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Communique of the Seventh Plenary Session of the 13th CPC Central Committee (Adopted on 30 December 1990)

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Push Ahead in the Flush of Victory Under the Guidance of the Party's Basic Line

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in Chinese No 1, 1 Jan 91 pp 5-7

[Editorial]

[Text] The Seventh Plenary Session of the 13th CPC Central Committee concluded successfully on New Year's Eve. Based on the party's theory on building socialism with Chinese characteristics, the plenary session summed up in more depth past experience in economic and social development, analyzed the current situation in the spirit of seeking truth from facts, discussed and ratified the proposal on the formulation of the 10-Year Program and the Eighth Five-Year Plan, and put forth the basic guiding principle and essential measures for fulfilling the strategic targets of the modernization program's second stage. It is the common task for all the party and all the Chinese people to respond to the party central authorities' appeal, unite as one, work hard for the country's prosperity, and strive to accomplish perfectly the 10-Year Program and the Eighth Five-Year Plan.

We have gone through an extremely unusual course since the Third Plenary Session of the 11th CPC Central Committee. After many twists and turns, we have achieved tremendous successes in our socialist cause that astonish the world. Our People's Republic has withstood severe tests amid the ever-changing international situation and domestic turbulence. What is particularly noteworthy is that our party, in the practice of building socialism with Chinese characteristics, has enhanced the integration of Marxism and China's national conditions to a new height in presenting the scientific thesis that China is at the initial stage of socialism and in formulating the basic line of "one center, two basic points." This basic line, which proved to be the political ideological basis for our success in the past, will continue to serve as a sure guarantee for us to make further progress and win greater victories in the next 10 years.

Economic construction as the center is the core of the party's basic line that makes it different from the past basic line. The switchover of the whole party's focal point of work from the line that "takes class struggle as the key link" to socialist modernization is a strategic change of historical significance. By the logic of events, economic construction should have been upgraded to be a central task after the socialist transformation of the

ownership system of production means. In this connection the Eighth National People's Congress made a resolution suggesting such a switchover. However, because of the inaccurate judgment on the international and domestic situation and certain serious mistakes in the guiding ideology, the switchover was delayed so long as to waste 20 years of economic construction. The 10 years of the Great Cultural Revolution in particular caused serious losses to economic construction and brought the national economy to the verge of economic collapse. The Third Plenary Session of the 11th CPC Central Committee summed up the historical experience and drew lessons therefrom, and took resolute action to effect the switchover of the focal point of work. A three-stage development strategy with the aim of primarily realizing modernization by the mid-21st century was adopted. This decision and plan reflect the common aspiration of all the Chinese people and the basic requirements of scientific socialism, marking a higher degree of the party's maturity in regard to the thinking on socialist construction.

Scientific socialism is based on historical materialism, which maintains that the production of material goods is the basis of human society's existence and development, while the progress of material production is conditional on the development level of productive forces, therefore the development of society is conditional on the productive forces' development. The very purpose of revolution is to emancipate the productive forces. After the socialist revolution has broken the shackles that fetter the productive forces, a fundamental task of decisive significance to be undertaken by the proletariat in building the new world is to develop the productive forces. China's productive forces had been seriously fettered by feudalism for a long time and massively destroyed during imperialist aggression. It was under such social historical conditions that China took up the socialist road through the new democratic revolution. Therefore, the task of developing the productive forces has become a still more serious, urgent, arduous, and outstanding one. Only by vigorously developing the productive forces will we be able to lay down a material basis for socialism, increase the state's economic strength, better satisfy the people's ever-growing material and cultural needs, and thus give fuller play to socialism's superiority. This is the reason why our party has taken economic construction as a central task.

To vigorously develop the productive forces of society and promote socialist economic construction, we must readjust production relations and certain sectors or links of the superstructure that do not suit the development of the productive forces, and we must introduce reform of the economic and political structures. Production relations, as well as the superstructure, must be suited to the productive forces' development. They must neither lead nor lag the productive forces' status quo or development level. This is exactly the theoretical basis supporting the party's basic line that takes reform and opening up as a basic point. Engels pointed out that socialist society "is

not an immutable one, instead it should be regarded as a society which is constantly changing and evolving like other social systems." Reform is socialism's instinctive and internal need. One must never set reform against socialism. In fact, the reform should be carried on throughout the whole process of socialist development, with varying content, requirements, and features at different periods and stages. In China, the economic administrative structure featuring a high degree of centralism that was established in the early 1950's played an important and positive role in ensuring the concentration of limited material and financial resources, which enabled China to lay down a foundation for industrialization. However, this structure became more and more unsuitable for the development of the productive forces. The main purpose of the reform that we are carrying out is to eradicate the structural shortcomings that have become prevalent since the mid-1950's, to establish an economic structure and operational mechanism that suits the development of the socialist planned commodity economy based on public ownership and that integrates the planned economy with market regulation, thus adding more vigor and vitality to socialism.

Over the past 10 years or more, China has achieved great success in its reform and opening up process, and has enjoyed unprecedented prosperity in both its economic and social life; the country's economic strength has increased remarkably and society has undergone profound changes. Through practice, all the party and all the Chinese people have realized that the general principle of reform and opening up are completely correct, and the process should be steadfastly carried on in the future. An outstanding question we have been faced with in the past few years is in what direction should the reform and opening up proceed. As far as this question is concerned, there are two completely different views. The reform and opening up that we advocate are a self-improvement process of the socialist system, a process that keeps in line with the socialist orientation. However, an extremely few elements who stick to the stand of bourgeois liberalization and the hostile forces both at home and abroad, under the pretext of reform and opening up, have attempted to lead China onto the capitalist road and turn it into a vassal of the Western capitalist powers. For this reason, Comrade Deng Xiaoping has warned the party time and again of this threat. After the Fourth Plenary Session of the 13th CPC Central Committee, the party's central leadership, with Comrade Jiang Zemin as its core, has led the party and all the Chinese people in criticizing the latter view further in depth. Now, while being aware of the clear demarcation line between the two views on reform and opening up, we must study hard to find out how we can carry on the reform and opening up in the direction clearly pointed out by the central leadership.

Socialist reform is an extremely difficult and complicated systematic engineering project. It is not easy to accomplish such a project and fulfill its expected targets. To achieve this we must give full play to both a spirit of

bold exploration and a serious scientific attitude, studying new circumstances and solving new problems under the guidance of Marxism. For instance, we must study seriously how we can perfectly integrate the planned economy and market regulation; invigorate enterprises, especially state-owned large and medium-sized enterprises; establish and improve the integrated market system; carry out in-depth structural reform in the fields of price, finance and taxation, monetary management, planning, and investment; intensify the macroeconomic regulation and control system and properly handle the relationship between centralization and decentralization and between the central authorities and localities so as to exercise the necessary centralized management, while allowing for a moderate degree of decentralization and ensure that all sectors can give full play to their initiative under the central authorities' unified leadership; and so on. We must not only study the relationship between the productive forces and production relations and that between the economic basis and the superstructure, but we must also make sure that we are studying questions concerning the productive forces and the law governing the development of the productive forces in light of the production relations. In the past, we failed to pay enough attention to the characteristics of the productive forces' development as a gradual and continuing process divided in stages. Starting from our subjective desires and overanxious for quick success, we used to set excessively high targets and launch Great Leap Forward campaigns; we always failed to pay sufficient attention to the internal relations and interdependence between different links of social reproduction and the different sectors of the national economy; and sometimes we placed undue emphasis on the preference for heavy industry but overlooked agriculture and light industry, or overexpanded processing industries but allowed agriculture and basic industries to lag behind. As a consequence, we were always disappointed and suffered great losses. The several economic readjustments in the past, including the ongoing economic improvement and rectification operation, were directly related to our blindness in this regard. The Fifth Plenary Session of the 13th CPC Central Committee called for a sustained, steady, and coordinated economic development. This is a profound summarization of both the positive and negative experiences in China's economic construction, a correct reflection of the requirements set by objective economic law, and a question that we must pay attention to in future reform, opening up, and construction.

Given China's circumstances, we must uphold the four cardinal principles in our efforts to develop society's productive forces and achieve the four modernizations. This is an important and indispensable part of the party's basic line. Comrade Deng Xiaoping pointed out that upholding the four cardinal principles "is the fundamental precondition for the realization of the four modernizations"; "failure to firmly adhere to any one of the four cardinal principles will undermine the socialist cause and modernization construction as a whole." The

reason is that, as a rule already shown by historical facts, only socialism can make China develop, or in other words, only by retaining the socialist production relations and superstructure in China will we be able to protect and boost the productive forces. Our reform has been designed to eliminate only those ingredients of the production relations and superstructure that do not suit development of the productive forces and those that do not represent socialism's instinctive attributes but fetter the productive forces' development, rather than to alter our country's socialist nature. Our purpose in opening up the country to the outside world is to attract foreign capital and import technology, to take in foreign experience that is useful to our modernization cause, but not to indiscriminately copy Western countries' economic and political systems and their degenerate lifestyles and values. Both the domestic and international conditions have determined that, for China, the capitalist road will be a road to destruction. If the reform and opening up lead to the capitalist road, it is not a need demanded by the adaptation of the production relations and the superstructure to the productive forces. On the contrary, it would surely lead to a formidable destruction of the productive forces and a great retrogression of the Chinese society. During the new period of socialist construction, class struggle still exists within a certain scope in China, and the influence of the exploiting classes' ideology cannot possibly be wiped out within a short time. Meanwhile, we are facing the offensive of "peaceful evolution" launched by the foreign antisocialist forces and the corrosion of bourgeois decadent ideology from abroad as well. Only by upholding the four cardinal principles will we be able to keep the reform, opening up, and modernization construction in line with the socialist orientation and provide the spiritual motive force and the stable environment that ensure the smooth progress of the reform, opening up, and modernization. If we forsake the four cardinal principles, we will lose ground and the people's support as well, the country will be thrown into turbulence, and nothing, especially socialist modernization, will be accomplished. This has already been proved by the outcome of the drastic changes in certain countries.

In the past few years, bourgeois liberalization ran rampant from the ideological to political fields and finally gave rise to turbulence and riots. For a while we were forced to suspend our work and the modernization process was seriously interrupted. An important contributing factor for this development was that some high-ranking leaders had failed to uphold the four cardinal principles and oppose bourgeois liberalization. This is an extremely profound lesson. In view of this, we must steadfastly safeguard the leading position of Marxism-Leninism-Mao Zedong Thought over the social and political realm in China, carry out a sustained and in-depth struggle against bourgeois liberalization, and resist and criticize the influence of feudal and decadent capitalist ideologies. We must uphold the principle of simultaneously promoting material and spiritual civilizations, strengthen ideological and political work in

earnest, and carry on education in patriotism, collectivism, and socialism in depth, so as to increase the people's faith in socialism. We must perfect the people's democratic system, improve the socialist legal system, and intensify dictatorship over hostile forces, thus foiling the attempt by hostile forces at home and abroad to stage "peaceful evolution," subversion, and infiltration. The CPC is the central force leading us in our cause. Our ability to fulfill our second-stage strategic goal and constantly push ahead our socialist cause depends on safeguarding the party's leadership. Any words and deeds that will cripple and oppose the party's leadership go counter to the fundamental interests of the Chinese people of all nationalities, and therefore we must wage uncompromising struggle against them.

