon." This is the logic of history.

It is by no means true that Marxism does not attach any importance to the subjectivity of individuals in historical activities. Neither is it true that the principles of historical materialism merely regard people as "powerless and passive appendages controlled by the 'social' structure (mainly the class structure)" as Liu Zaifu had accused. We should be aware of how the acute class struggle in the ideological sphere had turned the mediocre Liu Zaifu, as if by magic, into a "great man" within a short time. However, we must not regard Liu Zaifu simply as the "passive appendage" of a particular social force. If we overlook this point, we will not be able to analyze the emergence and development of the "Liu Zaifu phenomenon."

Every one who knows Liu Zaifu understands that he is a person who bends with the wind. The prevailing trends of different periods had always had a decisive effect on him. This is a distinctive feature of the "Liu Zaifu phenomenon." When he first started his literary research, he catered to the ultraleft trend which prevailed at the time. When the reform and opening up policy was first introduced and the bourgeois trend of thought began to spread, he dished out his *On the Constituents of Human Nature*, which preached the bourgeois theory of human nature and which catered to the needs of the

spreading trend of bourgeois liberalization. This won him warm applause at home and abroad. The prestige and reputation that he got out of this made him all the more self-inflated. He even thought of himself as the leader of this trend of thought. In 1986, when the first attempt was made to fight bourgeois liberalization, Liu Zaifu went to southern China to "recuperate" the moment he came under some minor criticism. When the situation in the struggle against bourgeois liberalization changed, Liu Zaifu's "subjectivity" again soared and intensified. Finally, in 1989, he staked everything on a single throw and plunged into the turmoil and counter-revolutionary rebellion.

We must also mention that he is a man who is good at glossing over his own faults, giving people false impressions, and presenting a good image of himself. He has indeed managed to fool many good and honest people. For instance, during the Cultural Revolution, he was one of the rebels in the Academy of Social Sciences. Shortly after the Cultural Revolution commenced, he left the XIN JIANSHE [NEW CONSTRUCTION] editorial department, where he worked, and went to the Institute of Literature to stir up trouble by putting up big-character posters against Comrade He Qifang [0149 0366 5364] and parading him in public. He was also a key member of the academy's mass criticism group. Given that the Cultural Revolution was a movement which occurred under special historical conditions, no one blamed Liu Zaifu for such behavior when the movement was over. However, a few years after the Cultural Revolution, when the overwhelming majority of persons concerned were still living and in good health, he had the effrontery to say: "I have learned humanitarianism while in the 'cow shed.'" He also carried out demagogic propaganda through the mouths of friends. One of them said, "During the Cultural Revolution, Liu Zaifu was known in the Institute of Literature as a good old boy who was politically clean and had practically nothing to do with anything ultraleft."

For another example, there can be no doubt that he is a narrow-minded and unaccomplished scholar like Wang Lun [3769 0243] who cannot accept any ideas outside his own small circles, but he likes to think of himself as a broad-minded and infinitely kind and benign Buddha. He even preached his "great love" which "transcends love, blood ties, clan, and national boundaries."⁷ It sounded beautiful, but his actions turned out quite the contrary. His "love" was shown to no one other than himself and his small circle. He resented and hated anyone who showed the slightest objection to his words and deeds. When Comrade Chen Yong [7115 8673] and others criticized him, he flew into a rage, accusing them of "seriously trampling on and insulting others." He said it was not "scientific" to "pin such a dreadful political label on me." Because HONGQI [RED FLAG] carried articles criticizing him, he regarded all who subsequently wrote for the magazine as his sworn enemies, even if these people had not said anything about him. A research student of the Institute of Literature, who also happened

to be a renowned scholar, he had made it clear that she could stay on after her graduation. She later published an article in HONGQI. Although it had absolutely nothing to do with him, Liu Zaifu was enraged nonetheless. He severely reprimanded this research student and sent her packing as soon as she graduated. His actions did not match his words and he did not live up to his name.

In short, under the historical conditions of reform and opening up the country to the outside world, the support and instigation of outside hostile forces seeking the subversion or peaceful evolution of socialism and the unchecked spread of bourgeois liberalization were the social and historical reasons for the emergence of the "Liu Zaifu phenomenon." Liu Zaifu's two-faced personality and his ability to gain advantage from both sides were the internal cause and basis for the emergence of this phenomenon. The interaction of external and internal causes under given historical conditions made the emergence of the "Liu Zaifu phenomenon" a historical inevitability.

III. Inspirations and Lessons Derived From the "Liu Zaifu Phenomenon"

The "Liu Zaifu phenomenon" has become a thing of the past. However, an earnest analysis of this phenomenon can still give us profound inspiration and teach us a few lessons, which may be summed up as follows:

First, we must soberly recognize at all times the historical conditions under which our socialist reform and opening up were carried out. The reform and opening up policy is an effective policy which must be upheld. As socialism develops, all spheres will constantly seek new ways to achieve development. Thus, the emancipation of the mind should not and indeed cannot stop. However, we must also soberly recognize the fact that we are carrying out reform and opening up at a time when international hostile forces are engaged in subversion, infiltration, and peaceful evolution against us. We must maintain a high degree of vigilance against these international hostile forces. The emergence and development of the "Liu Zaifu phenomenon" had a lot to do with his ingenious use of his "overseas" support as political capital. In recent years, some of us tended to attach special importance to and hanker after "overseas" response. This calls for analysis. There are indeed a lot of good and honest people overseas who can impartially and realistically evaluate or criticize our academic studies, even socialist construction. Naturally, their evaluation and criticism deserves our attention. However, we should sharpen our vigilance against praise from hostile forces overseas who harbor the ulterior motive of subverting our social system and we should not be fooled.

Second, we must recognize that in the long historical process of building socialism, the struggle and trial of strength between the proletariat and the bourgeoisie will be long and complicated. Our country's history since the new period has once again verified this plain truth. We

must never repeat the practice of "taking class struggle as the key link" and must not regard all academic issues as political issues, but neither must we negate the fact that there is class struggle within the ideological sphere, or deny the political implications embodied in the bourgeois world outlook and outlook on life and art. Had we been sober in our understanding of bourgeois ideas since the early 1980's, and had we been resolute in our criticism of these ideas, there might not have been such serious ideological confusion in the theoretical, literary, and art circles, particularly the profound lessons during the spring and summer of 1989. The "Liu Zaifu phenomenon" might have taken a different historical track, and people would not have been blinded and affected by him in such great numbers.

Third, we must continue to train and foster new forces, because the future belongs to the younger generation. However, when training and selecting young people, we must give first priority to one's adherence to Marxism. We must also attach importance to personal integrity, and must not base our selection on one's performance at a particular point in time. We must warmly care for and love the young people, but we must also set strict demands on them and must not try to spoil everything by showing excessive enthusiasm in boosting their so-called popularity.

Fourth, we must bring the media's role into play. Our propaganda work has taken a considerable turn for the better over the past year. This is to be rejoiced. Leadership over newspapers and magazines must be firmly entrenched in the hands of Marxists. We have learned a profound lesson as a consequence of the unprincipled praises given by some of our newspapers and magazines to the so-called "elite." Only when leadership over the media is placed in the hands of loyal and reliable Marxists will they be able to withstand future storms.

Last, we must build a contingent of research personnel who are well versed in Marxist theories and professional knowledge. For many years, in fact, we have relaxed and even given up conducting Marxist education among our social scientists. Rather than supporting those comrades who upheld the Marxist principles under difficult conditions, we encouraged and rewarded those who preached the bourgeois trend of thought. Those who upheld the Marxist principles were repressed. This led to detrimental consequences, as right and wrong were reversed and truth and falsehood were confused within the social scientists' ranks. The "Liu Zaifu phenomenon" thus becomes a typical case, one from which we should draw our lessons. Truly attaching importance to the building of a contingent of research personnel who are theoretically and professionally sound is the fundamental guarantee that our social science cause will advance and smoothly develop along the Marxist orientation.

Provided that we make an earnest effort to do all of the above, the "Liu Zaifu phenomenon" will cease to have the necessary conditions upon which to emerge, and

similar farces will never have an opportunity to be restaged on the great land of China. A realistic and scientific style of study will truly develop, and it is only then that the socialist academic cause can truly flourish.

Footnotes

1. "On the Fourth National Congress of the Federation of Writers," CHIUSHIH NIENTAI [THE NINETIES], Hong Kong, No. 2, 1985.
2. "The First Rays of Dawn for the 'Rejuvenation of Literature and Art' in China," NANPEICHI [NORTH-SOUTH], June 1986.
3. "Tolerance and Harmony Mark National Advancement—An Interview With Liu Zaifu," carried in the "Appendix" of the said book.
4. *Selected Works of Marx and Engels*, Volume 1, p. 84.
5. *Ibid.*, Volume 1, p. 599.
6. Liu Zaifu Interview with MING PAO reporters, 3 June 1986.
7. "On the Subjectivity of Literature."

A Useful Study of the Reform of the Material Supply Enterprises

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[Article by the Research Office of the Hebei Provincial CPC Committee and Research Office of the Chengde City CPC Committee, actually written by Tian Ye (3944 6851), Kong Xian Zhong (1313 4382 1813), and Ren Hongshan (0117 1347 1482)]

[Text] Over the past two years, material supply enterprises in the whole country have suffered greatly from the severe sudden hot-and-cold changes, but the Chengde City Economic Technology Development Corporation has shown steady and orderly progress and has enjoyed briskness both in purchases and sales. What was the secret? On this problem, we have from various sides carried out an analysis and study.

The Chengde City Economic Technology Development Corporation was formerly an administrative supply and sales section subordinate to the city machinery bureau, having then only nine employees and workers and annual business volume under 1 million yuan. It has now become a comprehensive material supply enterprise with a staff of 450 people (not including those in its subordinate production enterprises) and an annual business volume of 154 million yuan and it performs various functions of merging of funds, opening up and development, supply and sales, coordination, and so forth. This corporation was born and developed in the reform. Its fundamental operational methods have been: Casting an eye over the whole process of social reproduction, it

played an intermediate role in the circulation of materials and, through the introduction and collection or raising of funds for material development, invested the funds, in separate periods and batches, in raw materials production enterprises and making the funds and materials, in the course of alternate circulation, achieve value and volume increases and thus working out a road for ensuring supply and promoting sales.

I. Establishment of the Two Bases of Resources and Sales

For a long time our country's material supply enterprises have faced two difficult problems. One is how to ensure supply when goods resources are short and the other is how to promote sales at times of market weakness. This thus demands that the material supply enterprises extend into the production and sales sectors and establish the two bases of material resources and marketing, so as to realize the protection of supply and promotion of sales. In this connection, the Chengde City Economic Technology Development Corporation has made a useful study of the problems.