Now that we are marching toward the 21st century, we must see not only the seriousness and complexity of the present international situation but also the genuine great trend of historical development. We are certain that victory will be ours, so long as we uphold the party's basic line, carry forward the spirit of devotion of our revolutionary predecessors and martyrs as well as the fine patriotic tradition of the Chinese nation, stand on our own feet, strive hard, build the country with hard work and frugality, steadfastly march ahead along the socialist road with Chinese characteristics in the direction set by history, and overcome all kinds of difficulties and obstacles in the spirit of dauntless heroism.

Make Great Effort To Adjust the Economic Structure and Improve Enterprises' Economic Results

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in Chinese No 1, 1 Jan 91 pp 8-17, 44

[Speech by Li Peng at closing session of National Planning Conference (1 December 1990); published in FBIS-CHI-91-001, 2 January 1991, pp. 18-29]

An Urgent Strategic Task—On Enhancing Young and Middle-Aged Cadres' Knowledge of Marxist Theory

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in Chinese No 1, 1 Jan 91 pp 18-22, 31

[Article by Si Zuwen (0674 4371 2429), Organization Department, Sichuan Provincial CPC Committee]

[Text] The brilliant course of struggle by the CPC for close to 70 years has shown that, in guiding the great revolution, engaging in socialist modernization and building socialism with Chinese characteristics, it is necessary to have a great party armed with Marxism, and it is necessary to have tens of thousands of outstanding cadres who are good at combining Marxism with China's national conditions. However, in our cadre ranks at present, many comrades, especially some young and middle-aged comrades, have not undergone training in basic Marxist theory. Thus, their Marxist theory level is not in accord with their task of leading the socialist four

modernizations. This is an extremely outstanding problem. Therefore, putting great efforts into raising leading cadres' knowledge of Marxist theory at all levels, and especially of the young and middle-aged leading cadres who will be leading the party into the next century, has become an extremely important and pressing strategic task placed before the whole party.

1. Fully Recognizing the Importance and Pressing Nature of Raising the Marxist Theoretical Accomplishments of Young and Middle-Aged Leading Cadres

Marxism-Leninism and Mao Zedong Thought are the theoretical basis on which our party guides ideology and is a guide to action for the whole party. Studying, mastering, and utilizing the ideas of Marxism-Leninism and Mao Zedong Thought is a major matter for the whole party and especially for leading cadres at all levels. Why then do we here put forward the issue of raising the knowledge of Marxist theory by young and middle-aged leading cadres?

The answer is very clear. This is a strategic requirement in guaranteeing that China follows the Marxist course forward into the 21st century. What is the historical mission of contemporary CPC members? Comrade Song Ping, in his article "The Historical Mission of Communist Party Members," clearly pointed out that it is to bring into play their role as vanguard fighters of the working class, further rouse their revolutionary spirit, throw themselves body and mind into construction and reform, and to struggle hard to realize achievements in building China into a modern socialist country. In order to realize the historical mission of the party, since the Third Plenary Session of the 11th CPC Central Committee, the party has decided to take economic construction as the center, to adhere to the four cardinal principles, and to adhere to the basic line of reform and opening up, and it has specifically determined that China's economic development will be divided into strategic targets in three steps. Through the efforts of the entire party and all the people of the country, the first strategic target has been achieved ahead of time. The next 10 years will be a crucial stage in realizing the overall strategic target and will also be a crucial time which will determine the position of the Chinese nation in the international arena in the coming century. The realization, by the end of this century, of the second doubling of GNP will lay down a firm base for achieving the third-step strategic target during the 21st century. The realization of this great target will require unflagging devotion and arduous struggle over several generations by Communist Party members and leading cadres in leading the masses forward. The present generation of cadres, especially the young and middle-aged leading cadres under 50 years of age is the generation which will span the two centuries, and they shoulder the historical responsibility of carrying forward the cause and forging into the future. The level of their knowledge of Marxist theory will directly affect the fate of socialism in China. Thus, putting great efforts into raising the level of

knowledge of Marxist theory of young and middle-aged cadres will have a very great strategic significance in fostering a large group of dependable successors to the socialist cause, in ensuring that the various levels of leadership of the party and the state are in the hands of persons who are loyal Marxists who have both morality and ability, in guaranteeing that our country will continue to progress along the road of socialism with Chinese characteristics and realize the overall goals and overall tasks of the party, and in defeating the scheme by hostile international forces, to achieve peaceful evolution.

Raising young cadres' knowledge of Marxist theory of is a pressing demand if they are to handle contradictions and shoulder the heavy task of leading the masses to achieve socialist modernization. In his speech at the meeting to celebrate the 40th anniversary of the founding of the PRC, Comrade Jiang Zemin pointed out, "raising the theoretical level of the party is a basic guarantee of the correctness and scientific nature of the party's leadership." Only if a leading cadre has a quite high level of Marxist theory knowledge will he be able, in complex situations, to maintain a firm faith, maintain a firm stand, and adhere to the correct orientation. Only then will he be able to control the overall situation and strengthen his consciousness in transforming the subjective world. In the last few years, following implementation of the "four changes" in the cadre ranks, a large number of young and middle-aged cadres who are both cultured and have specialized knowledge, have taken up leadership posts at various levels, and many comrades have, through the tempering of practice, gradually matured. However, there are still some comrades who are not so well suited. Some are insufficiently aware on the political level, and they do not distinguish between right and wrong on major questions of political principle. Some are not sufficiently firm in their stand and a few even go off in deviant directions. Some are not good in harmonizing contradictory aspects and internal waste is serious. Some, in their work, are unable to achieve breakthroughs in situations, they are not good at assessing, analyzing and resolving problems, and so on. Many aspects have given rise to this situation, but the most basic is that their knowledge of Marxist theory is not high, their theory skills are quite weak and they are not good at using a Marxist stand, viewpoint, and methodology to analyze the situation and resolve the problems.

Engels said: "Without theoretical thought, it is impossible to link any two natural things together, or to understand the relationship between the two." (*Selected Works of Marx and Engels*, Volume 3, p. 482.) Our party is a major party which holds power in a huge country of 1.1 billion people, and it shoulders the heavy task of building socialism. Its cadres at various levels are the organizers and commanders in socialist modernization and they stand in the front line of construction, reform, and opening up. Every day the cadres will meet a large number of new situations and new problems which will

need to be handled. This requires that they be good at using the theoretical weapon of Marxism, with which to conduct rational, reliable, and convincing analysis and research, so that such problems can be resolved quite well. If there is not the necessary accomplishments in theory, it will be impossible to carry out theoretical thought. If they have only a poor understanding of Marxist theory and do not have a high Marxist theoretical level, clearly they will be unable to push the cause forward.

The historical experiences of our party long ago proved that putting effort into raising the Marxist theory level of young and middle-aged leading cadres is the key in guaranteeing the success of the Chinese revolution and construction. If we leaf through the history of the party, we see that, both in the arduous years of war and during times of peace, the party has paid great attention to using Marxism to train its cadres, especially its young cadres. During the period of the war against the Japanese, our party ran the Anti-Japanese Military and Political University in the caves at Yanan, and Mao Zedong, Liu Shaoqi, and other great Marxists came to lecture to the young and middle-aged cadres and the ardent youth, who had come from the front lines or from occupied areas, explaining to them the Marxist-Leninist truths and explaining the real situation of the Chinese revolution. Thereby were fostered batch after batch of middle- and high-level party, government, and military cadres who were loyal to Marxism, and these persons made a historical contribution in liberating the whole of China. Following liberation of the whole country, our party, through various avenues, engaged in widespread education in Marxism-Leninism. This produced tens of thousands of outstanding cadres who had an understanding of Marxism. It also provided a firm guarantee for success in the party's socialist revolution and construction. In the new historical period, the tasks of national construction are very onerous, there are quite complex social contradictions in various respects, and class struggle not only exists within a certain scope, but under certain conditions could intensify. In the current international situation, which is changing and unstable and in which the communist movement has suffered some temporary setbacks, the task of raising the Marxist theory level of young and middle-aged leading cadres has become more acute and more prominent.

However, something which is very much a matter of concern is that since the focus of party work was switched to socialist modernization, although Comrade Deng Xiaoping has repeatedly pointed out this issue to the whole party on many occasions, it has not attracted the attention of the entire party. Because of Comrade Zhao Ziyang's policy of taking a negative attitude to adherence to the four cardinal principles and to opposition to bourgeois liberalization, cadres' education in Marxist theory was seriously ignored. This even resulted in Marxism being coldshouldered, in confusion on the ideological and theoretical fronts, and in quite a proportion of cadres, especially young and middle-aged leading

cadres having insufficiently high theoretical achievements, and some even having only very limited knowledge of the basic theories of Marxism. From a sample survey conducted by our Organization Department in 1989, we found that, after prefectural and county cadres take up their leading posts, very few of them participate in training which has the basic theories of Marxism-Leninism and Mao Zedong Thought as their main aspect. This situation cannot continue. In his speech to the meeting celebrating the 40th anniversary of the PRC, Comrade Jiang Zemin pointed out, "A party member who lacks accomplishments in Marxist theory, and who is not good at using a correct stand, viewpoint, and method to analyze problems, cannot bring his due role into play and cannot be an up-to-standard leading cadre of the party." On this point, leading cadres at all levels must have a clear understanding.

2. In Raising Young and Middle-Aged Leading Cadres' Knowledge of Marxist Theory, It Is Necessary To Overcome Ideological Obstacles

At present, through over a year of intense work by the party Central Committee, centered on Comrade Jiang Zemin, there has been a great change in the situation of confusion on the ideological front and an overall atmosphere is now being formed where the cadres of the whole party study the basic theories of Marxism. However, there are still many young and middle-aged leading cadres who give insufficient attention to the study of Marxist theory and they do not have much interest in it. They see study as a task that does not need to be done and they plead all sorts of excuses when study is arranged for them and do not go. Others, although they do attend, do not have correct study aims. The major cause of these problems is the existence of some ideological obstacles and these obstacles urgently need to be removed.

Some people believe that the experience of current young and middle-aged leading cadres is not sufficient and that they should do more work and accumulate experience, as only with such experience will they be able to do good work. This view is one-sided. Clearly, experience is valuable and anyone who negates direct experience is not a materialist. It is undoubtedly right for young and middle-aged leading cadres to strive to participate in social practice, to accumulate experience through work practice and to increase their skills. However, we cannot just stop at direct experience. Why was it that in the history of our party, some comrades made the mistake of "empiricism," and even became vulgar routinists? A basic cause was that they did not understand that "although the data of perception reflect certain realities in the objective world (I am not speaking here of idealist empiricism which confines experience to so-called introspection), they are merely one-sided and superficial, reflecting things incompletely and not reflecting their essence." (*Selected Works of Marx and Engels*, Volume 1, pp. 267-68.) One of the obvious characteristics of the vulgar routinists is that they "respect experience but despise theory, and thereby they cannot have a comprehensive view of the entire objective process. They lack

clear direction and long-range perspective and are complacent over occasional successes and glimpses of the truth. If such persons direct a revolution, they will lead it up a blind alley." (*Selected Works of Mao Zedong*, Volume 1, p. 268.) Young and middle-aged cadres are the organizers, leaders, and commanders of the leading party and state organs at various levels. If we want our leading cadres to engage in socialist modernization and realize achievements in this instead of going off on wrong roads, then experience is insufficient. They must leap above their great number of specific duties and, with a great ardor and zeal, actively study, grasp, and use Marxist theory and sort out, systematize, and raise experience to the level of theory, and then take that rational understanding back into practice to guide construction. Only in this way will cadres have both practical experience and theoretical guidance and only thus will they be able to do their work well.

Some people hold that they have already read some Marxist-Leninist works and there is no need to go back over what they have read before. This view is also one-sided. Obviously, our present young and middle-aged cadres are basically a new generation of intellectuals who have been fostered by the party since the founding of New China and, in their time at university or in their work, they have mastered a certain basic knowledge of Marxism. However, these cadres who lead the party and the state at various levels clearly cannot be satisfied with their past studies. They should mainly look to see whether they are able to master and use the stand, viewpoints, and methods of Marxism-Leninism and Mao Zedong Thought to analyze things and resolve contradictions. If they are to achieve this, their "public politics class" study at university or short periods of study by themselves are far from enough. At the same time, many cadres have been in their leading posts for 10 or 20 years since they left university. Because they have been busy with work, they have not participated in study or training and they have nearly forgotten the knowledge that they gained at university. Further, Marxism is a vast and deep scientific system of theory which is developing and endless. The scientific theory created by Marx and Engels has, over the last 100 years, been developed by Lenin, Stalin, Mao Zedong, and Deng Xiaoping, and these persons have all contributed new elements to the treasurehouse of Marxist theory. In this sense, with respect to Marxist theory, there is a need for study, study and more study.

Some people hold that we should study more specialized knowledge now that we are engaged in economic construction, and they ask, of what use is more study of theory when it does not bring income. This view is mistaken. Engaging in economic construction certainly requires specialized knowledge and it is not possible to do well in work if we do not have specialized knowledge. Striving to master specialized scientific and cultural knowledge is a pressing demand of economic construction and an important task of every cadre. However, we cannot set the study of specialized knowledge and the

study of Marxist-Leninist theory in antagonistic positions. Even less can we take whether or not it earns money as a standard for whether or not Marxist theory is useful. In 1989 Comrade Li Peng pointed out, "Every department of the State Council is a specialized department and department heads should be top professionals in their field. Many of our cadres have already achieved this and many of our departments heads are experts in their fields. However, this alone is not enough. They must be proletarian politicians. Those who are not strong in the political aspects cannot from now on be leaders and in particular cannot be important leaders." This tells us that leading cadres who are guiding socialist modernization must first study the theories of Marxism-Leninism and Mao Zedong Thought, master a scientific world view and methodology, learn to use theory to guide work, and maintain a firm and correct political orientation. This is the prime requirement. With this precondition, they must also study scientific and cultural knowledge in other aspects so that they become experts. In brief, it is necessary for cadres to combine and unify theoretical study with specialized study so that they become both Red and expert. Only in this way will it be possible to completely and correctly understand and implement the party's line, principles, and policies.

Some comrades have the mistaken idea that after they have studied at the party school, they must be promoted and that the purpose of study is to gain promotion. This idea misconstrues the aim of study. We know that the central authorities have stipulated that conducting widespread basic theoretical education in Marxism-Leninism and Mao Zedong Thought among leading cadres is a long-term task, that leading cadres should, in rotation and at set intervals, go to the party school to study and that it is important that new members of leading groups should study in party schools to strengthen their theoretical knowledge. The aim of these stipulations is to ensure, on the systems level, that leading cadres have the time and conditions to study theory, to promote a consciousness of studying theory, and to raise the cadres' Marxist-Leninist theory level and their capacity to do work well. It is certainly not the case that after one has studied at a cadre school one will definitely be promoted. The factors that our party considers when promoting cadres are diverse, including for example, their political stand, ideological quality, leadership skills, work achievements, and so on. Having gone to a party school and studied the theories of Marxism-Leninism and Mao Zedong Thought is an important condition for promotion, but not the only condition. It is also necessary to see whether the cadre can use the stand, viewpoint, and methodology of Marxism-Leninism and Mao Zedong Thought to analyze and resolve problems. Thus, every comrade who returns from party school must put his efforts into using theory to raise his work quality. If, on the other hand, the cadre does not take the theory he has studied in party school as a motivation, but sees it as a millstone to be borne and even requests to be a high official on that basis, and complains and argues if he is not promoted, then he is not just unworthy of the

training the party and the people have given him, but he also shows that his aim in studying was not pure. We must firmly resist such unhealthy trends.

3. Persisting in Linking Theory With Reality, Creatively Studying and Utilizing Marxism

Linking theory and reality is one of the glorious traditions and one of the three major work styles of the party. In the long historical process of revolution and construction, CPC members, represented by Comrade Mao Zedong, combined the basic principles of Marxism-Leninism with the specific practice of the Chinese revolution to produce Mao Zedong Thought. The second-generation central leadership group with Comrade Deng Xiaoping as its center combined Marxism-Leninism and Mao Zedong Thought with our country's socialist modernization and formed a theory of socialism with Chinese characteristics, which became a major component of Mao Zedong Thought. The third-generation central leadership group, with Comrade Jiang Zemin as its core, is following the course initiated by the older generation of proletarian revolutionaries, persisting in combining theory with practice, and is pushing socialist construction forward. One of the basic inspirations provided by the great practice of the party's third-generation leadership core is that only by combining the universal laws of Marxism with the situation of our country, and creatively studying, researching, and applying these is it possible to handle China's affairs well and adhere to and develop Marxism. Thus, as far as young and middle-aged leading cadres are concerned, persisting in linking theory with practice and creatively studying and utilizing Marxism-Leninism and Mao Zedong Thought are an indispensable and major aspect in raising their own theoretical accomplishments.

First, in linking theory with reality, it is necessary to seriously, systematically, and unwaveringly read the Marxist classics and master the basic theories. If we know nothing about or have only a partial understanding of the basic principles, views, and methods of Marxism, what can we link to reality? Comrade Mao Zedong once likened the relationship between theory and reality to the relationship between the "arrow" and the "target," and that when one fires the arrow, one wants to hit the target. If we have no arrow in our hands, what can we aim at the target? Only if young and middle-aged cadres master basic theory and resolve the issue of using Marxism-Leninism and Mao Zedong Thought to equip their minds, will they be able lay down a firm theoretical base on which to link up with reality. Thus, we must target our efforts at the current problem where quite a few young and middle-aged cadres do not have high accomplishments in Marxist theory and their basic knowledge is sparse, and stress that it is necessary to read in a systematic way some basic theoretical works on Marxism-Leninism and Mao Zedong Thought and some works by Deng Xiaoping and other proletarian revolutionaries of the older generation. At present, it is especially necessary for them to seriously study well the theories of Marxist philosophy and scientific socialism,

so that they can grasp the basic ideas of dialectical materialism and historical materialism, master the basic principles of scientific socialism, clearly understand the objective patterns of social development and firm their faith in traveling the socialist road. Here it needs to be especially stressed that the study of Marxism is intended to arm one's own mind, so that Marxism becomes one's conviction and one becomes a firm Marxist. It is certainly not meant as window-dressing. Only thus will study have real motive power.

Second, young and middle-aged leading cadres must seriously carry out survey research, so that they really understand and master the situation of their own country, province, or county. What we refer to as reality is the objectively existing specific thing or situation. It includes not only the current situation, but also history, and includes not only China, but also foreign countries. Only by fully mastering reality is it possible to fully understand basic Marxist theory. Also, as every country, every province, and every county has different situations, we certainly cannot copy things from other countries, provinces, or counties. Rather, we must seriously research the characteristics of own own country, province, or county and get a thorough grasp of the particularities of the contradictions and carry out specific analysis of specific situations. Thus, every one of our young and middle-aged leading cadres must understand that, after studying a certain amount of Marxist theory, they must continue to study the unwritten books, put effort into going down into practice, going to the front line of industry and agriculture to conduct deep-going investigative research, to do well in the work of compiling, analyzing, and putting in order relevant data, materials, and information, and do well in analyzing the characteristics and patterns of things, so as to find the major contradictions and major problems that exist at present and to grasp the essence of crucial aspects of things. This will resolve the problem of having to have "targets" for the "arrows" to hit. If the right targets are found, the arrows will be able to find their mark. If not, and arrows are shot all around, the results will certainly be opposite to what is hoped.

Third, on the basis of mastering a certain amount of Marxist theory, and becoming very familiar with the national, provincial, or county situation, another important demand is that they be good at combining theory with practice, engaging in creativity on the theoretical level, and at bringing forward ideas, methods, and measures that have a special nature and are geared to reality. This should be an important criterion in deciding whether the theoretical accomplishments of cadres are high or low. Comrade Mao Zedong said, "The great strength of Marxism-Leninism lies precisely in its integration with the concrete revolutionary practice of all countries. For the CPC, it is a matter of learning to apply the theory of Marxism-Leninism to the specific circumstances of China... Hence, to apply Marxism concretely in China so that its every manifestation has an undeniable Chinese character, that is, to apply Marxism in light

of China's specific characteristics, becomes a problem that is urgent for the whole party to understand and solve." (*Selected Works of Mao Zedong*, Volume 2, pp. 499-500.) On this issue, Comrades Mao Zedong and Deng Xiaoping have provided us with brilliant examples. The state is like this and a province or a county is also like this. We must, under the guidance of the general line, principles, and policies of the party Central Committee, be good at putting forward practical and feasible implementation ideas in light of the actual situation of their region, department, or unit, so that the major principles and policies of the central authorities can be well implemented when we work. This is what is meant by creatively studying and utilizing Marxism-Leninism and Mao Zedong Thought. If one is just a "receipt and dispatch office" and does not link up with local realities, work will certainly not be done well. Today, we face a new reality and we should, taking the building of socialism with Chinese characteristics as the center, study the continually changing political, economic, and cultural situations and problems in the international and domestic spheres, and explore avenues and measures to resolve the problems. At the same time, we must seriously sum up the new experiences of the masses and raise them to a higher theoretical level. In brief, we must continually, in the practice of combining theory and reality, make efforts to enrich and develop Marxist theory.

Comrade Deng Xiaoping said, "According to our experiences, combining universal truths and practical reality is very difficult." (*Selected Works of Deng Xiaoping (1938-1956)*, p. 248.) This is truly so. However, young and middle-aged cadres who shoulder an important task and brilliant historical mission should not fear difficulties, but should bravely forge ahead in a firm and down-to-earth way. We believe that, if we can firmly and unwaveringly make great efforts and, in practice, be brave in correcting mistakes, we will certainly be able to combine theory and practice a little bit better, raise our own theoretical level a little bit higher, make a due contribution to building socialism with Chinese characteristics, and push the party's cause forward. At the same time, we will certainly be able, in practice, to forge ourselves into a new generation of firm Marxists!

Greatness Out of the Ordinary—Eulogy on Fu Xianzhong

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[Article by Ji Yu (1323 0151)]

[Text] Comrade Fu Xianzhong [0265 7359 1813] was an ordinary party member, one of close to 50 million party members, an ordinary peasant from an ordinary village who did nothing spectacular or "great" while he was alive. However, his death was not only mourned by those close and dear to him, but was deeply regretted by the whole nation. Not long ago, few had ever heard of Fu

Xianzhong; but now the very name is pulling the heart-strings of millions of people.

Why is it that Fu Xianzhong can arouse such strong emotions in people? It is because his ordinary deeds embodied greatness, because from his deeds people derive a noble, purifying, and subliming spiritual strength.

We can say without exaggerating that:
To Communists, he was a mirror;
To the broad masses, he was an exemplary model;
To the enterprising people, he was a source of stimulation;
To the incompetent, he was a source of encouragement;
To the muddle-headed, he was a signal of alarm;
To the degenerate, he was a whip.