In 1983, the state enforced reform of the circulation system, and the planned supply of means of production was reduced, whereas the market regulation volume was increased. Subsequently, during the overheating of the economy, the supply of various kinds of raw materials experienced extreme shortage. In the course of seeking help and adjustment from various sides, the corporation clearly found that not to develop the production of raw materials would make ensuring supply a near impossibility. Hence, after many studies and investigations the corporation decided on the line of thought of offering double-direction services involving first the use of many methods to attract and introduce capital funds to develop and expand resources outside the plan, and then have the increased portion of raw materials supplied to the consumption enterprises. Altogether 75 million yuan of such funds have been obtained and introduced from government departments and commissions and enterprises outside the province. These funds were invested in separate periods in a score of mines and three major metallurgical enterprises inside the province, and were used to carry out technical transformation, odd repairs, and overhauls, thereby supporting and helping these enterprises, simultaneously with ensuring the fulfillment of the state plan, to increase production and to compensate for lack of availability and shortages by means of increasing output. Over these past years, they have used these methods to cumulatively organize and increase output for the state of 1.5 million tons of refined iron powder, 1 million tons of pig iron, and 350,000 tons of various kinds of steel materials, all of which were outside the state plan. The corporation also successively obtained therefrom 255,000 tons of steel materials and was thereby able, on a limited scale, to set up a steady and reliable materials supply base area.

On the side of the sale of raw materials, the corporation has signed with over 50 units (principally departments

and enterprises providing development funds) material supply agreements for periods of three to five years each but continuously renewed for execution. During the agreement period, both parties' rights, obligations, and responsibilities were clearly specified and given legal effect. Thus, regardless of market changes, both the supply and demand sides consciously carried out their agreements. In this process, the corporation adhered firmly to the policy of serving the enterprises and resorted to thousands of ways and means to satisfy to the maximum the units' demands for raw materials in terms of quantity, quality, price, delivery date for goods, and so forth. This has effectively supported the development of production and construction. In addition, the corporation has also given priority consideration to materials needed for the local economy and the construction of municipal administration. By so doing, a stable sales and marketing base area has been created.

Establishment of the two base areas for ensuring supply and facilitating sales depends on stabilizing supply and demand relations and developing long-term cooperation for realization. Since the technical transformation of enterprises producing raw materials is a long-term process and requires the continuous input of capital funds, and since the enterprises consuming the raw materials are usually major enterprises listed in the state plan for capital construction and technical transformation or for the production of important products, the cooperative relations and the gross volumes of supply and demand are stabilized for a stated period. Changes in the variety specifications of the raw materials can be flexibly readjusted according to the production plan. Thus, they are not frightened during times of materials shortages, because they have the goods in hand; and when the market is weak, they need not worry because there is an outlet for the sale of the goods. This has been the secret of how the corporation has found itself with an undefeated status. In 1989, the corporation's gross business volume amounted to 154 million yuan, an increase of 28.3 percent over the preceding year, while in the first half of 1990, gross business volume also exceeded by 61 percent the same period of 1989.

II. Searching for a New Operational Mechanism

Our country's original planned economic structure established separate specialized material supply enterprises according to sectors and localities, with each demarcated one from the other and their functions being completely unitary. This could hardly be suited to the demands of socialized commodity production. The Chengde City Economic and Technology Development Corporation broke this old pattern and put on full display the facilitating role of material circulation in production and discovered a new operative mechanism.

1. Resorting to various ways to merge funds. There were mainly three ways in which the corporation made use of the superiority of local resources to attract and introduce capital: First, investors provided the material development funds, with the funds returned within a stated

period as goods in kind according to agreed prices. Second, investors transferred the use right of funds, and, within a stated period, obtained a stable and preferential supply of goods and materials, with prices of the goods and materials separately negotiated and settled, and repayment of the investment upon expiry of the period. Third, investors made noncompensatory provision of the development funds and obtained for a relatively long period needed raw materials at preferential prices. Any one of these forms can help to grasp well the differences in the holdings of resources and funds between different localities and different industries, trades, and departments, and utilize this linking cord of funds to create conditions to form an active and balanced mechanism within a limited scope, and thus enable production and consumption to be more closely linked. These methods are extremely significant and play an important role in a local economy which has plentiful resources but limited financial power.

2. Rationally allocating the essential elements of production and seeking balance from imbalance. In its investigations, the corporation has found among the mines and iron and steel enterprises in the locality and neighboring areas a series of imbalances and lack of coordination, ranging from selecting and picking ores to smelting and refining and steel rolling. While the iron mine resources are relatively plentiful, there is still insufficient pig iron for steel refining and supply of refined iron powder for iron smelting. Affected by this the "choking" process, the production capacity of iron smelting, steel refining, and steel rolling cannot be well displayed. Against these problems, they have selectively used some of the funds raised to invest in the technical transformation and general overhauling of the equipment in the mines and iron and steel plants. Over the past several years, as a result of the input of funds, the annual production capacity of refined iron ore in a score of mining enterprises has been raised by 300,000 tons, and annual production capacity of the three iron and steel plants achieved an increase of 200,000 tons of pig iron and 100,000 tons of steel. By so doing, the directly related productions stages achieved a relative balance in imbalance, the essential elements of production were rationally allocated, the strong points in funds were converted into strong points in resources, and at the same time the structural conflict between the raw materials industries and processing industries was resolved to a certain extent.

3. Establishing supply and sales channels which are highly efficient, accessible, and subject to adjustment and control and widening the servicing areas. The corporation internally organized highly efficient, coordinated, and lively business organs to promptly organize, adjust, and control the rational circulation of funds and resources. They did not work passively to suit the market, but with initiative and, based on facts, forecast the trends in production and construction of the two sides of supply and demand and promptly readjusted the gross volume, variety, and structure of supply so as to

unify production, supply, and consumption. At the same time, they have continuously improved their business methods and developed various kinds of services for the enterprises, as follows: First, along with over 200 peers in the trade in the 27 provinces, municipalities, and autonomous regions in the country, they have organized a network for the mutual adjustment, transfer, and exchange of materials. Over the past eight years, the total volume of materials transferred or exchanged in the network amounted to more than 250,000 tons. Second, they have done propaganda work without compensation, prompting the sales of the enterprises' products. Since 1980, they have organized many exhibitions to display electrical machinery products, as well as contact meetings between the two sides of the supply and demand of raw materials, all of which incurred an outlay amounting to half a million yuan, but which cumulatively achieved sales of the enterprises' products amounting to over 300 million yuan. Third, they have published various kinds of periodicals on "commercial news on supply and sales of machinery," "industrial economic information," and so forth, maintained constant contact and exchange of news with the country's 27 information centers and 143 news and information network points, promptly circulated market news to the enterprises, and offered guidance to the enterprises to produce marketable products.

4. Making use of the time differential of funds and the volume differential of resources to increase self-accumulation and strengthen their servicing measures. As a materials enterprise owned by the whole people, the corporation on the one hand has rendered services to production and construction and on the other hand has continuously achieved self-development and self-improvement. It has used the time lag formed by the input of funds in separate periods to borrow some of the funds for temporary use. At the same time, any rich surplus from the gross volume of development resources was used, following the rise in the state's planned prices, to form a definite amount of development funds. The corporation has strictly followed the state's policy and utilized these funds to build up the public ownership economy and to strengthen its ability to serve. It has successively provided office facilities, including 24 international and domestic telephone connection lines; wholly taken over, transformed, and built a large warehouse with an annual handling capacity of 300,000 tons, occupying a total area of 140,000 square meters of land, and equipped with a special railway line 1.8 kilometers in length. Because of the wise and proper use of funds, the need for resource development has been ensured and the state-owned assets of the corporation have grown from a few hundred thousand yuan to nearly a hundred million yuan. Of these fixed assets, aside from a small quantity invested by the state, by far the greater portion was formed by self-accumulation.

III. Firm Insistence on the Object of Serving the Enterprises

Regardless of the changes in the administrative structure or in the market supply and demand relations and prices,

the corporation has from beginning to end firmly insisted on the objective of serving the enterprises with whole heart and purpose. It has placed enterprise benefits and social benefits in first place, strictly carried out the state plan and the price policies, effectively supported the sustained development of industrial production, and also played an important role in stabilizing the market and leveling commodity prices.

Firmly ensuring that all supplies of raw materials indicated in the plan will be made to the plants. Since 1988, although the quantity of raw materials listed in the plan was but a small portion of the total business volume of the corporation, the corporation has still firmly ensured that the materials would be duly distributed, ordered in full, procured in full, and directly supplied and delivered to the producing and consuming enterprises strictly according to the state's fixed prices, without the under-delivery of a single jin or ounce of materials or the levying of one single cent of surcharge. There has never been a case of making an intermediary profit by changing the parity price to negotiated price or resorting to other illegitimate means. Beginning in 1989, the corporation, regarding all materials inside the plan, has taken care of only target fixing and distribution and has no longer engaged in their business dealings.

Firm insistence on ceding interests to the enterprises. In the supply of steel materials outside the plan, the corporation has not been tempted by the enormous profits formed by the price differentials in the prices of the "double-track" system. It has firmly insisted on the principle of "low charges and ceding of interests" to the enterprises. In the case of the profitmaking enterprises of the city, it charges medium-level prices that lower than the market prices but slightly higher than the former factory prices and collects a service charge not exceeding 2.5 percent. As for enterprises making low profits, it charges the products' purchase or cost price, plus a 1 percent service fee. Products are supplied to enterprises that have suffered from deficits at the purchasing or cost price without making any service charges; and enterprises with special difficulties are allowed to take delivery of the goods first and pay afterwards to help them to turn losses into profits. For enterprises in outside areas, its general practice is to charge the medium-level prices of the local market. From 1983 to 1989, it has cumulatively supplied outside-the-plan steel materials amounting to 153,500 tons and the average per-ton price was always lower than the local market price by 150 to 300 yuan, thus cumulatively ceding interests to the enterprises to the extent of over 20 million yuan. In the second half 1988, in the serious situation when the prices of means of production in the whole country rose by 21.5 percent over the first half year and the production cost of the entire machine-building industry rose 9.6 percent over the first half year, the increase in production costs of the city's electrical machinery industry was only 0.3 percent. Thus, because the corporation was basically able to meet the needs of the enterprises for the steel materials for production and

construction, dependence on the market's high-priced steel materials was greatly reduced, and within a definite scope, economic order was stabilized and the sharp rise in the prices of steel materials was checked.

Putting into full play the role of state-run material enterprises as the principal channels and "reservoirs." Last year, several iron and steel plants, because of the overhauling of equipment and readjustment of the product structure, had too large a volume of pig iron and steel ingots in inventory in the warehouse, which occupied a large amount of their reserve funds. The corporation immediately adopted purchasing and readjustment measures to reduce the pressure for funds from of the enterprises concerned. To ease the difficulties encountered by the raw materials-consuming enterprises in their production and marketing, and to open up the enterprises' stagnating funds, the corporation not only helped the enterprises to promote and push the sale of their products, but also aided them to temporarily pay off their turnover or circulating funds. When it was found that certain enterprises producing export commodities were temporarily in deficit, the corporation would deposit in the enterprises an amount of deficit-anticipated funds and await their repayment when and as the products' prices attained the price level of the international market. In the case of certain enterprises whose products have enjoyed brisk sales, but, because of insufficient capital funds, were unable to buy more raw materials, the corporation would consent to sell to these enterprises the raw materials on account, awaiting settlement after the sale of the products.

IV. Strengthening Party Leadership

In the new situation of the development of the commodity economy, certain material enterprises perceive only money and materials but nothing else such as the human being. They neglect ideological and political work and overlook team building and basic management. However, the Chengdu City economic and technological development corporation has, from beginning to end, given high regard to party construction and construction of an honest administration. It has improved the quality of its staff and workers, strengthened basic management, and worked hard to form the image of a socialist new-style material enterprise.

Summarizing the practical experiences in reform and development, the corporation's party committee achieved a deep understanding of the important nature of the strengthening of party leadership in ensuring the corporation's socialist operational direction. A team of party committee members led the various party branches to insist firmly on the various systems such as the "three meetings and one lesson," the democratic assessment of party members, and so forth, and to display the party organ's role of a fighting stronghold as well as the party members' vanguard and exemplary functions. Furthermore, the corporation has strengthened discipline inspection work so as to augment the supervision and education of the party members and cadres.

In order to offset the influences of the irregular atmosphere of the industries and trades in society, the corporation has formulated and sternly enforced the "10 regulations on eliminating corruption and sternly banning dishonest acts." These regulations have a relatively strong self-restrictive force. What the system's regulations have prescribed that the staff members and workers should perform, the corporation has taken the lead to perform first. In welfare treatment, priority consideration is given to first-line staff members and workers, and overtime work done by the leadership is not given any compensation. In the distribution of salaries, wages, and bonuses, the principal personnel in charge take only the portion enjoyed by the staff and workers in accordance with the standard fixed by the state administrative organs, and categorically refuse to take a cent of other possible income in the nature of award or bonus. As a result of the leadership taking the lead and effecting strict control, over these years even under the conditions of the business volume done on the important means of production amounting to about one million yuan each year, there has not been a single instance of corruption, acceptance of bribes, using power to seek private gains, illicitly exchanging of goods for money, using public funds and materials to build private residences, and so forth. The corporation, first, has not set up a "small or private treasury," and, second, has not set aside a special "manager's fund"; all expenses incurred in business transactions are duly recorded on the books. All gifts and presents from outside units which for courtesy's sake must be accepted are entered into the public accounts. In 1990, the provincial party committee and the provincial government awarded the corporation the title of a provincial-level civilized unit.

Strenuous efforts made to raise the political and business quality of the staff members and workers. The corporation has realized that, in order to raise the caliber of the entire enterprise, it is necessary to grasp first the strengthening of each staff member's and worker's socialist consciousness and cultural and moral caliber and cultivate in each and every one of them the enterprising spirit of earnestly striving upward and making progress. In combination with the new situation and people's new ideas, the corporation has firmly insisted on using the party's old tradition and old work style to educate the staff members and workers with the nucleus of work being to promote the spirit of denying one's self, honoring the public, and making selfless contributions. In close conjunction with the corporation's entire objective, the corporation has unified ideological and political work, personnel assignments, special assignment of jobs, and promotion, in an effort to form the benign atmosphere of everybody seeking to make a good showing comparable to others, being honest and thrifty, and adhering to discipline. At the same time, various measures such as pre-post training, in-post education, and lateral movement of personnel have been adopted to elevate the business calibre of the staff workers and

members. At the moment, the corporation employs some 90 specialized technicians, comprising 20 percent of its staff members and workers.

Promoting Democracy in the Rural Areas, Develop Closer Cadre-Masses Relations—A Survey of the Implementation of the System of 'Two Councils and One Open Door' in the Southern Suburbs of Taiyuan City

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[Article by Zhang Weiqing (1728 4850 1987), head of Propaganda Department, Shanxi Provincial CPC Committee Standing Committee]

[Text] A few years ago, the regional office in the southern suburbs of Taiyuan City began to promote democratic reform in the rural areas. The people of this area have a village representative council and a party member council that hold meetings regularly, and they implement a system where village affairs are open to the public. (For short, this is called "two councils and one open door.") After the system was installed, the party branch office functioned better as the key coordinator among various village-level organizations. The new system has also inspired the villagers to involve themselves in democracy and political affairs. And the relationship among the party, cadres, and people has become more intimate.

Since the Third Plenary Session of the 11th CPC Central Committee, everywhere in the country, including in the southern suburbs of Taiyuan, the household responsibility system of linking remuneration to output has been implemented. Peasants are assured of their right to self-management and agricultural production. The enthusiasm of the peasants has improved productivity. This system is instrumental in promoting economic development in the rural areas. However, if we want the new system to be firmly established and to run smoothly, we must reform the administrative functions, methods, and procedures of the village-level organizations. Judging from the situation in Shanxi, we pay too little attention to the construction of grassroots organizations in villages. While we are trying to replace the old system with the new, we lag behind in giving ideological education to the lower-level cadres and to the farmers. In many villages problems are caused by chaotic administration and the tense relationship between cadres and villagers. First, many village committees are disorganized and weak, while others are half-paralyzed and basically useless. No one is able to do propaganda work or organize and educate the masses. Second, the party branch office cannot provide leadership, and party members cannot play their roles as models and pioneers. Party organizations at the grassroots level in the rural areas lose their attractiveness and the will to fight. Many party members do not know what to do or how to do it. Third, as the commodity economy develops, peasants are more and more aware of the need for equality and democracy, yet

there is no proper channel or opportunity for political participation. Even if there are channels, no one can give proper guidance so that these channels can lead to healthy development of the democratic system. Peasants' attitudes toward village-level organizations can be summed up as follows: "If there are food and drink, ignore these places. If there is no public criticism or denunciation, forget the cadres. But when a problem arises, look for the offices. If the cadres can't solve the problem, yell at them." Fourth, the decisionmaking process is not democratic enough and management does not open itself to the public. Furthermore, a few cadres use their public authority to gain personal benefits, and the people are extremely unhappy about this behavior. The existence of these problems has made peasants feel ambiguous about the situation. On the one hand, they are satisfied with the central party's policies, decisions, and plans. On the other hand, they are unhappy about the fact that grassroots organizations are so ineffective. On the one hand, they are happy about the economic development and the improved living standards. On the other hand, they dislike the way some cadres perform their duty, their work style, and their corrupt behavior. The fact is that, except for a small group of people, the majority of village cadres work diligently. But because there are no democratic channels for these cadres to communicate with the masses, their efforts are unrecognized and they enjoy no support from the people. This is one reason why the relationship between the party and the people and between the cadres and the people have been tense. These are the problems stemming from rural reform. The cadres and people from the southern suburbs of Taiyuan became concerned and decided to look into the situation. The system of "two councils and one open door" is the product of their mental analysis and exploration.

The key elements of this system are as follows: 1) Village representative council. At the council meetings village representatives will discuss the annual work plan for the village, finance and budget, distribution of the end-of-year bonuses, cadres' wages, bids for project contracts, projects accomplished, evaluation of new enterprises and proposals, approvals of building plans and housing development in villages, decisions and plans on village rules, and the execution of birth-control plans. When there are any rulings concerning the above-mentioned business items, the village committee has to inform, present opinions, and report on work progress to the village representatives. Village representatives have the right to know all the plans and be informed of the progress of work. They may question the village cadres, and investigate and vote on any proposals or decisions made by the village committee. In turn the representatives voice the people's opinions and demands. Also, the system says that the village representative council has to hold a meeting if four or more representatives request one so that they may have the chance to question the work of their village committee. Ten representatives can ask for a meeting to criticize their cadres. Village representatives' business meetings are usually held once a

year, but can be held any time if there is a special situation. To enable the representatives to gather opinions from villagers, the village committee has to inform village representatives of the topics for discussion three days before the council meets. Village representative business councils cannot take the place of general village meetings. If the issue is important and it concerns the benefit of the whole village, after it is discussed at the village representative council, it has to be approved by the people at the general village meeting. Village representatives are selected as follows: The party branch office names the candidates after taking a poll, and the whole village gets to choose and vote. The basic number of representatives from each village is 10. Each village gets to have one more representative for every 100 additional persons. Representatives are chosen according to groups or professions, and the villagers vote according to the category to which they belong. Each term of appointment is two years, but candidates can be reelected. Those who are chosen as representatives must be just and moral. They must be trusted by the people. They should love the collective and be willing to serve everyone. They should meet certain educational standards and be able to take part in government administration. 2) Party member council. The main function of this council is to implement party democracy through the discussion and study of the party branch office's opinions on major village affairs. The topics for discussion in the village representative council must first be recommended by the party branch office, after which they will be discussed at the party member council. The party member council will then inform the village committee, which will in turn inform the village representative council of the topics designated for discussion. The procedures and work of the village representative council and party member council are open to all villagers. This system ensures the public's right of supervision.

The lower ranking cadres and the people from the southern suburbs endorse the "two councils and one open door" system and the new policy has achieved good results.

First, the relationship between the party and the masses and the relationship between the cadres and the people have become more intimate. Qijiashan Village in Jinyuan district is a village with only 36 families and 140 residents. For years the relationship between the cadres and the people was strained. It was not unusual for villagers to appeal to higher authority and to denounce their cadres for one thing or another. During the winter of 1988, 38 people cosigned an accusatory letter. The subject of the letter concerned the muddled financial situation in the village, the inefficient administration of a coal mine being operated at a great loss, and cadres making personal profits from their positions. In March 1989 the "two councils and one open door" system was launched. The village government insisted on having monthly meetings of the village representative council and party member council. Village expenditures and incomes and the condition of the coal mine were

explained to villagers as soon as possible. Villagers' opinions were solicited. After one year or so, the relationship between the party and the masses and between the cadres and the people had improved tremendously. There are no more public appeals to the authorities. Many people have taken the initiative to offer their advice on ways to develop the village. They even help the cadres with their work. From one investigation we can see that the conflicts between the cadres and the people in the southern suburbs have decreased since the system of "two councils and one open door" was implemented. The number of accusations by villagers against cadres has decreased drastically. During the first half of 1988, there were 23 cases of collective and individual charges against cadres. During the same period in 1989, the number dropped to 16. During the same period in 1990, it was four, and only one was a collective charge.