Comrade Fu Xianzhong was another brilliant Communist image who emerged from Lei Feng, the Iron Man, Jiao Yulu [3542 5940 4389], and other heroic models under new historical conditions. This image had not emerged from the midst of blood and fire, or from life-and-death struggle. He was just an ordinary party member who gave his all to the party's cause, just like a candle burning itself out, in a small place—a village. This image is of particularly great significance at a time when people are beginning to decline, or have even gone astray ideologically, because they cannot withstand the corrosive influence of exploiting class ideas and the temptation of money.

Although Comrade Fu Xianzhong had been in charge of money and goods in his lifetime, he had never taken advantage of what belonged to the collective. He did not eat meals specially prepared for visitors to the village, or smoke cigarettes allocated to the team. He carried out strict budgeting for the collective and did his best to make economical use of every piece of paper, every grain of rice, and every bit of money. These may seem small matters, but they embody important principles. From the way these so-called "small matters" and "trifles" are dealt with, we can usually see how "small"—petty—some people are, and how "big"—great—some people are. Is it not true that it was on small matters that most people who are decadent, who engage in irregularities, or who violate the law committed their first wrongs in life? It was on such trivial matters, that is, in his handling of official and private matters in everyday life, that Comrade Fu Xianzhong showed his moral integrity. Did he not seem a much nobler person compared with these people? Although what he did was nothing magnanimous or heroic, it reflected the spiritual realm of a rural Communist Party member.

For a Communist to preserve his advanced quality, he needs to do more than simply preserve his own purity. While striving for personal progress, he must also help others make progress and must boldly wage a struggle against what is backward and undesirable. Blackboards, posters, and broadcasts were the venues and bugles

employed by Comrade Fu Xianzhong to encourage the masses to press forward; they were also the weapons which he used to wage struggle. The "mass media" he used were admittedly simple and primitive, but through the venues he opened up and through his calls, he conveyed the party's voice and cemented the ties between his village and the socialist cause. At this point, the media position of some news units in recent years, particularly during the 1989 political unrest, naturally comes to mind. With the deeds of Fu Xianzhong before them, how can our party's ideological workers not stop and do some deep pondering?

The exemplary role of Comrade Fu Xianzhong does not simply lie in the fact that he had done many good deeds. The important thing is that he had been doing good deeds all his life. Comrade Mao Zedong said: "It is not difficult to do some good deeds. The difficult thing is to do nothing but good all one's life. Persisting in doing good things for the masses, the young people, and the revolution, and working hard every day for decades are the most difficult of all things." These remarks by Comrade Mao Zedong should give us food for deep thought. Historical experience tells us that on our revolutionary journey, particularly at important junctures of the revolution, there are bound to be people who fall behind, drop out, and become mere fellow travelers of the party who give up the cause of revolution halfway. Some people were indeed heroes during the war years. They might even have been able to withstand the attack of sugar-coated bullets during the early postliberation period. But now they have become termites that eat away at the people's cause. The most admirable thing about Comrade Fu Xianzhong was that, despite his deformity, he had been conscientiously doing good things for the party and the people for 45 years after joining the revolution in 1945. He worked without any interruption until he breathed his last. "The spring silkworm keeps spinning out silk until it dies." Every time we hear this famous and touching line, we always feel a surge of emotion and will feel compelled to ponder the true meaning of life. It is perhaps not too much to see Fu Xianzhong as a "spring silkworm" among the ranks of the party and the people. The "spring silkworm" spirit can be taken as the epitomy and reflection of Fu Xianzhong's life. It is also the concentrated expression of his greatness.

Why is it that he was able to do this? Of course he was not born like this. The important thing was that, ever since he joined the party, he had reminded himself that he was "a man of the party," and, as such, always measured himself against the yardstick for party members. No one who had read his "self-examination" which he left behind could remain untouched. For a lot of people, some things are not worth mentioning, but he just would not gloss over whatever little fault he had committed. It was this spirit, the thought that one must constantly remold one's own subjective world while remolding the objective world, that enhanced his ability to withstand the corrosive influence of all erroneous

ideas, helped him to always retain his ideological purity, and enabled him to tie his own fate to the destiny of the motherland and to the party's cause, and ultimately give his all to the party.

Bourgeois scholars have all along preached that man is born selfish. An ancient saying of ours also tells us that "from the beginning of life, man has been selfish and self-seeking." All these are lies fabricated to justify the rationality and perpetuality of the private ownership system. Advanced communists, from Li Dazhao [2621 1129 6856], Xia Minghan [1115 2494 5060], and Zhang Side [1728 1835 1795] down to Fu Xianzhong, all forcefully declared with their ordinary, yet great, life the bankruptcy of the notion that "man is born selfish."

When the ideological trend of bourgeois liberalization spread unchecked not long ago, some people had this to say about the "general ethical trend" in recent years: "Social departmentalism" (referring to collectivism) was looked upon with skepticism and negated; and, under the influence of this ideological trend, some people headed toward the path of "self-discovery—self-designs—self-expression—self-worship." They believed that advocating collectivism suggested the suppression and smothering of the "self." May I ask what kind of "self" would pit itself against the future and destiny of the party, the state, and the nation? Simply put, this can only be the reincarnation of ultra-egoism which centers on the self. This path can get us nowhere. The despicable and lamentable fate of the "political elite" and "turmoil elite" is clear proof of this. How can we not take warning?

There is yet another road for giving expression to the "self," namely, the road taken by Communists and advanced elements represented by Fu Xianzhong. The idea is that one must drop the drip of water called "self" into the torrents of the socialist cause, so it can ride and flow with the torrents. To people who do this, the "self" is realized through the tremendous influence of seemingly ordinary deeds. Under the illumination of a noble image like Fu Xianzhong, how can people who complained about the "lost subject" in the great cause of building socialism, who cut themselves away from the collective, and who distanced themselves from the socialist cause as they desperately "clamored for the self," not feel the insignificance and pettiness of their "subject" and "self"? How can they not feel ashamed?

Our times need heroic models, and have continuously produced heroic models. The ordinary yet great spirit of Comrade Fu Xianzhong will, like the moistening yet quiet drizzle, penetrate our very hearts. Encouraged and stimulated, the vast numbers of party members and the masses will turn this spirit into a powerful material force that will push forward our great cause of socialist modernization and enable us to achieve the grand objectives of the Eighth Five-Year Plan and the 10-Year Program.

On the Essence of Liu Zaifu's Theory of 'Literary Subjectivity'

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[Article by Dong Xuewen (5516 1331 2429)]

[Text] Through years of discussion after the question of "literary subjectivity" was first put forward, our literary and art theorists have gained a better perspective on the harm of Liu Zaifu's view on "literary subjectivity" as they deepened their research on this question.

Liu Zaifu's theory of "literary subjectivity" may be viewed, at its inception, as neohumanism which advocated centering everything on the abstract "man," or as a kind of subjective idealism based on an infinitely inflated "self" and "spiritual subject." As the logic of his theory unfolded and as he made known his "reflections" on the past and his "evaluation" of reality, the essence of his theory of "literary subjectivity" became increasingly clear. As indicated by a host of facts, Liu Zaifu's theory of "literary subjectivity" has betrayed Marxism and the socialist orientation not only on minor points and in matters of concept and methodology, but also on a range of fundamental issues.

In 1986, shortly after Liu Zaifu dished out the theory of "literary subjectivity," Comrade Chen Yong [7115 8673] emphatically pointed out: "This is no small matter. It is a question which concerns the destiny of Marxism in China, a question which concerns the destiny of socialist literature and art in China." ("The Question of Methodology in Literary and Art Studies," HONGQI [RED FLAG] No 8, 1986.) At that time, some people found such remarks most objectionable. There was a view which maintained that his words were vastly exaggerated. They argued that a "pedantic person" like Liu Zaifu "simply would not contemplate using literary and art studies to attack Marxism." These people regarded Comrade Chen Yong's remarks as the "product of a certain habitual thinking, a set form of social mentality." To them, Liu Zaifu's theory of "literary subjectivity" "originated from painful reflections on structural deviations in literary and art theories over the past decades, from his unexpected delight in seeing the rich experience of literary practice, and from the sense of responsibility and sincerity shown by a communist scholar toward the development of Marxist literary and art theories." A sharp antagonism thus emerged, and this antagonism continues to this day.

I do not intend to make a concrete analysis of various views in this article. I believe that "facts are the most ruthless" and that judgment passed by history is always just. Many articles have analyzed with convincing evidence the aims of this theory in preaching the ultra-individualistic outlook and sense of value, and the kind of "experience of literary practice" which this theory praises and finds particularly delightful. Here I would like only to examine the political inclinations of this theory and see whether Liu Zaifu was indeed engaged in

"theoretical exploration within a chosen discipline," and whether this so-called "pedantic person" was in fact "using literary and art studies to attack Marxism."

I. Distortions of the Tradition of Revolutionary Literature and Art Since "May 4th" as Seen From the Theory of the "Lost Subject"

Liu Zaifu's theory of "literary subjectivity" came out as a reflection of history. While stating his views, he never for a moment forgot to base his arguments on the process and phenomena of history. Actually, as a question which falls into the academic category, the theory of "literary subjectivity" can, and indeed should, find certain proof and elicitation from the history of literature. However, history as depicted by Liu Zaifu on the basis of the theory of "literary subjectivity" is of an altogether different nature. His historical conception of literature gives the content of his "subjectivity" a special imprint.

After the "May 4th" New Culture Movement, patriotic intellectuals who received their baptism in this movement resolutely plunged into the movement of national salvation at a difficult time when the nation was on the brink of calamity and crisis. Intellectuals who embraced the Marxist world outlook even took part in the social revolution as vanguards of the masses. The sacred land of China thus greeted its new life in this purgatory of blood and fire. Through efforts to battle the storm and through alternating frustrations and successes, the progressive Chinese intellectuals created a "new phoenix." Every unbiased person will give the correct answer when asked about this historical fact.

However, Liu Zaifu's theory of the "lost subject" fundamentally negated the revolutionary tradition of culture and literature since "May 4th." He maintained that, as a result of the social practice of salvation and the social revolution, the enlightening spirit of "May 4th" and the subjectivity of intellectuals were "lost." He denied the awakening, hard work, struggle, and creation of the vast numbers of writers and intellectuals during the period of the new democratic revolution and socialist revolution. In so doing, he totally distorted the nature of Chinese culture and literature throughout the new democratic revolution and socialist revolution, and willfully tampered with the modern and contemporary history of Chinese literature. In his opinion, immensely enlightening works like "The Story of Ah Q," which looked at the ignorance and backwardness of the peasants from the perspective of modern man, had practically disappeared from the scene after the 1940's. In their place came works from the likes of Zhao Shuli [6392 2885 3810], who eulogized the peasant revolution. Works that tried to preserve the basic line of thinking espoused by writings of the "May 4th" period and which let the intellectuals continue to keep their subjectivity in life found themselves in an increasingly more difficult situation. In his opinion, the publication of Comrade Mao Zedong's *Talks at the Yanan Forum on Literature and Art* practically "marked the termination of a historical stage in literature where intellectuals played a leading role." He

believed that, "for the political revolution to achieve the purpose of simplifying man, it must itself achieve simplification." He unequivocally stated, "With the extreme plight of national survival before him, the writer feels that he cannot achieve complete unity between his own demand for the emancipation of individuality and the demand for national emancipation." This is the crux and root of his theory of the "lost subject" by writers.