Second, people are willing to follow principles when they are dealing with their problems. For instance, the job of giving approval to build houses has always been difficult for village cadres. If the situation is not taken care of properly, the problem will not be solved and the conflict between cadres and villagers will be intensified. In August 1989, when the Haojia Village office tried to decide on applications for building houses, it could not make any ruling because of certain sticky relationship problems. After the party branch office and the village committee had looked at the situation, they approved five applications. The residents of the village disagreed on the ruling. Together four village representatives requested a village representative council meeting. At the meeting the issue was thoroughly discussed and votes were taken. The result was that only two applications were approved, one from a family who had had a difficult housing problem for a long time and the other from a teacher. The party branch office and the village committee accepted the decision by the representatives. Our party principle was followed, and the problem was solved. At the end of 1989, the brick factory in the village was more than 70,000 yuan in debt. According to the contract, the contractor had to pay for part of the losses. He refused, giving the reason that the weak market should be blamed. If this problem with the brick factory could not be solved, it would be difficult to expect other enterprises to honor their contracts. At a meeting held by the village representative council, representatives analyzed the business management of the brick factory, and compared it with other brick factories in nearby areas. They decided that the financial losses of the brick factory were caused partly by outside factors and partly by bad management and poor administration. The contractor was responsible for part of the losses. However, after the representatives found out the price the contractor had to pay and calculated his family's ability to carry the burden, they decided that he only had to pay 10,000 yuan to cover the losses. They agreed to make sure he would fulfill his pledge. After the problem with the brick factory was solved, other enterprises also honored their contracts at the end of the year. Afterward, village cadres gave sighs of relief: "as long as we have democracy and as

long as we are supported by the masses, even the most difficult problems can be solved." Village representatives also decided that this kind of meeting was most "meaningful" and that it was "fun" to be representatives. The solution of this problem has greatly encouraged the village residents. They are more aware of their master status and have become more enthusiastic. They are more apt to talk to their representatives and ask them to reflect their opinions and suggestions.

Third, the system makes cadres more conscientious about their duties and promotes honest government. The "two councils and one open door" system puts the village cadres in the open and their work under the eyes of the people. The system supports as well as restricts the cadres. The people give their support and pledge allegiance only to cadres who are just and moral, who will truly work for the people and look after their interests, and who will not seek personal profits from their positions. This supervisory system prevents cadres from making mistakes, or at least gives them fewer chances to make these mistakes. It is the best policy for promoting an honest government. Haozhuan Village is situated close to Taiyuan City. For many years people had often tried to pull different strings for the right to live there. In the past, this was done by giving favors, tightening relationships, giving dinner parties, and showering gifts on cadres until the persons responsible nodded their agreement. The masses disliked this practice, and some cadres lost their jobs because of their behavior. Now Haozhuan Village has declared that all requests to settle in this village have to be discussed and approved by the village representative council. This decision stops all corruption relating to the right to settle, and in effect stops the tremendous population gain in the districts nearest to the city. In 1988, 110 people moved to Haozhuan Village. In 1989 there were only 33. In Wayao Village, in the northern Jinyuan district, a retired village cadre got to lease more than 100 mu of land. People opposed his getting that contract. In 1990, when the government was leasing new contracts, the village cadres thought that this retired cadre, as an older leader, deserved a little more, so they let him lease 40 mu of land. At the village representative council meeting the representatives said that the land leasing had to be done according to principle, and not according to a person's status. The village committee accepted the opinion of the representatives and gave out the contracts accordingly. In the past the cadres from the villages of Jinyuan district would not hesitate to spend public money in entertaining officials. They wine and dined high-ranking officials when they came to make work inspections, when people from outside units came to do business, and even when local village cadres got together. The masses complained and criticized. After the system of "two councils and one open door" was implemented, representatives from different villages wanted to discuss the amount of money allotted for official entertainment. This action immediately stopped the ill wind of wine and dining. The "two councils and one open door" system not only helps make for an honest government, it

also raises the cadres' professional ethics and their sense of duty. Cadres are more able to serve the people and more conscientious about their jobs. During 1989, the second-ranking cadres in Haozhuang Village solved 184 problems for the people. They managed to establish a village high school, something the villagers have always wanted done but were never able to accomplish. In the mining area, people have finally moved out of their unsafe houses. There is water for the residents and animals on the hills, and damaged roads have been fixed. The solution of all these problems was welcomed by the people.

Fourth, the villages are better at finding practical solutions, so it is much easier to overcome obstacles now. In 1989 Nanyao Village in Jinyuan district wanted to sell timber. Several village cadres discussed the matter among themselves and settled the price with a buyer. When the village representatives heard about this, they raised their objections and demanded a representative council meeting. At the meeting the representatives passed the resolution that there should be public bidding for the timber. The result was that the timber was sold at a price 8,000 yuan higher than the original price, hence the collective made more money. In Malian Village in Huangling district, the village representative council plays a significant role in production management and in making production more scientific. In May 1990, the village cadres wanted to increase the overall water supply to the wheat crop. The village representatives, after listening to public opinion, advised against it. The village committee accepted the suggestion. The water supply to the crop was set at the right level, and the village had the best harvest in its history. The system of "two councils and one open door" lessens the chance of setting any wrong policy and makes village administrative work more efficient. During the past few years Wayao Village in the northern Jinyuan district has invested several hundred thousand yuan in a resin factory. Because of poor management, the factory has never made any profit, and it has long been a sore point in the village. At a representative council meeting, the village representatives questioned the village committee about the running of the factory, and suggested more trained personnel be sent to manage the business of the factory. They also asked that the chairman of the village committee be personally responsible for reorganizing the factory. After a few months under the supervision of village representatives, the factory began to make money instead of losing it. Haojiagou Village in Haozhuang district had difficulty building a basic irrigation system. For years no one was able to solve the problem. The village residents refused to invest more in agriculture. Therefore, the irrigation system was not able to function properly, and the land was deserted. During spring 1990 the party branch office and the village committee asked the village representative council to hold a meeting to discuss this issue. At the meeting the council set up rules for penalties and rewards. The cadres, party members, and representatives shared responsibility for persuading

the village residents. The task of building the irrigation system was fulfilled after only a few days.

Fifth, the system benefits the building of party organizations in villages. In the center, there is the party branch office, and it coordinates the village committee, group associations, and cooperative economic organizations. Before the system of "two councils and one open door" was installed, villages in Jinyuan and Haozhuang districts were infamous for their poorly organized administration. Following the advice of the party member council and village representative council, the party branch office paid more attention to the reorganization of its own administration. After the reorganization, the party branch office began the work of reorganizing village committees, the Communist Youth League, people's militia, and cooperative economic organizations. Prepared at the village level have never been more prepared to work. Because the reorganization was desired and was closely watched by all party members and village representatives, the party branch office was careful when making personnel transfers and deciding on rules and procedures. The office has made corrections to or perfected the following rules: "the system of one lesson and three meetings for party members," "work regulations for cadres," "work procedures for village committees," "party council rules," "village representative council rules," "system of democratic evaluation of cadres," "two 100-point examination systems for cadres," "open system of financial affairs," and "common village rules." The work and activities of the village-level organizations are more systematic and regulated. As the "two councils and one open door" system continues to function, the duties of village-level organizations are more clearly defined. The villages enjoy having the party branch office as the core. At the same time the party branch office has the support of the village committee and cooperative economic associations, and enjoys the cooperation of village residents. The outlook for this rural area has changed tremendously. In 1989 the total value of agricultural and industrial production in Zhaojiashan Village was 2,800,000 yuan. The average income was over 2,400 yuan and the average household income was over 10,000 yuan. It has changed from being a backward village of Taiyuan City to a progressive village building the two civilizations. Its village cadres say that "the 'two councils and one open door' system has given us good consultants, helpers, and supervisors. The system has revitalized our village-level organizations. It backs up our work and gives us confidence."

The "two councils and one open door" system has inspired us in many ways. First, the present issues surrounding peasants and rural villages are basically problems that can be solved by following the party's new basic lines, strengthening party branch offices and village-level organizations, promoting democratic and political construction in the rural areas, providing peasants with education and guidance so that they can stay united and organized, continuously raising the level of agricultural productivity, and encouraging the overall

development of material and spiritual civilization in rural areas. How we strengthen the party branch office and at the same time promote democratic and political construction in the rural areas is a problem that must be solved if we want to further rural reform. Judging from the situation in the southern suburbs, the "two councils and one open door" system is an efficient way to further the party branch office's leadership, fulfill the function of the self-rule associations in villages, and promote the healthy development of material and spiritual civilization in the rural areas. Through the work of party member councils and village representative councils, party branch offices can attract peasants and their associations to the side of the party. People will be more eager for political participation, and the masses will sincerely offer their support to the party branch. The masses, recognizing the duties of their cadres and the decisions that they must make, will be more understanding and supportive. At the same time the cadres are under constant surveillance by the people; this will cut down or prevent corruption. The facts show us that since the "two councils and one open door" system has been implemented, the party branch office and other village-level organisations have become more vigorous, and the cadres are more conscientious and use more initiative in their work.

Second, the essence and the core of the socialist democratic political system are based on the fact that people are their own masters. Ever since the rural economic system has implemented reform and ever since the household responsibility system linking remuneration to output has been promoted, people are more aware of the idea of equality and continue to demand more democracy. Because the situation is changeable, the management of rural production cannot be concentrated in only one area. It is not possible to realize democratic rights through the centralized control of the past. Yet the time is still not ripe for villagers to participate in direct democracy. It is not advisable to have frequent general village meetings. With a vast population, it is difficult to obtain unified opinions from villagers. The establishment of party member councils and village representative councils helps organize meetings, collect people's opinions, and find out villagers' wishes. With the regular gatherings and the organic combination of party member councils, village representative councils, and villagers' general meetings, villagers can practice self-management, self-education, and self-service while following party leadership. Also, we are able to see that democratic and political construction in the rural areas has to grow gradually and follow in the footsteps of political, economic, and cultural development. We cannot go beyond reality and push for instant success. Nor should we wait passively and do nothing. We should follow the example of the cadres and masses in the southern suburbs; think first of the reality, then actively follow any leads and explore. We must march solidly on to the progress of democratic and political construction in the rural areas.

Third, judging from the situation in the southern suburbs, the system of "two councils and one open door" is being more effectively carried out because the collective economy is more developed. When the people of a region decide to practice collective economy, they will be more aware of issues that are related to their general interests, and they will be more concerned about production and development in their villages. Also, people have a stronger desire to be involved politically and are more enthusiastic in overseeing cadres and their work. This provides the best conditions for implementation of the "two councils and one open door" system. Looking at the other side of the issue, we find that the "two councils and one open door" system encourages a bigger and stronger growth of the collective economy. From this we may infer that if we want further rural reform and want to improve democratic and political construction in the rural areas, we must first develop the collective economy and double-level management. The collective economy is the one thing that can stimulate overall economic development. Only then can we build a solid foundation for the development of democratic and political construction in the rural areas.

Fourth, if we want the system of "two councils and one open door" to grow healthily, we must gradually build up the legal and official setup to prevent the system from being altered with different leadership or being changed to fit individual taste. Therefore, we should further improve the quality of the higher ranking cadres in the villages, ensuring that they work conscientiously in promoting democratic administration. Meanwhile, all party committees and government offices, while asserting the leadership of the party branch in village-level organizations, must be more enthusiastic in promoting this system and be thorough in their examination and supervision. They must learn from experience and try to improve or perfect the system. However, we must understand that the standard of political, economic, and cultural development varies according to different rural areas. When we implement this system we must not ignore local conditions. Each region may require a different dosage. We should not apply the system arbitrarily, for this will merely end up as formality without substance.

Heighten the Sense of Proportion, Neither Overdo Nor Underdo

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[Text] Our historical and realistic experiences have taught us that to be scientific in making policies, we must understand the principle of proportion in dialectical materialism; we must be more aware of the importance of proportion. We should keep in mind the expressions "pay attention to timing" and "be tactful," and try not to go overboard. Therefore, we must first understand what

proportion is and how to have a sense of proportion. This is important if we want to make further progress in the task of rectification and improvement, deepen reform, improve the economy, and safeguard the correct course for socialist modernization and construction.

Materialist dialectics holds that everything in the world has a combination of quality and quantity and that the way to combine these two factors is by exercising a sense of proportion. Proportion denotes the quantitative limit or range and the qualitative requirement of any matter, and it is also the line where qualitative and quantitative requirements meet. There are limits on each side of every matter; that is to say, there are critical limits. We have knowledge of proportion when we manage to meet the qualitative requirement within the range of these critical limits and within the area of allowed variation. If we stay above the critical limits, we will not step over the limit, harmony will be maintained, and conditions will be relatively stable. Even when we stay within the general measure of proportion, things may change quantitatively, and to a slight degree, qualitatively; but the essence of the matter will remain the same. Once we step over the two critical limits, that is to say, the upper and the lower limits, we go beyond the limit of toleration, and then fundamental changes will occur. When change occurs because we have not reached the limit of proportion, we say this is "lagging behind." If the situation is reversed and we have gone over the limit, this is called "going overboard." When we need to have relative stability, lagging behind or going overboard means lacking proportion; subjectively speaking, this means committing an error.

People who are leaders must have a sense of proportion whenever they make policies. They must uphold the principle of proportion; they should never lag behind or go overboard. If they go overboard, they may make the mistake of leaning towards "leftism" when they offer work guidance. If they slack off, they may make rightist mistakes. After the Third Plenary Session of the 11th CPC Central Committee, our party implemented a series of correct policies. That is, we have accurately understood how to exercise proportion at the present stage of socialism in our country. The discovery of the theory that says our country is at the early stage of socialism is based on the fact that our socialism was born out of a semicolonial and semifeudal society and the fact that our industrial productivity is way behind developed socialist countries. This description correctly reflects the sense of socialist proportion in our society. We are in the early stages of socialism. The term "socialism" defines the quality of our society and "early stage" describes the level of our socialist development. This tells us that various economic styles may coexist, but the public ownership system stays as the main body. We will have different types of distribution based on labor and we will develop a planned commodity economy, and so forth. All these are decided by the progress of development and the standard of productivity. Once we have scientific understanding of our national situation, we can find the

basis for socialist construction and reform and institute and implement correct lines and policies. This will prevent us from lagging behind or going overboard. Generally speaking, the reason we made mistakes in the past was because we did not have enough sense of proportion in handling the difficulty of building a socialist society in the early stages.

If we review the process of our economic construction and development in the last 40 years, we will notice that the characteristic of this process is a wave of big upheavals. We do not seem to be able to maintain a long period of steady and coordinated development. A few years ago we had a relapse. The result was that we have had to spend three or more years in implementing rectification and in reorganization. Some theorists think that economic fluctuation in China, or the cycle of economic fluctuation, is an objective necessity. Needless to say, in the process of developing a socialist planned commodity economy, there will be cycles of change in different areas of development and the economy may fluctuate within a certain range. This is a normal phenomenon, especially in agriculture, where the foundation is weak and where it is easy to be affected by natural disasters. In a situation like this it is difficult to avoid large fluctuations at this moment. But in overall economic construction, high ups and downs recurring many times should not be considered normal. What then is the reason for our economic upheavals? If we look at the last two five-year plans, we will notice that the major problem is "overheating." We relied on a high level of investment to win high-speed growth with a low level of efficiency. "Overheating" was caused by our overenthusiasm for economic success. We ignored our national situation and capabilities. We went beyond our abilities and tried to accomplish large-scale construction and produce high growth rates. When the economy became so heated, it could not reverse its course. The size of the burden our national economic sectors must shoulder, especially for the "bottleneck" sectors, went beyond the limit. There was no choice but to "step on the brakes." Economically, there was no way to avoid the "big fall." The CPC Central Committee has to use the science of materialist dialectics to understand and study this historical experience. By effectively implementing rectification and reorganization, the party has gradually led the national economy back on the track of steady and stable development and coordination, and helped us maintain adequate economic growth by improving economic benefits. Therefore, it is important that leaders have a sense of proportion in solving problems. If they want to be scientific in making policies, they should never lag behind or go overboard.

How do we have a sense of proportion and understand the essence of a matter? The following points illustrate my understanding of the issue:

1. We must understand the objectivity of proportion and we must not act subjectively or impulsively. Proportion is defined by the existing boundaries of the object itself, and these boundaries are objective things. Hegel pointed

out from the idealist viewpoint that in the cognition process it is particularly important to "disregard the restrictions in our experience and sublimate the experience into a general, regulated appearance of qualitative requirement. This requirement can then be turned into laws or links of proportion." Lenin, in his *Philosophical Notes*, said that proportion is the boundary of all matter and its objectivity is undeniable.

The objectivity of proportion means that we cannot artificially abolish, dissolve, or oppose it. All we can do is understand the situation and try to take advantage of it. The principle of proportion in Marxism does not indicate if there is a fixed model. When we understand how to exercise proportion, we will become more conscientious and thorough when we carry out the party's lines, methods, and policies. For instance, even though we have extinguished the exploitative system and class structure, class struggle in certain areas will exist for a long time and may even be intensified. Therefore, we must be skillful at handling the quantitative requirement of "particular areas" and "long periods of time" and the qualitative requirement of class struggle. We must not enlarge or minimize class struggle. If we enlarge the area of class struggle, we may commit "leftist" errors; and if we minimize the issue we may make rightist mistakes. This objective existence cannot be molded according to our wishes. Within the country antagonistic forces still exist. And the international antagonistic forces who are anticommunist and antisocialist have never given up their intention to implement peaceful evolution in our country. The struggles inside our country and in the international arena, the antagonism between bourgeois liberalization and the four cardinal principles, peaceful evolution and counter-peaceful evolution—all are closely related matters. We must keep our heads clear, otherwise we will make political mistakes.

The work of socialist economic construction is the first of its kind. It has never been done before and it is complicated and forever changing. People may not be able to feel at once what should be the standard of proportion applicable to construction and development. Our past experiences teach us that, under these circumstances, it is better to reserve elbow room than to go overboard. Of course, the best solution would be to find a perfect fit. Comrade Chen Yun said, "If the scale of construction is beyond what our country can afford financially and beyond the limit of our resources, then we have overreached ourselves and we will have economic chaos. If we can match the scale of construction with our financial and material capabilities, then the economy will remain stable. Naturally, it is not good to be too conservative because we may hinder the rate of growth. But it is easier to correct conservatism than to reverse an overextended course. Once there are more material goods, we will have no problem expanding. If, on the other hand, we find, after we have expanded our projects, that there are less than sufficient financial and material resources to support the construction, it will not be easy to decrease the work scale."¹ In the process of

socialist construction and reform, we have found that the damage of doing "too much" is always bigger than "not enough." The economic statistics of our country in the last 40 years show that our rate of industrial growth has been 5-10 percent. This record shows us that 5 percent and 10 percent are the two boundaries of our economic growth. Once we exceed 10 percent our economy will become overheated and economic growth will become unbalanced. If the rate is lower than 5 percent, then it will not be possible to satisfy the demands for national economic development. However, in building our socialist economy, we have repeatedly gone beyond these objective boundaries of proportion. The result is that our economic development was heated and reheated. There has been unbalanced growth for a long time and this has also hindered economic development. Of course, we are not saying that these statistics are the most accurate measure of our national economic construction and development. But they are sufficient to support the fact that the scale of construction must match China's financial and material resources. The issue of matching is important because it is the boundary that defines economic stability. For a large nation like ours, economic stability is of utmost importance. If we want to have steady, continuous, and coordinated economic development, we must make sure that the scale of construction corresponds to our financial and material abilities. We can say that this is the yardstick that we must follow if we want to avoid another period of overheated economic construction. Therefore, while we continue rectification and reorganization, and while we pursue our reform policy, we should take a better look at strategic changes in the development of productivity. We need to take this opportunity to readjust our economic, industrial, and product structures. We should improve the quality of our products, lower costs, reorganize work procedures, improve labor productivity, and heighten economic benefits. We cannot return to the old route of high speed, but low efficiency. If at times we cannot comprehend what our standard of proportion is, or understand the objectivity of the matter involved, we should slow down rather than go overboard. When we make decisions, we take small steps. We do not stop, take a detour, or retreat. This is the lesson learned from valuable experience and this will prevent us from having more upheavals during the process of socialist construction.

2. To have a sense of proportion is to see the connections between matters and not be one-sided. All things connect with each other. Everything has its limits, the highest and the lowest; proportion means connecting the two limits. It also means making connections and linking boundaries. To be able to understand proportion is to know how to connect things together. If we isolate a situation and forget about its relation with other situations, we will lose our sense of proportion. For instance, a certain decision may look correct from a certain angle, but be inappropriate for the overall situation. When we carry out this individual policy, if we are too restrained or too excessive in our efforts, the impact of our efforts will

affect other matters in the same way. This may result in a series of misconceptions and start a cycle of inappropriate reactions.