We simply cannot understand why Liu Zaifu repeatedly preached the notion that at crucial junctures, when the fate of the nation is hanging by a thread, we "cannot achieve complete unity" between the demand of the writer for "the emancipation of individuality" and the "demand for national emancipation." Did this demand of writers for "the emancipation of individuality," which was not in keeping with the demand for national emancipation and with the people's desire to stand up and be masters, and which is said to be more noble, actually exist in our history? Does bringing the demand of writers for "the emancipation of individuality" into line with the historic "demand for national emancipation" imply the renunciation of the "enlightening spirit" and the loss of "subjectivity"? Is it true that the only way to achieve "individual freedom" and "emancipation of individuality" then was not to engage in national salvation or attempt to free ourselves from the ravage of imperialism or remove the three big mountains that weighed on us, but to resign ourselves to the fate of being a conquered people or being slaves who live in hunger and starvation? Is it true that one can only find "freedom of the mind" and the "sanctuary of stability" in colonies and foreign concessions? True, in the history of modern Chinese literature, we do have a handful of writers who felt that they could not "achieve complete unity" between their "demand for the emancipation of individuality and the demand for national emancipation." These people either retired to their studies and spent their time sipping tea and writing poetry, or succumbed and served the puppet regime. Some of them became traitor-writers despised by all, while others were swept by the torrents of history onto the desolate shoals. Can we champion this idea of "subjectivity" which is not in keeping with the demand for national salvation? How can a courageous and upright Chinese person who has self-respect, self-esteem, and confidence and who constantly strives to become stronger (and writers are no exception) pit the "demand for the emancipation of individuality" against the demand for national emancipation? But then this is precisely the basis upon which Liu Zaifu has built his theory.

At this point, we cannot but ask ourselves this question: What exactly were the "individuality" and "subjectivity" that Liu Zaifu appealed for? We know that abstract, absolute, supraclass and suprahistorical "human rights, humanity, humanism, and human nature," "man's awakening" and "man's discovery" do not exist as such. What then is this "subjectivity" which is founded on the logic that "enlightenment" and "salvation" are not mutually compatible? What is this "subjectivity" which

tightly "holds on to the self" and gives not a damn whether the nation lives or dies? There can only be one answer: Mean and despicable servility. Luckily, although there are such people around, their number is small. Otherwise, how could the Chinese nation have risen up again in the contemporary world?

As illustrated by facts, regardless of whether one is a writer or an intellectual, one's demand for personal emancipation must share the destiny and life's breath of the nation's survival and development. A writer's "consciousness of the subject" and true "self" can be realized only when they are bound up with the nation's destiny. The greater the plight confronted by the nation, the more necessary it is for writers, artists, and the sons and daughters of the Chinese nation to merge their strength with the strength of the entire nation. Strictly speaking, the development of a country, society, and nation does not tolerate the existence of a "demand for the emancipation of individuality" which pretends to be detached, pure, and independent, but which contradicts, goes against, and is divorced from this development. The reason is that "emancipation of individuality" that is not based on the premise of national emancipation and "self-realization" that lacks the necessary sociohistorical environment can only go against the direction of historical development. In this sense, the "loss" of "subjectivity" lamented by Liu Zaifu is probably not a bad thing. In fact, the greater the extent to which this "subjectivity" is "lost," the better it will be for the whole nation. It would have been a great misfortune for the whole nation had this "subjectivity" gained predominance. Going against the tide of history, the handful of "elite" members of bourgeois liberalization fervently believed in "individual freedom" and "the emancipation of individuality." They threw themselves into the arms of the international reactionary forces, lost their national and personal dignity, and became despicable deserters and traitors. This ironclad truth has lent proof to the bankruptcy of the theory of the "lost subject." Liu Zaifu also followed the same path. This is perhaps the inevitable last home of his idea of "subjectivity."

II. Yearnings for the Capitalist Form of Society as Seen From Talks About the Subject Lacking "True Soil"

In Liu Zaifu's theory of "subjectivity," the notion of "subjectivity" is not only pitted against the mission of national salvation but is also set against the socialist system. In his opinion, the capitalist form of society is the ideal realm where "subjectivity" can develop freely. He saw it as the "powerful historical prop" for the theory of "subjectivity." In the social and political realms, Liu Zaifu's theory of "subjectivity" sheds all pretense of academic exploration and becomes an outright praise and yearning for the capitalist system. We may call this the logical and inevitable outcome of the extension and development of Liu Zaifu's theory of "literary subjectivity."

According to Liu Zaifu, the May 4th Movement did not provide the true soil for the continued growth and

development of the individuality of intellectuals. As the metamorphic point in the history of China, the May 4th Movement signified a major transformation of the Chinese society. However, this transformation is by no means a normal one. It transformed directly from a feudal society into a modern society *without producing a powerful class of professionals and a relevant foundation of modern politics, economics and culture.* ("The Loss of and Return to the Enlightening Spirit of May 4th Literature".) Here, Liu Zaifu used the term "modern society" to avoid reference to "socialism" and "capitalism." The reader is left confused and puzzled. However, if the reader goes on to read another passage of his, he will get a clear idea. Liu Zaifu said: "...After the old social system based on 'man's mutual dependence' was criticized by the May 4th Movement, Chinese society was directly transformed into a modern society and quickly made the transition to the socialist society (marching directly toward the goal of the union of free men), *without going through a stage of the development of the commodity economy based on commodity exchange*, that is, without going through a social form in which man's independence can be realized. Without the full development of this social form, *man's independence has no place at all* and has no way of growing and developing. Individuality, self-consciousness, the spirit of independence, and so on, which were awakened during the May 4th period could not find the soil on which to grow because they did not have a relevant strong material foundation (*the social form of commodity exchange based on free competition*). The tragic fate of the enlightening spirit is thus unavoidable." (Ibid.; italics denote emphasis by the author.)

No one would have any doubt as to the precise meaning of this passage. Likewise, no one would fail to understand that Liu Zaifu's lament here was the "tragic fate" of the "lost subject" because China had not taken the capitalist road. In recent years, some people in our ideological and theoretical circles have been talking about "the premature birth of socialism" and the need to have "extra lessons on capitalism." Some alleged that history has taken a roundabout turn after 70 years and that we are now confronted with "the same tasks" as those which confronted the May 4th Movement. Some even spoke of capitalism as being "eternal," and asserted that "in China, man is not worth a dime." Compared with these assertions, Liu Zaifu's above-stated views are by no means less strong in intensity.

The arguments of Liu Zaifu are unique in that he not only upgraded the yearnings for capitalism to the "key" position through the question of "man's independence" and argued that the "transformation" of Chinese society (read "revolutionary process") was "abnormal," but also deliberately depicted capitalist society as a paradise for intellectuals and criticized the socialist society as a place devoid of "man's independence," "individuality," and "self-consciousness." While violently lashing out at "materialism" in his arguments for the theory of "literary subjectivity," he contradicted himself by advocating

the need for "a relevant strong material foundation" and even regarded "the form of commodity exchange based on free competition," where the law of the jungle rules, as the "true soil" upon which man's "subjectivity" grows. In so doing, he clearly pointed out, from the social and political angle, the actual road and true avenue for the birth and realization of his idea of "subjectivity." Can we call this person a "pedantic scholar who talks of nothing but literature and art"?

Liu Zaifu was full of envy when he spoke of humanists of the Renaissance period. He said they were "fortunate to have been born into that age, for when they called for the establishment of a world with man at the center," they had as their support "a tangible mode of production and activities which could be related to real people and events, namely, the burgeoning capitalist movement with its infinite vitality." (See Liu Zaifu and Lin Gang [2651 1511]: "Differences Between the Renaissance of the West and the May 4th Movement in Their Perspective of Man," RENWEN ZAZHI [HUMANITY] No. 5, 1988.) With an undeniable note of regret, he lamented over the fact that, after the May 4th Movement, the "basic facts" of the Renaissance failed to turn into "an actuality with real people and events that can represent the direction of history" in China.

Liu Zaifu also quoted the views of British philosopher Russell in saying that the Renaissance had achieved little or nothing in the moral realm. He further said that, to the contrary, it had completely emancipated the individual, having smashed all moral codes. He asserted, "Such times were very conducive to the development of literature and art" because artists then were "all believers in individualism." He believed that only when it is "rid of moral obligations" can art achieve unworldliness and depth. According to this logic, art is not compatible with any moral principle or requirement.

"Taking the opportunity" of writing a commentary on He Qifang, Liu Zaifu attempted to make his readers "ponder and explore" the question why ideological progressiveness and artistic progressiveness do not necessarily go hand in hand and why the two may sometimes move in opposite directions. He also held that "this (latter) phenomenon is by no means isolated and is not something unique to Chinese literature," as it could also be found in the Soviet Union. He also predicted that, by studying the "widespread depression that is related to a specific historical period" reflected in the person of Comrade He Qifang, "we can derive many excellent ideas and theories." ("A Sincere Poet, A Conscientious Scholar," WENXUE PINGLUN [LITERARY REVIEW] No. 2, 1988.) From this, we can see that Liu Zaifu not only deemed literature and art to be conflicting with moral progressiveness, but also set them against ideological progressiveness.

Liu Zaifu all along regarded "decorum and order, as well as the underlying master-slave mentality, which suppress

the self and the subject," as "major obstacles to modernization." He held that "even under present-day conditions, the shadow of decorum and order still stubbornly prevails and obstructs the development and realization of subjectivity." "The value of the subject is stifled by the big machine, and individuality is reduced to the part of 'a screw.'" (See *On Chinese Literature*, p. 107.) If we look at how Liu Zaifu longed for the so-called "society based on commodity exchange," how he agitated for "individuality" and "self-realization" in an attempt to break free from society and the group, and how he asserted that Chinese intellectuals were caught in the "tragic and absurd cycle" of "self-uglification" and found their "sense of political guilt growing" after liberation, we can see that Liu Zaifu considered the socialist system and the criteria of collectivism to be the source of evil that stifled the development of individuality. He also had doubts as to whether traditional culture could breed a strong individuality and a national community with a strong individuality. His conclusion was that "the only way out is to totally emulate the West politically and in terms of social structure and man's spiritual quality."

Assuming that, on the theoretical level, Liu Zaifu's "literary subjectivity" is just a definition and system for the philosophizing of subjectivism, idealism, and humanism in the realm of literature and art, if we examine the "true soil" and social basis he had prepared for this "subjectivity," we would inevitably discover that it has vastly overstepped the limits of an academic probe. When the essence of this "individuality" is laid bare, we will not have any difficulty seeing that the last home of his "subjectivity" and his dreamed world was the capitalist world of the West. To Liu Zaifu, it appeared that capitalism alone could bring good tidings to "the awakened individuality, self-consciousness, and spirit of independence" and "individual freedom."