Recently the ecological environment in Heilongjiang has had a somewhat unbalanced development. Before the People's Republic was founded, 38.5 percent of the area was covered with forest. Later people began to cut trees arbitrarily. To make matters worse, they did a poor job in taking care of the forest. The forest area became 12.9 percent smaller than before, as was the case with the young forest. Large numbers of trees were chopped down, beyond proper limits. As a result, the sense of proportion in other matters was damaged. The amount of rainfall in the province has gone down from 600 millimeters during the 1950's to 400-500 millimeters now. The forest area at the Xiao Xingan Mountains used to be moist and rainy. The weather has been dry and hot recently. The rainy season for Yichun Forest should be in July and August. There were six consecutive dry years in the 1980's. As we can see, to have a sense of proportion means to see the relationships among all things.

When we worked in the past, we were inclined to take care of one thing at a time. We almost never tried to connect other elements that might be involved. In our history we had the record of taking "grain production as the key link," a movement that emphasized one-sided grain production. We ignored other kinds of production and destroyed pasture and wilderness. As a result, agricultural production failed, the environment was impaired, and overall conditions were affected.

3. We must realize that proportion includes unification, and we should not act impulsively. When exercising proportion, we always find conflicts between the requirement for quality and the requirement for quantity. However, satisfying qualitative requirements and satisfying quantitative requirements need the same kind of effort. To be able to meet the standard of proportion we must find the constant demand for quality and the ever-changing quest for quantity. When the situation is stable and development is going well, the demand for quantity may contradict the demand for quality. Sometimes if the demand for quantity is higher than quality, a new product will be created instead. This is also an objective rule of development and this cannot be altered by man's will power alone. When we understand the conflict between the demand for quality and the demand for quantity, we understand proportion.

When we try to figure out the proper way to handle a situation, we tend to separate the requirement for quality and the requirement for quantity. We may first see the demand for quality and ignore quantity, or we may notice the demand for quantity but are vague about the quest for quality. If we want to be accurate in figuring out what should be the standard of proportion, we must combine the quest for quality and the quest for quantity. Comrade Mao Zedong said, "We know the 'numbers' by heart. That is to say no matter what the situation or the problem is, we must first notice the number and analyze

on a quantitative basis. The quality of the problem or situation is presented through its quantity. Without quantity, there will not be quality. Many comrades still have not learned to notice quantitative facts. They do not pay attention to statistics or percentages. They do not understand that the quantity of anything determines its quality. There are no 'numbers' in their minds. As a result they often make mistakes."² Knowing the numbers means having a clear understanding of quality as well as quantity. This means having a sense of proportion. In the past, whenever we made decisions in economic matters, we did more analysis on quality, less on quantity. When a decisionmaker has no idea of or is confused about quantitative analysis, or when he does not have the right kind of information, he will not be able to understand clearly the essence of the problem and will act as if he were blindfolded. This will harm socialist construction. If we are responsible for economic development, we should not be satisfied at only having qualitative analysis and making simple predictions concerning general trends. For instance, if a report mentions a weak market, it is just telling us that overall demand is low. There should be a quantitative analysis. We have to find out concrete figures regarding demand. In what area is demand slacking off? What kinds of goods are in lesser or greater demand? If we are unclear about these basic conditions, it is possible that we may increase or decrease production without good reason. The result may be that products in short supply are still not replenished and, at the same time, more unwanted products are produced. If so, there will not be any hope of improving production and readjusting product structure. It will be impossible to find a solution that can counteract the predicament and lead economic construction onto the path of steady, harmonious, and continuous development.

4. We must understand that the degree of proportion changes according to conditions and we should never make arbitrary decisions. Dialectical materialists believe that everything changes according to time, place, and circumstance. Time and place are part of the conditions. The conditions surrounding the existence of a problem are also the conditions for setting its degree of proportionality. Once we ignore existing conditions, we will lose the sense of proportion. We will fail to understand or to solve the problem. Conditions are the sum of all things related to this certain matter plus all the elements affecting its existence and development. For instance, water boils at 100 degrees Celsius under normal atmospheric pressure, but it boils at a lower temperature at high altitude. Conditions determine the characteristics, development, and variations of all matter, including its degree of proportionality. The degree of proportionality changes according to conditions. Conditions have a concrete existence, therefore proportion is also a concrete thing. Every matter has its conditional requirements. We must not be afraid to adhere to conditions or to deviate from them. Neither should we exaggerate or minimize the requirements. Lenin said, "Any truth, if we 'overemphasize' and exaggerate it, or try to apply it

beyond its defined area, will become a ridiculous farce."³ As we can see, if we try to determine the degree of proportionality without considering the conditions of the matter involved, if we do not make changes according to the conditions, or if we fail to make concrete analysis for concrete matters, we will be making arbitrary decisions and committing metaphysical errors.

At present, we must thoroughly implement the CPC's policy of rectification and reorganization and we must understand the objective existence of proportion. From a macroscopic viewpoint we have to be all-inclusive and maintain our balance. If a certain action has to be taken, we must go forward and do it. Certain things need to be suppressed, so we suppress them. Certain things must be preserved, so we preserve them. We must differentiate among various financial policies in the issuance of loans and the setting of interest rates. We cannot treat all needs and conditions the same way and make arbitrary decisions. One important task of rectification and reorganization is to solve the problem of an overheated economy. One major reason for the economy getting overheated is that certain long-term processing industries have developed too fast, yet basic industries are lagging behind. If we treat basic industries and energy industries the same way we treat processing industries (which is to say we suppress, cut, and shrink the size of all development), this will only make basic industries fall even further behind and hinder overall economic development. Therefore, it is important to look into the conditions of each problem if we want to master the sense of proportion. To solve concrete problems we must have concrete analysis. Only when we understand the conditional requirements and the concrete existence of each matter, and combine subjective cognition with objective reality, can we conscientiously prevent ourselves from being too zealous or too lethargic when doing the job of rectification and reorganization. We then can make sure the work of rectification and reorganization will go smoothly and that our goal will be accomplished.

5. We should understand the dynamics of each event and realize that the level of proportion does not remain stagnant forever. Things move. Everything has its own dynamic. This means that nothing stays frozen, still, or fixed. Therefore when we attempt to exercise a sense of proportion, we must realize the dialectic viewpoint of development. We cannot expect that everything will remain unchanged, nor should we ignore facts and artificially alter the course of development. When the situation is mature and the product evolves from the old to the new stage, the increase in quantity will be higher than the original target. Only when we manage to break through the original boundaries and find a way out, can we promote progress. If all we can do is stick with the original standards, we will become too conservative or we may err on the "right." On the other hand, if the time for qualitative change is not quite ripe and we artificially ruin the required standards, the result will not be good because we have pushed too hard, too fast, and we will err on the "left." We should see that too "hot" or too

"cold" will not help us achieve our goal. This just shows us that we must handle the dynamics of things well to understand what the proper proportions should be.

We promote reform because we want to change the relationship between upper-strata construction and production and because we want to improve the connection between economic foundations and the development of productivity. This is the basic principle of historical materialism, something we must understand if we want to reform productive relations. In the past, the people's communes in the rural areas have caused damage to productivity. At present the rural areas are implementing the household responsibility system linking remuneration to output and this decision has greatly mobilized the development of productivity. We have a first-hand understanding of the changes. When we cross the line of proportion and become either too "zealous" or too "lethargic," the results can affect the progress of development. Only when we preserve our sense of proportion can we promote healthy development and progress.

According to the principle of dynamics, when we work we must be aware of two situations. One is that we tend to deny that there is an absolute limit for every issue. First, when we exaggerate the relative stability of the problem, or when we fail to promote reform at the right time, we will hinder development. Second, when we deny the fact that everything has to maintain a level of stability and calm, fail to make up a steady and continuous policy, and make arbitrary adjustments of the standard of proportion, we will also hinder development. If we cannot handle the dynamics of matter and maintain a sense of proportion, the policies we make will either be conservative and lean to the right, or impulsive and become leftist. While we proceed with the construction of socialist modernization, conditions keep changing, the same as with the standards for proportionality. This is why we must change our policies and procedures accordingly. Take for instance economic system reform in the urban areas. All these years we have tried to correct the situation of monopolized power that has created a lack of proportion and tied the hands of enterprises. What the old system has done is to provide iron rice bowls, while at the same time opposing the principle of each according to his work, denying the law of value, ignoring the use of market mechanism, depending too heavily on political means, and failing to use economic solutions. We have decided that we should distribute authority, open up, and involve districts, enterprises, and individuals by letting them have more independent power. At the same time, we have taken action to connect the material benefits of groups and individuals with economic benefits. This has been the main theme of economic reform for the last decade and it has met with success. However, some of the measures taken to promote this theme are improper and the situation has become disorganized. This we should not ignore. What should be our next move in reform? We need to find our way out through exploration and further

similar practices. Reform must be continued. This is a decided fact because there is no place to retreat.

How does one maintain a sense of proportion and not go overboard or lag behind? This is not an easy thing to do. We must understand the basic theory of Marxism and also have other related professional knowledge. Hence we must study Marxist theories diligently, especially works of Marxist philosophy, scientific socialism, and political economics. We need to grasp the principle of proportion, build up our knowledge, learn how to use the knowledge of proportion in practical work, and continuously study our experiences. Furthermore, we must involve ourselves in reality, go to the people, emphasize research and studies, and have a clear understanding of objective reality. At the same time, we must arm ourselves with scientific technology and professional knowledge. For instance, if a leader standing on the agricultural front line does not even have basic agricultural knowledge, he will not be able to exercise proportion in agriculture even if he is aware of the significance of his duty. In other words, leaders have to be both Red and expert. Being Red and expert is the best preparation for having a sense of proportion and doing our jobs well, no matter in what area.

Footnotes

1. *Collected Works of Chen Yun, 1956-1985*, p. 44.
2. *Collected Works of Mao Zedong, Volume 4*, p. 132.
3. *Selected Works of Lenin, Volume 4*, p. 217.

How To Adhere to the Guidance of Marxism in the Study of History—Summary of a Symposium

HK1803122191 Beijing QIUSHI [SEEKING TRUTH] in Chinese No 4, 16 Feb 91 pp 44-45

[Article by Zou Zhaochen (6760 0340 6591), Beijing Normal University History Department]

[Text] How to better adhere to the guidance of Marxism in the study of history is a question of utmost importance in the development of Chinese historiography. On 12 December 1990, the Beijing Historiography Society's Historiographical Theory Group invited more than 20 historiographers from colleges and universities, research institutions, and news and publishing units in the capital to a symposium and had a lively discussion on this question. The following is a summary of this symposium:

1. It is necessary to fully recognize the role Marxism played in guiding the development of Chinese historiography over the past 70 years.

Marxist historiography has had a history of some 70 years in China since Comrade Li Dazhao first advocated using the Marxist conception of history to guide the study of historiography. Looking back, the participants had this to say: Comrade Li Dazhao broke the dull atmosphere of old historiography by comparing the various old conceptions of history with the Marxist

conception. He discussed the "value of the materialist conception of history in modern historiography" and advocated that this brand-new interpretive approach be adopted in the study of history. Between the 1920's and 1940's, Guo Moruo [6753 3106 5387], Fan Wenlan [5400 2429 3482], Lu Zhenyu [0712 2182 5038], Hou Wailu [0186 1120 1687], Jian Bozan [5054 0130 6363], and other Marxist historiographers of the older generation, in light of the social needs at that time, restudied China's history from a Marxist viewpoint. Through much arduous effort, they laid the foundation for Marxist historiography in China. It was upon the foundation laid by them that Marxist historiography developed in greater depth and breadth in the over four decades since the founding of New China. This represents a fundamental change in the development of Chinese historiography. In its development, Marxist historiography also suffered interference from "left" and right ideological trends. In particular, it suffered great setbacks during the 10 years of the Cultural Revolution. After the 11th CPC Central Committee's Third Plenary Session, historiography once again returned to the Marxist track and its development showed new vitality and prospects. Despite interference from erroneous trends of thought, the general direction cannot be reversed. Facts have demonstrated that the guidance of Marxism in the study of history is the source of new vitality for historiography.

The symposium participants pointed out: This point has not only been demonstrated by the development of Chinese historiography, but has been illustrated by a host of facts in the development of historiography in the West. Some Western historiographers admitted that when Western historiographers discovered that the theoretical system they upheld had "lost its initial vitality," it was Marxism that "provided a convincing system" and "the only satisfying basis for the rational listing of the complicated events in the history of mankind." (Ba-le-ke-la-fu [1572 0519 0344 2139 1133]: *Main Trends in Contemporary Historiography*) Leading figures of the influential French almanac school also admitted that their "new historiography" was influenced by Marxism. Ya-ke Le-gao-gu [7161 0344 0519 7559 1133] said, "In many respects (such as studying history with specific issues in mind, interdisciplinary study, long-term observation, and overall perspective), Marx was also one of the masters of new historiography." (*New Historiography*) Some foreign historiographers believed that Mainland Chinese historiographers had an edge over them, not only in terms of materials, but mainly because they had mastered the materialist conception of history. The participants said that our personal experience and outside comments convinced us that the science of history will definitely flourish if further efforts are made to strengthen research under Marxism's guidance.

2. It is necessary to have a sober and scientific understanding of non-Marxist trends in the study of history.

The participants said in their discussion that the main trend in the development of the science of history since the 11th CPC Central Committee's Third Plenary Session has been healthy and the achievements have been great. The overwhelming majority of historiographers have devoted genuine efforts to the cause of Marxist historiography. However, there have been tendencies in recent years to belittle or even negate Marxism's guiding role in historiography. We must have sufficient knowledge of their harm. These tendencies are: Some people said that Marxism should not be used to guide the study of history, and regarded Marxism merely as a school on a par with other schools. Some thought that Marxism, which was born in the 19th century, was already obsolete in the 1980's and could no longer guide historiography's development. Some saw Marxism as an ossified dogma and formula and a set of rigid rules that obstructed historiography's development. Some rejected the role of class struggle in pushing forward history's development and the method of class analysis. Some belittled and negated the masses' role in the creation of history and advocated the "new concept that heroes make history." A few individuals even uncritically preached Western historiography's "new theories" and "new methods" as substitutes for Marxism in guiding the study of history. Every genuine Marxist historiographer must have a sober and scientific understanding of these tendencies and must not turn a blind eye to them. They must become actively involved in the criticism or discussion of various erroneous views to ensure the correct development of the science of history, and continuously raise their theoretical and academic standards in the process.

3. It is necessary to try by all and every means to further strengthen Marxism's guidance in the study of history.

Everyone held that how to adhere to the guidance of Marxism in the study of history was a question of immediate importance, and that conscientious efforts must be made to study this question. At present, efforts should be made in the following areas:

First, we should scientifically and realistically sum up the experience we have gained in applying Marxism in the study of history over the past 70 years. While fully affirming the tremendous achievements gained over the years, we must also look into the causes of the mistakes made. A successful summary of this experience will be of great help in making better use of Marxism to promote Marxist historiography's healthy development.

Second, we should positively unfold discussion on questions of theory in history. When applying Marxism to study historical questions, we are bound to come across differing opinions. Full and convincing discussions of these questions will help us deepen our understanding and promote the development of Marxist historiography. Looking back, the symposium participants were of the opinion that, on the whole, discussions on certain historical questions among historiographers in the 1950's had produced good results in that they had helped raise the historiographers' standards in applying

Marxism to study historical questions. They believed that past shortcomings and mistakes could be avoided in the future. After the 11th CPC Central Committee's Third Plenary Session, major discussions were conducted on questions like the motive force behind history's development and the spread of feudal society in China. These have attracted the attention of many historiographers. Such theoretical discussions should be further promoted.

The participants pointed out that efforts must be made to distinguish between academic and political deeds in discussions of theoretical questions. In academic discussions, it is normal to have arguments between differing views. In the course of discussion, erroneous academic views are sometimes voiced. As long as they are not against the four cardinal principles, we should allow such views to be voiced, discussed, criticized, and defended. It is only in this kind of academic environment that issues can be discussed in depth and theoretical rights and wrongs can be straightened out. However, we must maintain a clear-cut stand by criticizing, resisting, and waging a struggle against erroneous views which deliberately belittle or calumniate Marxism's role in guiding the study of history and which negate the basic tenets of Marxism.

Third, we should advocate the earnest study of Marxist works. The participants unanimously agreed that, under the circumstances, it was essential for historiographers to study Marxism anew. Most middle-aged and old historiographers had spent a lot of time studying Marxist writings during the 1950's and 1960's. After the downfall of the gang of four, however, they were busy making up for lost time. In their eagerness to catch up on their research, they had, to varying extents, slackened their study of Marxist theory. A few years ago, due to the weakening of ideological and political work and the spread of bourgeois liberalization, most young comrades seldom read any Marxist works. They were poor in their understanding of Marxism and lacked the ability to distinguish between different trends of thought. Thus, under the new situation in the 1990's, there is every need to urge historiographers to make a renewed effort to conscientiously study Marxism. We should assiduously study the original texts and learn from the classical writers' stands, viewpoints, and methods in analyzing historical questions. Young comrades must apply themselves to study. Middle-aged and old comrades not only must study, but must strive to study in greater depth and apply what they have learned more precisely. Only in this way can Chinese historiographers give full scope to their superiority.

Fourth, we should intensify the application of Marxism in the entire sphere of historical research. The participants pointed out that Marxism's guidance in the study of history should not stop at the theoretical level. Rather, it must penetrate all spheres of historical research. Not only does "macroscopic" historical research need the application of Marxism, but even "microscopic" historical research, including the study of historical events and

figures and the analysis of historical materials, requires continuous efforts to overcome the limitations of empirical methods and apply Marxism in study. This does not mean mechanically applying Marxism as a simple formula. Instead, we must truly regard it as an ideological weapon for tackling problems.

Fifth, we should strengthen the building of Marxist historiographical theories and methodology. In order to strengthen Marxism's guidance in the study of history, we must establish and improve a set of historiographical theories and methodology with Marxist theories as its guide and suited to the actual needs of historical research and the training of historiographers. Marxism is an open and scientific ideological system. As modern science and technology develops, it too will be further enriched and developed. Thus, historiographers should make continuous efforts to enrich themselves by drawing nourishment from the new achievements of other sciences. While summing up our own experience, we should also earnestly study the different Western schools of historiography, and critically assimilate what is useful. Over the past 10 years, a number of teaching materials and monographs on historiographical theories have been published. This is a gratifying achievement. Nonetheless, further efforts are still required to strengthen and improve the historiographical theories system so that it can play a more important role in actively promoting the application of Marxism in guiding the study of history.

An Evergreen Theme—Commenting on 'Patriotic Education Book Series'

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in Chinese No 4, 16 Feb 91 pp 46-47

[Article by Ling Chen (0407 2525)]

[Text] The Beijing Teachers University Publishing House recently published a "patriotic education book series" (edited by Gong Shuifeng, and coedited by Pan Guoji and Hu Yunfu). The "book series" comprises altogether seven texts, entitled *Brief Notes on Current Patriotism*, *Sundry Talks on China's Traditional Culture*, *Military Soul of the Current Era*, *They Are Battling for the Fatherland*, *Patriotism of Overseas Chinese*, *Collection of Patriotic Poems of the Current Era*, and *Contemporary Articles and Writings on Patriotism*. The publishing house plans to publish a second set in this series on or before 1 May 1991, so as to meet the readers' needs.

The "book series" has a wide collection of materials and is rich in content. Ranging from traditional culture and current patriotic ideas from the military and sportsmen to patriotic Overseas Chinese, the "book series" touches on the many sides of history and society. It has been written in many styles and its form is very lively. There are theoretical studies and narratives and also lively articles on sundry topics and literary reports that can well impress people. There are also poems written by noted patriots, scholars, and historians. They combine

imagination and reality and merge feeling and reason. The "book series" writing style is smooth and pleasant; it is penetrating, but readily understandable; the explanations and notes are brief and concise; and the content is popular, easy to understand, and convenient for use in reading and presentation. They are good teaching materials, and are reasonable, sentimental, and good for teaching patriotism.

In the history of Chinese civilization and within the Chinese people's spiritual realm, patriotism itself is an important and evergreen topic. From this "book series," the reader can gather the episodes, feelings, and ideas of many patriots the historical intention and current value of patriotism and proceed to understand that, so far as the Chinese race is concerned, the spirit of patriotism is very valuable, important, and worthy of our pride.