Comrade Mao Zedong once said, "The 1917 Revolution in Russia awakened the people of China. They learned something altogether new to them, namely, Marxism-Leninism. China had its Communist Party. It was an epochmaking change." "From then on, China headed in a different direction." (*Selected Works of Mao Zedong*, Volume 4, p. 1,451.) He also said, "The great and victorious Chinese people's war of liberation and people's liberation has rejuvenated and is rejuvenating the culture of the great Chinese people. This culture of the Chinese people has, in spiritual terms, surpassed that of the entire capitalist world." (Ibid., Volume 4, p. 1,453.) The establishment of the socialist system in China, in particular, has opened for us the road to the ideal state. Although this system is still imperfect and needs to be improved, it has enabled the Chinese people in the hundreds of millions to turn from a spiritually passive people into a spiritually active people. It has created a vast world for the broad masses to achieve "self-realization." Can we deny that the people who are sweating and doing their little bit to build socialism on various front are doing very well in self-realization? In

short, the "subjectivity" emphasized by Liu Zaifu is something that is completely contrary to the development of history. It is subjectivity that is inclined toward capitalism and idealism in the conflicts between the two social systems and two conceptions of history; subjectivity that has lost the correct stand and sense of value and is embroiled in the bourgeois and petty-bourgeois intellectual realm; subjectivity that lords over "the lowly" as spiritual nobles. This subjectivity was indeed present in the modern and contemporary history of China, but has since become a thing of the past. Today, what we need and advocate is subjectivity that is compatible with the criteria of socialism, subjectivity that consciously recognizes the laws governing the development of history, and subjectivity that is imbued with the spirit of patriotism, collectivism, socialism, and communism. As far as writers are concerned, it is subjectivity that stifles creative sentiments that are feudal, bourgeois, petty-bourgeois, liberalistic, individualistic, nihilistic, art-for-art's sake, grey, pornographic, decadent, and pessimistic, and which are alien to the masses and to the proletariat; it is subjectivity that can give full scope to creativity and imagination, and enables us to "upgrade" ourselves to the level required of "singers of the advanced proletariat" (Stalin's words). We should say that our literary subjectivity is entirely different from that championed by Liu Zaifu. What will happen to the masses if the "climate and soil" they longed for have materialized and their "individuality" and "self" are realized to the full? From the changes that have occurred in some of the socialist countries in Eastern Europe, we can clearly see for ourselves the consequences of similar happenings. It is based on our awareness of this danger that the people led by the well-matured CPC will not tolerate the development of this kind of "climate and soil." The quelling of the turmoil and rebellion in the spring and summer of 1989 was a convincing proof.

III. The Rejection of Marxism as Seen From the Theory of "Genre Revolution"

Liu Zaifu's theory of "literary subjectivity" was put forward under the signboard of "developing" Marxist literary and art studies. Some people who subscribed to his view also believed that Liu Zaifu's proposition on literary subjectivity was "a bold attempt made under the guidance of the basic tenets of Marxism to explore an aspect of literary and art theories long overlooked." Some viewed Liu Zaifu's theory of "literary subjectivity" as a "school of thought in Marxist literary and art studies." Still others revered Liu Zaifu as "a devout reformer and innovative thinker," and his views as "the literary and art theories of our times." We are thus compelled to examine Liu Zaifu's attitude toward Marxism and its teachings on literature and art.

Theories of the subject and "subjectivity" should form an integral part of Marxist literary and art studies. It is true that, in the past, we did not pay enough attention to "subjectivity" in our theoretical studies and literary creations. The problem at issue now is that Liu Zaifu not only failed to study the question of "subjectivity" under

the guidance of Marxism, but totally betrayed the principles of Marxism. His attitude toward Marxism was also despicable. Many articles have touched on the former. Here I would like to say a few words on the latter question.

Liu Zaifu's theory of "literary subjectivity" was directed against the Marxist "literary and art studies based on the theory of reflection" (also known as "literary and art studies based on the theory of knowledge"). He was opposed to the notion that literature is the reflection of social life. He wanted to "establish a system for the study of literary theories and literary history with man as the central idea," and urged that literary studies shift their attention "from what is without to what is within," and "return to the self" and "the inner world." He thus cut off the links between man and the environment, between literature and society, and between literature and life, turning literature into a river without a source, a tree without roots. This is out-and-out historical idealism.

Liu Zaifu held that "from the 1930's till this day, our literary criticism... has, by and large, been nothing more than the vulgar theory of class struggle and the theory of direct reflection," a "unitary and linear mode of thinking," and the "theory that machines decide everything." He referred to Marxism, upon which previous literary criticism and literary and art theories were based, as "traditional philosophy," saying that it had "the materialistic thing-in-itself and the theory of reflection as its basic framework, thereby overlooking the subjectivity of existence." He unequivocally pointed out, "In this philosophical system, man is barred from the world itself, and the theory of value is replaced by the theory of knowledge (theory of reflection). The subject thus becomes a mere tool for knowing the inevitable laws of nature and society, and cannot take part in the creation of the world." He even arbitrarily said that "literary theories developed on the basis of this philosophy will naturally be lacking in subjectivity" and will be "removed from the exploration of the rich and lively subjective spiritual world." ("On Genre Revolution in Literary Criticism in the 1980's," WENXUE PINGLUN No. 1, 1989.) This was obviously directed against Marxist teachings as a whole. Ever since he first published "On Character Combination," Liu Zaifu had been advocating the idea that one must "have one's own creative category and conceptual system." Over the years, people have not been fully aware of his intentions. Some even naively thought that this was nothing more than a trick played by one who toyed with formalistic notions of categories and concepts. It was not until after Liu Zaifu formally put forward the theory of "genre revolution" that people began to see the seriousness of the problem. Liu Zaifu wanted nothing short of a complete "change" in the "linguistic and semiotic systems" and to open a "new system of concepts and categories." He wanted to "change" the "basic pattern of thinking" in literary and art studies, "including the structure and mode of thinking and the basic trend of thought in criticism." On the basis of the malignant development of the theory of

"literary subjectivity," he thus openly dished out his "declaration" which thoroughly denigrated and negated the Marxist system of literary and art studies.

When Liu Zaifu referred to the Marxist genre as "peremptory," he no longer showed any reservations in his attitude toward Marxism. He also said that "the ideological domination of Marxism was in fact a kind of genre domination. We apply ourselves to the genre revolution because we want to *smash this autocratic mode of ideological domination*. By *emancipating the mind* through genre revolution, we can *give the mind the greatest freedom*." ("A Three-Man Dialogue on Genre Revolution," SHANGHAI WENLUN [SHANGHAI LITERARY THEORY] No. 1, 1989; italics denote emphasis by the author.) He maintained that, because Chinese literary criticism had come to a "detestable state," the language revolution had become "an important and necessary first step out of the impasse" for Chinese thinkers and men of letters. He said, "On the whole, the genre revolution of the 1980's has completed its primary stage and has initially brought about a revolutionary change, that is, the change from the 'autocratic' style of 'speaking like a mouthpiece' to the 'independent' style of 'speaking for oneself.' In other words, the autocratic genre of 'speaking for the sages' is replaced by a genre that shows individuality. This change implies that the days when the *autocratic* genre which once *dominated* literary criticism circles in China *were gone*, and an era of independent and pluralist genres has begun. This marks a major liberation in the genre of modern criticism in China; in a deeper sense, it is also a major ideological emancipation in the literary circles." ("On Genre Revolution in Literary Criticism in the 1980's"; italics denote emphasis by the author.) Liu Zaifu had quite bluntly referred to Marxism as "autocratic ideological domination" and as "peremptory." He used "revolutionary" concepts and "innovating" jargon. He maintained that only when the Marxist "genre" was "replaced" could we achieve a "major emancipation" in our literary thinking and achieve "freedom" of the mind, and that only in this way could we find new life that can lift us from the "detestable state." Is there anything in what he did that could suggest that he was working toward the development of Marxist literature and art? Is this not an undisguised attempt to overthrow Marxism? The "spiritual prison" that Liu Zaifu wanted to "destroy" through language reform was nothing less than the theories and teachings of Marxism. The fact is that Liu Zaifu's criticism on the question of "genre" was merely a reversal on the "shallow level." On the "deeper" ideological level, his aim was to negate the theoretical system of Marxism. If this was not the case, he would not have associated genre criticism with "ideological emancipation."

Marxism is the spiritual weapon of the proletariat and the progressive people for the emancipation of the mind. "Ideological emancipation" divorced from Marxism is bound to land itself in the ideological system and realm of the modern bourgeoisie and other exploiting classes.

Liu Zaifu's theory of "literary subjectivity" was developed in a direction that goes against Marxism. He made it clear that "subjectivist philosophy and subjectivist literature and art have smashed the traditional theoretical framework and laid a new theoretical foundation for the fundamental emancipation of the self and for genre changes." Here, we can see the inherent organic link between his theory of "literary subjectivity" and "genre revolution." In the final analysis, Liu Zaifu's idea of "literary subjectivity" was in the service of "revolutionary changes" against Marxism.

This is an appropriate place to end this article. At this point, the remarks of Comrade Chen Yong which I cited at the beginning of this article again comes to my mind. After carefully examining the spiritual content and theoretical essence of Liu Zaifu's concept of "literary subjectivity," we cannot but say that this is a question which "concerns the destiny of Marxism in China, a question which concerns the destiny of socialist literature and art in China." Evidently this "political judgment" is not artificially superimposed. Evidently this question of vital importance cannot but arouse our concern and need to be clearly straightened out.

Further Improve the Enterprise Contracted Management Responsibility System

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[Article by Wong Zhongyu, governor of Jilin Province]

[Text] Jilin Province in 1982 began to push the enterprise contracted management responsibility system. Experience over the past eight years has shown that the system is suited to the level of the productive forces in our country, conforms with the ideological and consciousness levels of by far the majority of the cadres and populace and the conditions of the enterprises, and plays an important role in invigorating the enterprises, promoting development of production and enhancement of the economic benefits, and ensuring the stable growth of the state's financial revenues. However, the present contracting method still has its defects. The principal ones are: The contracted target is imperfect because it centers on contracting the delivery of profits and taxes and does not consider increasing the value of the state-owned fixed assets; the contracted base figure is not scientific, having the phenomenon of "whipping a fast ox"; the contracting principal body is not clear in certain enterprises and has not displayed the position of the staff members and workers as masters of the house; and certain enterprises have not smoothed out the interest relations between the state, the enterprise, and the staff members and workers, and it thereby lacks the power of self-control. Hence, it is necessary to adopt effective measures to continuously improve and perfect it. At present, the greater proportion of enterprise contracts are nearing expiration. Grasping this opportunity of renewal of the contracts to play up advantages and remove disadvantages and devoting efforts to perfect the

system are not only an important task in deepening the reform but are also needed to consolidate and develop the productive forces already formed in the course of the reform and to stabilize and refresh the economy.

Based on this understanding, our general guiding thought in the new round of enterprise contracting is: On the foundation of firmly insisting on a scientific and effective contracting mechanism, particularly maintaining the stimulating and encouraging mechanisms in the contracting system, to shift the principal form in contracting to the track of raising input and output benefits to enable it to conform more with the demand on enterprises of the economic operative mechanism formed by the integration of planned economy and market regulation. The major points will focus on perfecting the contract content; strengthening the scientific character of the contracted base figure and its adaptability to the market; ensuring and protecting the position of staff members and workers as masters of the house; smoothing out the interest distribution relations between the state, enterprise, and staff members and workers; and improving and perfecting the enterprises' restrictive mechanism.

I. Shifting Contracting's Leaning on Profits to Overall Contracting on Assets and Operations

In the existing contracting method, the main point is contracting for the profit target and the so-called "base figure," which is constant, refers primarily to the base figure for profits. Generally speaking, large or small amounts of realized profits can reflect the high or low effects of the enterprise. However, under the conditions in our country of the price relations not having been put in order, enterprises' microeconomic mechanisms being in an unhealthy state, macroeconomic regulation and control not being perfect, and particularly that enterprises holding state-owned assets are different one from another, realized profits do not wholly reflect the true economic effects. This type of contracting can increase the enterprises' incentive to seek more profits but, due to the lack of effective provisions for maintaining and increasing the value of assets, a small number of enterprises are tempted to secure profits in excess of the base figure by excessive input and irregular measures that damage and encroach upon the state-owned assets. This results in low benefits from input and output and in losses of state-owned assets.