Patriotism embodies rich content. It is centrally manifested in historical ideas, cultural psychology, moral upbuilding, political caliber, and the era's spirit. The Chinese race, with a civilized history of several thousand years, is not only able to stand aloft in the forest of the world's peoples, but is also capable of making remarkable contributions to the development of world civilization. Indeed, it is true that ancient history can be a burden on a people's progress. This can occur when a people are blinded by their own history, or when a people can consciously treat and handle or liquidate their own past history then doubtlessly it can serve as the motivating power for this people's forward progress. Patriotism is also the reflection of a sort of cultural psychology. The Chinese race has a glorious and very splendid ancient civilization. Its colorful and stubborn life power is the inexhaustible source of the cohesive force of the Chinese people. One viewpoint believes that China's traditional culture impedes China's modernization program. This viewpoint is one-sided. In China's traditional culture, there is the side of passivism, and even decay or rottenness; but there is also the side which is positive and full of vitality up to the present. A self-conscious people should not kick aside the culture which it has cultivated (as a matter of fact it is impossible to do so). On the contrary, we should only throw out the rotten part, overcome the impeding power it has generated in the modernization program, preserve its essence, let loose and display its motive force in the modernization program, and enable the attainment of a new life and development. If in the process of modernization, a nation lacks a clear understanding and a fair estimation of the country's cultural accumulations created after a history of several thousand years, then its people would psychologically lose its reliance and would lose its original cohesive power. Patriotism is also the manifestation of human political character. It is true that from time immemorial patriotism has had a definite content that is historical and belongs to the classes; but, if the individual's destiny, the nation's destiny, and the people's destiny are woven into a single body, so that love can be bestowed on what is loved and resentment be

made against what is resented, then this love and resentment can far surpass the individual's interests, gains or losses, and gratitudes or resentments. And even under certain conditions, such as inroads from an external enemy, it can, to a very large extent, surpass class disputes and thereby assume a vast breadth of mind and an exalted behavior.

Speaking from another context, patriotism is also an exaltation of man's moral caliber. The current era's patriotism possesses an outstanding spirit of the times. This spirit of the times is manifested, under the CPC's leadership, in the spirit to fight for and to offer one's self to the cause of building socialist modernization and realizing the unification of patriotism and socialism. It is also manifested in the self-conscious understanding of supporting the unification of the Fatherland and the prosperity and wealth of the country and the people. Hence, current patriotism, compared with past patriotism, has an even wider outlook and much deeper confines. In this regard, the "book series" can give the reader much enlightenment.

Patriotism is the self-conscious act of millions of people. It is a sort of exalted and great social practice. It is precisely this self-conscious act and social practice that have pushed China's historical wheel to roll forward. From various front lines and sides, the "book series" has shown the readers the wide channels of the current generation's patriotic acts. As one reads the "book series," one is deeply impressed!

Patriotism is also the patriot's song and spiritual product. The poems, verses, and literary articles on patriotism collected in the "book series" are precisely records of this sort of exalted feeling and great practice. The book, *Collection of Recent and Current Patriotic Songs and Poems* is a collection of 104 composers, with 245 pieces, that spans from 1940 to 1990. This book may be treated as a concise history of poems with the exaltation of the patriotic spirit as the main theme. It may also be treated as a brief historical annal of poems on patriotism. *A Selection of Modern Patriotic Articles* is a compilation of 41 articles written by 29 authors, including Li Dazhao, Zhu Zhiqing, Zhou Taofen, Lu Xun, Fang Zhimin, Lao She, Xien Xinghai, Guo Muye, Ba Jin, Bing Xin, Ding Ling, and others. Each and every article goes deep into the reader's heart.

After reading the "book series" I have the following thoughts:

- Over the past thousand years and more, children of the Chinese race have expressed great fondness and praise for the Fatherland's beautiful rivers and mountain ranges and are imbued with patriotic feelings for the Fatherland. It would be truly meaningful to gather together all current writers to jointly compose a new set of songs and praises for the Fatherland's beautiful rivers and mountain ranges.
- College students of the current era have deep and warm patriotic feelings and there is no lack of cases of

these feelings rising into the realm of rational understanding. If there is a book which reflects the patriotic feelings of college students of the current era, then the book surely will be well welcomed by them.

- Our large body of teachers are truly gardeners tending the soul of the Chinese race. The past, present, and future caliber of talented people embodies a great deal of their conscience, responsibility, warm feelings, painstaking care, and even their lives. If there can be a book which delicately presents the spirit they have contributed, then, likewise, it would be welcomed and liked by readers from all sides.

As a reader, I would very much like the compiler and publisher of the "book series" to include the above thoughts in their selection plans, to further expand the outlook of the "book series," and to continue with their work on these meaningful subjects. There is little doubt that the knowledge and efforts of the writers, editors, and publisher of the "book series" have the gratitude and thanks of the young friends and all the enthusiastic readers of the series.

Since patriotism is an evergreen topic, then, in the course of China's progressing in the direction of socialist modernization, it will, from beginning to end, be this great movement's marching song. Speaking on its essence, education on patriotism is the self-education of the millions of the masses of people. Therefore, educational workers, theoretical workers, political and ideological workers, and other writers, poets, and artists are all obligated to create superior spiritual productions in this connection so as to meet this great historical movement's needs. What is worth looking at is that an evergreen topic needs people to constantly work and to be evergreen, to continuously produce new creations that rise to new levels, and at the same time to pay attention to employing various forms to manifest the new accomplishments to avoid the chances of duplication and a slow development trend.

Since patriotic education is an urgent matter, it is also an everlasting business. On the one hand, it needs to start now and, on the other hand, there must be a long-term outlook. Surely these are not the readers' only wishes for the "book series."

An Excellent Work Reflecting and Expediting Rural Reform; Commenting on the Novel *A Turbulent Autumn*

HK2103100691 Beijing QIUSHI [SEEKING TRUTH]
in Chinese No 4, 16 Feb 91 pp 48, 47

[Article by Zhang Jiong (1728 3418)]

[Text] Liu Yumin's lengthy novel, *A Turbulent Autumn* (published by the People's Literary Publishing House), is relatively lively, and it realistically reflects and promotes rural reform. Through the novel's description and presentation, the readers gain an unforgettable impression of the intensive changes and new and fresh countenance

in our country's rural areas. The author's pen touches on realism and boldly presents its fresh color and countenance. Though written rather swiftly, the novel covers the minor details well. It may specially be pointed out that the novel does a fairly good job of combining a lively description of history's reality and a rational selection of moral commendation. Thus, it is not only full of realistic understanding but also serves to stimulate the reader's deep thinking of the trend of historical development and the moral countenance and spiritual quality of the central figures in the reform.

The novel describes the big changes in the new period of the rural village Da Song Yuan Township on Jiaodong Peninsula. Yue Pengzheng, a former armyman transferred to civilian work, assumes the post of branch party committee, and receives from his predecessor some 800 yuan in deposits. Taking advantage of the new environment of reform and the open door, he leads the peasants to organize a large number of town and township enterprises and subsequently becomes the general manager of a big corporation with assets of several tens of million yuan. He makes courageous decisions, enforces his policies rigidly, and, with his boldness and enterprising spirit, is truly a practical and hard worker; but he is ruthless and behaves like a despot, not only scolding and even beating people, but also relentlessly finding ways and means to attack his opponents. In his private life, he is even more notorious and has many extramarital affairs. He is truly a complex person; he seems to have a deep and warm feeling toward the populace and had been subjected to the Communist Party's education on serving the people, but he is sedimented with the traditional psychology of feudalist thought and is accustomed to the management and ruling method of the head of a feudal family. This type of person is frequently met in the new period of our country's rural reform, and actually, may be said to be relatively typical. Surrounding the person of Yue Pengzheng, the author also writes about Yue's father, Yue Tui; his wife, Suijing; his lover, Zhoul-ing; and many other people. In addition, the novel also mentions his branch party secretary predecessor; the aged labor model, Auntie Xiaoyun; the leading person-ages of the reform movement in Xiaosong Village; and also his son, Yue Yingguan. Thus the cluster of people depicted in the novel vividly describes the new and complex human relations in the new period of the rural areas. Moreover, the thoughts and feelings of each and every person come from a certain special historical background of a special period. Hence, the novel's true reflection of history reaches a rather high degree.

Since the rural reform, a problem that has baffled writers is the frequent difficulty of attaining unanimity in historical truth and moral assessment. People playing an active role in rural reform have, of course, benefited from the rise in the commodity economy, and this naturally has spearheaded the growth of the rural productive forces. However, some people frequently cannot pass the test of a morality court so far as their character and conduct are concerned. In this context, the image of

Yue Pengzheng is more or less typical. However, what is worth mentioning is that, although the author of the novel, *A Turbulent Autumn*, fully affirms, on the one hand, Yue Pengzheng's accomplishments and positive character as a reformer and rural entrepreneur, on the other hand, he most clearly reveals and condemns Yue's ruling and management method of a head of a feudalist household, and his immoral acts in public and private life. Furthermore, in order to reinforce the power of judgment on ideology and morality, the novel further depicts the appearance of two people, the former branch party secretary Auntie Xiaoyun and the new-style reformer Yue Yingguan, so as to form a clear-cut contrast with Yue Pengzheng and at the same time give an indication of the author's ideal wishes with respect to the rural reform's development.

During the war period, Auntie Xiaoyun attended to wounded soldiers of the 8th Route Army. After the Republic's founding, she received 54 silk banners as a labor model and progressive worker. Although under the historical conditions of the time, she was unable to lead the village people to the road of affluence, her spirit of hard toil and of serving the people wholeheartedly was everlasting. Her disagreement with and criticism of Yue Pengzheng were natural and carried a good intent. As for Yue Pengzheng's son, on the one hand, he acquires from Auntie Xiaoyun and his grandfather the party's superior revolutionary tradition, and on the other hand, learned from his father the talents of the new-generation reformist who could watch with discretion the time and situation and act or react flexibly, decisively, and courageously. He firmly gave up the mandatory way of doing things like a head of a feudalist household. He appears to have been much more democratic and close to the populace. Although this state of affairs seems not too satisfactory because there is still something lacking in life, yet it still makes us realize that to further push forward the rural reform, it is necessary to go beyond or surpass such leadership personnel as Yue Pengzheng and place our hope in people such as Yue Yingguan, who are socialism's new people of a new spirit and caliber.

Hence, productions must display an unanimity between the historical truth of the special period reflected by complex human relations and complex human character in the course of rural reform and the author's demand for socialist morals in respect to human relations and human character. What should be praised should be so praised, what should be denounced should be so denounced, and there must be a plentiful sense of propriety. In my opinion, this is a breakthrough and accomplishment of the novel, *A Turbulent Autumn*, which is well worth our attention.

Naturally, the novel does not fully describe people's innate world. In particular, it does not sufficiently reveal the deep social origin and historical and cultural sedimentation giving rise to the character of the various sorts of people. This unavoidably affects the characters' intensity and solidity. As for the language and dialogues,

whether in pure descriptions or in dialogues between the characters, they also lack a fresh local flavor or individual characteristics. Without these minor defects, this novel would be even more attractive as an artistic production. Nevertheless, it is praiseworthy that the novel is able to reflect, describe, and present, to such an

extent, the new pulse of history and the character of the new people. Reading this novel, *A Turbulent Autumn*, our readers, particularly leadership cadres at various levels, must certainly benefit in their thoughts on and in pushing forward the rural reform, while enjoying reading it.

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