This being the case, what should the contract be for? As we understand it, the object of an enterprise's operations is the object of the contracting. In the past, when we mentioned enterprise operation we frequently referred to the enterprise's production operations. This is not inclusive enough. According to the demand of planned commodity economy, enterprise operation is asset operation and management. Just as is clearly prescribed in the "enterprise law," the enterprise's property belongs to the whole people; the state, in accordance with the principle of the separation of ownership rights and operation or use rights, gives it to the enterprise to run

and manage. Since the principal object of the enterprise's contracted management from the state is state-owned property, the results of the management of the property should not be manifested only by a profit target. Rather, just as the enterprise should repay the principal and pay interest when making a bank loan, it should include value maintenance and obtaining economic benefits. Economic benefits should be manifested in two forms, namely, property value-increment and upward delivery of profits and taxes. Hence, it is necessary to improve and perfect the existing contracting target and establish a set of target systems which can adequately and fully reflect the fruits of the enterprise's contracted management. 1) Take profits as the principal effects target, but the profits target in determining the base figure should be different from in the past. Not only should there be a vertical comparison with the enterprise's own past and present profits but also, more important, there should be a lateral comparison, based on the value of the assets held by the enterprise with the average capital profits rate of the industry or trade. 2) Take maintenance and increment of the value of state-owned assets as the principal development target. There should be no damage to the net value of the assets during the contracted period; sufficient sinking funds for depreciation, repairs, and overhauls should be set aside. In profit retention, sufficient sinking funds for production development should be provided for. Self-owned circulation funds should be adequately replenished according to regulation. Value increment of the fixed assets of a productive nature should be realized according to plan and the examination and review of these targets should be linked to the interests of the enterprise's operators, staff, and workers, to rationalize the conduct and acts of the enterprise and the operators. 3) Take as targets which reflect input and output benefits the profit and tax rate on capital, the intact and undamaged rate of the equipment, the output value rate of good-quality products, the energy consumption rate per 10,000 yuan of output value, the whole staff's labor productivity rate, and so forth. Organizing such a target system is beneficial to guiding the enterprise to proceed toward the correct targets and direction. It advances the development of production management activities and makes the vitality of the contracting system flourish all the more. In order to make these measures yield even better results in our concrete work, we have attached importance to the following two points: First, formulating corresponding inspection and evaluation methods and closely linking each and every target to the interests of the enterprise and the contractors; and second, based on the principle of being few but precise and beneficial to separating government from enterprise functions, scrupulously avoiding complicated tasks, "boarding the wrong bus," and limiting the contracted targets generally to no more than 10.

II. Enhancing the Scientific Character of the Contracted Base Figure and Adaptability to the Market

The contracted base figure manifests the economic relations between the state and the enterprise and is a key

link in the contracting mechanism. At present, changes in the enterprise's external economic environment are rather great. In determining the contracted base figure, difficulties appear in "fixing the base figure, contracting for the enterprise, and making assurances in finance." Hence, to scientifically and rationally fix the contracted base figure is a major and difficult task in perfecting the contracting system. For the sake of elevating the scientific character of the basic figure and its adaptability to the market, we have seriously summed up the experiences and lessons gained in the first round of contracting; we have firmly insisted, in the second round of contracting, on the following two principles: First, the principle of stimulating and coercing in contracting the base figure. Regarding the portion in excess of the base figure, we advocated partial or full retention by the enterprise concerned to encourage the enterprise "to rise and take up the burden." Second, the principle of integrating planned economy and regulation by market mechanism. The nucleus of the reform of our economic structure is the establishment of an economic operational mechanism of the integration of planned economy and regulation by market mechanism. In fixing the contracted base figure, we must manifest the demands of the planned economy and at the same time pay attention to suiting the special features of regulation by market mechanism. In particular, it is necessary to resort to various effective forms to better solve the contradiction between the "fixed base figure and a dynamic market." Therefore, in the new round of contracting, we have still taken base-figure contracting and partial retention of the excess of the base figure as the principal contracting form, but, in the method of fixing the base figure, rather great improvement was made over the preceding round of contracting.

1) Factors in the revision of base-figure contracting. That is, in fixing the base figure, first take the average value of the profits realized in the first-round contracting period and follow up with a coefficient revision based on the following factors: Degree of utilization of the production capacity of the enterprise concerned, changes in production expenses, changes in prices of products, level of profit rate on capital of the industry or trade, and so forth. Concrete computation is then made and, finally, based on the actual condition of the enterprise, a contracted base figure is fixed. Because the revision factors have, on a large scale, considered such elements as market and price changes, enterprise contracting has been able to proceed rather smoothly and, besides, a foundation has been laid for the eventual realization of the contracting job. 2) "High and low line" target contracting. That is, based on the enterprise's normal conditions, fix two sets of high and low contracted targets. The portion of fulfillment of the low target is subject to the method of tax in lieu of profits, while the profits between the high and low lines and the profit above the high line, are subject to different retention ratios. As for those accomplishing or surpassing the high contracted target, they will be duly rewarded, while operators failing

to accomplish the low targets will be subjected to deductions from their basic salaries. This method is suitable for use in a small number of enterprises which in recent years have suffered from rather large fluctuations in economic effects and pose difficulties in fixing a rational contracted base figure. 3) Contracting based on the differential in capital profits rate. That is, take as reference the average capital profit rate of the same category of enterprises in the same industry or trade in the same city of the province. Then, with due consideration of the requirements for financial equilibrium in the locality, the operating conditions of the enterprises, and the development trend of the industry or trade, rationally determine the difference between the capital profit rate of the industry or trade and the capital profit rate of the enterprise, and contract for the difference. If the enterprise's capital profit rate is higher than the average level of the industry or trade, then the difference is called above average rate [chao cha lu 6389 1567 3764]; and, if lower than the industry or trade's average, if the difference is a below-average rate, then it is called the needing-improvement rate [gan cha lu 6385 1567 3764]. At the yearend assessment, the profits that should be realized by the enterprise are computed according to the contracted difference and the delivery amount is calculated. If the enterprise's realized profit is within the difference rate, distribution is made between the state and the enterprise according to the current method and the portion in excess of the difference will be subject to a fixed ratio of division between the state and the enterprise. In reality, the base figure computed in this way is a "fixed base figure and a dynamic market," and is relatively scientific, rational, and beneficial to solving the contradiction of a "fixed base figure and a dynamic market." 4) Setting ratios and linking labor to effect. That is, in the case of the minority of enterprises that suffer from unstable production operations and a heavy loan and historical burden, in accordance with the demands of industrial policy, the requirement to balance receipts and payments in finance, and the enterprises' actual conditions, fixing the ratios for their deliveries to the state, repayment of loans for technical transformation, the enterprises' profit retention, settlement of problems left over by history, enforcing the linking of labor with effect, providing awards and encouragement according to grades, and generally forming a system of "fixed ratios, live upward deliveries, integration of contracting and linking, and providing awards, encouragement, and commendation."

III. Advocating and Pushing Whole-Staff Contracting and Leadership Team Collective Contracting and Prominently Displaying the Position of the Staff Members and Workers as Masters of the House

In the preceding round of contracting, the majority of enterprises carried out contracting by individual contractors. Seen from actual practice in the past several years, due deviations in the quality of the contractors have exposed certain defects, principal among which was the failure to pay due regard to the position of the staff members and workers as masters of the house, which

gave enterprise staff members and workers the impression that the "masters were contracted" and they were only "hirelings," and adversely affecting the positivism of the staff members and workers participating in the enterprise's management and operations. In order to solve these problems and to arouse the enthusiasm of the operator and the staff members and workers, the new round of contracting has advocated enforcement of whole-staff contracting and leadership team collective contracting and, correspondingly, has established the system of democratic management and assurance and supervision by the staff members and workers. The concrete form of all-staff contracting is generally carried out in two sections. In the first section, all staff members and workers, acting in the capacity of contractors, enforce assets contracting to the state. That is, contracting for the value maintenance, value increment, and benefit of the state-owned assets. In the second section, all staff and workers, in the capacity of the contracting-out party, carry out operation contracting within the enterprise, determine the "targets" of the operation contracting, and elect and/or appoint the operators. By so doing, structurally, the position of the staff members and workers as masters of the house is fixed, the two enthusiasms of the staff and workers participating in democratic management and of the operators carrying out strict management and control are aroused, and the enterprise mechanism of the common sharing of risks and common enjoyment of benefits is formed. In large and medium-sized enterprises, leadership team collective contracting is advocated. Considering that enterprise contracted management is economic contracting, collective contracting is done principally by the administrative team, the system of joint guarantee by the party, government, and workers is enforced, and the legal-person representative is created with the consent of the employees representatives congress. Be it in whole-staff contracting or in leadership-team collective contracting, the system of discussion and examination of the enterprise's big and important production and operation problems by the staff members and workers is enforced. The system of the enterprise opening the distribution of income and democratic criticism of the operators by the staff members and workers is firmly insisted upon from beginning to end and is enforced, thus ensuring the display of the role of the staff members and workers as the masters of the house.

IV. Correctly Handling the Interest Distribution Relations Between the State, Enterprise, Staff Members and Workers, and the Operators

Important tasks in reform of the urban economic structure are breaking the practice of "everybody eating from the same big pot," correctly handling interest distribution relations between the state, enterprise, staff members and workers, and the operators, and arousing the enthusiasm of the enterprise, the extensive masses of cadres, and the populace. Seen from conditions in Jilin Province, on the problem of distribution, most enterprises can correctly handle the interest relations of the parties concerned. However, in certain localities and

units three kinds of irrational inclination or slant toward one side exist to varying degrees: In the interest distribution between the state and enterprise, the slant is toward the enterprise; in the input into the production and consumption funds, the slant is toward consumption; and in the distribution of awards between the producer and the operator, the slant is toward the latter. We have carried out the necessary rectification in the new round of contracting to prevent these irrational acts and eliminate them from the mechanism. Regarding distribution of interests between the state and the enterprise, we have enforced various kinds of distribution forms based on the different conditions of the enterprises, such as having the base figure (including the progressive increase ratios) irrevocably contracted, dividing excess receipts, repaying loans from excess receipts, fully retaining excess receipts, and so on. In cases where the contracted base figure in the preceding round was comparatively rational, the progressive-increase rate of upward delivery of profits or the ratio of division of excess receipts was appropriately increased based on the different conditions of the enterprises. Regarding the contracted base figure in the preceding round, in cases in which the progressive-increase rate of delivery of profits clearly tended toward the low side and whose technical transformation projects have already yielded benefits, the base figure and upward delivery ratio were appropriately increased. Enterprises needing major support and a large amount of input for technical transformation were given due consideration when fixing the contracted base figure, the progressive-increase rate in the delivery of profits, or the distribution ratio. Regarding enterprises that have failed to conform with the demands of the state's industrial policy, their development should be restricted, their base figures and ratios of delivery of taxes and profits should be increased to correspondingly put in order the distribution relations between the state and the enterprises. For example, in Siping City, of the 49 industrial enterprises operating and included in the budget, 39 were making profits. The contracted base figures of these 39 units were raised by 19.7 percent over the upward delivery average for the preceding three years. They adopted the methods of linking labor to effects and integration of contracting and linking, to control the over-rapid growth in consumption funds. We have prescribed that if the enterprise's production and economic effects are stabilized, and its management and assessment targets are wholesome and strong, it should enforce the method of linking the gross volume of salaries and wages to economic effects, with the ratio floating up and down. Enterprises that do not have the conditions for linking should still carry out the practice of contracting the gross volume of salaries and wages. In the case of enterprises that have the hardship of increasing their effects and that have little hidden potential, the proportion of the floating in linking should be set higher, whereas in the case of enterprises with higher hidden potential, the proportion should be relatively lower. In computing effects and salaries and wages, we should rationally delete the influence of nonbusiness factors and, in cases where there are some factors which

cannot be easily deleted, the extent of the increase in salaries and wages should be duly regulated. If the increase in the gross volume of salaries and wages exceeds 30 percent, the excess portion should either wholly or in part be added to the salary and wage sinking funds to serve the purpose of making up possible future deficits. The enterprise income distribution system has improved its method of rewarding enterprise managers. It recommends that, on the basis of enforcing the basic wage system, the bonuses given to managers should be linked to the bonuses given to the enterprise workers, that is, the bonuses should float proportionally. Upon fulfillment of the contracted fixed base figure, the enterprise determines the amount of the bonus to be given to managers; this figure is a certain multiple of the yearly fixed average amount given to the workers. As for the portion in excess of the contracted base figure, the increase in the bonus should then be calculated as a percentage of the excess. The two amounts added together will be the gross amount of the bonuses to be given to the managers. However, the manager's annual income (including salary and bonus) should not exceed 200 percent of the annual average income (salary/wage and bonus) of the staff members and workers. This method can effectively avoid the phenomena of irrational distribution of awards to operators of the same rank with different salary bases and of the staff members and workers getting no award or receiving only small awards. It can also ease the contradiction in distribution between operators of the same rank and between operators and the staff members and workers. It plays an active role in arousing the enthusiasm of the operators and the staff members and workers and in promoting production development.

V. Strengthening the Restrictive Mechanism Over the Contracted Enterprise

The enterprise's restrictive mechanism should manifest the demands from two sides: The contracted enterprise should take as its target the rationalization of its own conduct and set up and perfect its own self-restriction mechanism. On the other hand, the government's various overall economic departments, auditing departments, and departments in charge of enterprises should step up their rational supervision and control over enterprise operations and make enterprise production and operations conform with the demands of the government's macroeconomic control and regulation. Against the existing problems in the course of contracting we have, in the new round of contracting, strengthened restrictions over the enterprises from the following sides: First, use of regulations to restrict enterprise conduct. This involves principally strengthening the auditing and supervision of the contracted enterprise and setting up, improving, and perfecting the auditing system and the system of auditing responsibility at various levels. We have improved and perfected auditing by requiring the checking and examination of the enterprise's assets, setting the basis for determining the contracted base figure and the economic targets of the

contracting agreement, inspecting the condition of execution of the contract, and readjusting the contracted base figure and the operators' income. We have also fixed the requirement that no contracting agreement should be signed without its having gone through auditing and that, no contracting agreement should be executed without auditing. Second, a benefit risk system has been established. It specifies that the contracted enterprise should set aside a portion of its profit retention to set up a risk-bearing fund so as to strengthen the enterprise's ability to bear deficits. The system of the operator's risk-bearing guarantee is also enforced, requiring that a risk guarantee fund should be paid before signing the contract agreement. When the enterprise fails to fulfill the contract, this risk guarantee fund from the operator should be used first as a pledge to make up any losses. At the same time, we have enforced the system of risk guarantee by the whole staff or the post responsibility guarantee system. At present, throughout the province the guarantee fund from the operators, staff members, and workers amounts to 145 million yuan. Third, democratic management and control has been strengthened. The contracted enterprises have further set up and perfected the employee representatives congress system and have generally set up and enforced the following systems covering staff members and workers: Democratic criticism of the operators, advancement and promotion in rank of the operators or members of the leadership team, awards distribution, open and public distribution of housing, deliberation on enterprises' important production and operation policies, enterprise cadres' evading questions, "double protection contract," and so forth.

Take Active and Reliable Measures To Develop Enterprise Groups

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[Article by Sheng Huaren (4141 5478 0088), general manager, China National Petrochemical Corporation]

[Text] Development of enterprise groups is a necessary requirement for the development of socialized large-scale production and is also the trend of current world economic development. After the Third Plenary Session of the 11th CPC Central Committee, and following the gradual deepening of the reform of the economic structure and the development of the planned commodity economy, certain large backbone enterprises of important industries and trades that have a bearing on the national economy and the people's living have broken through the original subordinate administrative relationship and the channels of upward delivery of profits to central finance and have successively organized nationwide large enterprise groups based on the objectives of amelioration of resources, unified planning, centralization and unification, and enhancement of economic benefits. The organization and development of these enterprise groups have played an important role in our country's economic life. Seen from the actual condition

of the petrochemical industry, the functions of enterprise groups are clearly manifested in the following aspects.

Ameliorating the distribution of resources has enhanced economic benefits. The rational combination of the essential elements of production with the ameliorated distribution and rational utilization of resources offers an important guarantee to healthy development of the national economy and to enhanced economic effects. Whether or not the distribution of resources is rational is to a definite extent determined by whether the organization form and structural pattern are rational. The petrochemical industry, which takes crude oil and some natural gas as its raw materials, not only demands the concentration of capital and technological intensification, but also features a strong character of continuity in production, a high degree of automation, and a close and intimate relationship of reciprocal supply of raw materials. This demands that petrochemical enterprises make the demarcation lines in industries, trades, and localities and accomplish the objective of united development of "oil, chemicals, synthetic fiber, and fertilizer," with a close union of the upper, middle, and lower strata and the enterprises taking the road of grouping of the enterprises, to realize the ameliorated union of the essential elements of production and the enhancement of economic benefits. In 1989, compared with 1984, under the conditions of the yearly rise in costs of crude oil and other raw materials, motive power, fuel and transportation, the crude oil processing volume of the principal company increased by 24.5 percent and the actual profits and taxes increased by 56.8 percent of which one-third of the newly increased profits and taxes were derived from the ameliorated utilization of the resources. Actual practice has shown that organizing enterprise groups is beneficial to ameliorating the distribution of resources and enhancing economic benefits.

Proceeding from the strategic target of the national economy's development, and centralizing forces to tackle big issues. Comrade Deng Xiaoping pointed out that an important phase of the superior character of the socialist system is the ability to centralize strength and forces to prosecute big issues. One of the strong points of grouping is the ability to concentrate and centralize limited financial power, material power, and manpower to put into the major points conforming with the development strategy of the national economy. Over the past seven years, the China National Petrochemical Corporation has fully utilized the strong point of the unification of financial power, material power, and manpower, concentrated its strength in expediting construction of the major projects of the country's energy resources and raw materials, and in the aggregate has invested 51 billion yuan in capital construction and technical transformation, equivalent to 240 percent of the gross amount of fixed assets investment of the petrochemical industry in the preceding 35 years. This is noteworthy not only in our country but also in the history of development of the petrochemical industry throughout the world. At present, our country's yearly crude-oil processing

capacity has amounted to 144 million tons, fourth place in the world; and the annual production capacity of ethylene is 1.96 million tons, eighth place in the world.

Strengthening the state's macroeconomic regulation and control and augmenting the enterprises' vitality are beneficial. An important problem for the socialist reform to solve is the establishment of an economic operational mechanism which can integrate macroeconomic regulation and control and microeconomic invigoration. Enterprise groups which have risen in the course of the reform naturally become the integration point of macroeconomic regulation and control and microeconomic invigoration. Through the enterprise groups the state regulates and controls the enterprises and the enterprise group, and through the "integration of unification and separation" it strengthens the life and increases the vitality of the enterprises. On the side of macroeconomic regulation and control, the state-enforced input and output contracting vis-a-vis the National Petrochemical Corporation included the company's production construction and profits and taxes targets in the state plan, and clearly specified its economic responsibilities and distribution relations with the state. The company's head office distributed to the enterprises the target contracted from the state, fixed the yearly struggle targets including plans for input and output, reciprocal supply of raw materials, fuels, and motive power and export and foreign exchange earnings, and stressed that, in order to protect the state's interests inside and outside of the plan, the "inside" should be ensured. For unified distribution and self-sales, the former should be ensured; and, regarding reciprocal supply and self-use, the former likewise should be ensured. In the course of the six years that the head office has implemented the contracting program, outside conditions have occasioned vast changes, for example, the state's planned distribution of crude oil to the company failed to reach the specified target, since 1984 the crude oil price was raised three times in succession, the prices of other raw materials and of electric power also rose, and so on. But the head office and the enterprises would not retreat in the face of difficulties, firmly insisted on turning their eyes inward, and by ameliorating resource distribution, tapping the hidden internal potentials, and effecting "double increases and double savings," managed to digest various price-rise factors by about 1 billion yuan a year on the average. Over the past seven years, over 98 billion yuan of profits and taxes were delivered to state finance. The amount was equivalent to 480 percent of the value of the fixed assets at the time of the founding of the China National Petrochemical Corporation. Each year on the average the company supplied the state with about 1,450 kinds and 90 million tons of petroleum and petrochemical products and thus helped to better fill the needs of the national economy, particularly the needs of agricultural production and the people's living, and provided an effective material guarantee for the state to carry out its macroeconomic regulation and control.

On the microeconomic side, the main company, through several instances of power delegation, truthfully and

earnestly delegated to the grassroots level all the power prescribed by the state to be delegated to the enterprises. This enabled the enterprises to possess the power to employ personnel, power to direct production and daily operations, a fixed amount of autonomous power to conduct self-sales of products and investment, and, for some enterprises, a fixed amount of autonomous power to engage in foreign trade. This has enabled the enterprises to enjoy power and privileges relatively commensurate with their economic responsibilities and to make flexible responses to market changes. Several years ago, because of the tight supply of crude oil included in the plan, the enterprises on their own "procured rice for cooking," found and processed resources outside the plan and under the support of the policy of the state and the chief company, actively developed the processing of imported oil, thus initially taking the new road of utilizing two kinds of resources, opening up two markets, and learning two sets of capabilities.

Facilitating scientific and technical progress and ensuring that the industries and trades develop their stamina. Science and technology are the most important productive forces. The current strife and competition in the international economic theater are centrally manifested in the competition for scientific technology and talented personnel. Large enterprise groups of a nationwide scope constitute the "national team" representing the development level of the social productive forces for the realization of socialist modernization. They are playing an important role in expediting the enhancement of our country's scientific and technological level. Hence, it is necessary for the enterprise groups to entertain and nurse the idea of fervently seeking technological progress, set up a mechanism to stimulate technical progress, display a high degree of regard for technical specialization, and, to increase the ability to absorb, digest, and create, to expedite progress in science and technology and generally to develop and strengthen their own stamina. Over the past seven years, the petrochemical corporation has cultivated and formed a scientific research development strength which is relatively strong, can coordinate well with specialities, and is reasonably capable of covering a wide range of topics. It has developed 1,200 scientific and technical projects of which 65 projects have won state acclamation and award, 140 projects have earned special patent rights and more than 200 projects have been able to turn out products filling vacuums and shortages in the markets. The majority of the projects have approached or reached international standards for the same kind of products. As a result of the obvious progress in science and technology, oil-refining intensity and processing ability have increased by 60 percent, the attainment rate of light-quality oil has risen from 53 percent to 58 percent, the energy consumption rate has dropped by 14 percent, and the comprehensive gas utilization rate has risen by 10 percent. In 1987, based on the state's unified arrangements, the corporation raised the target of making domestic production of big and important technical equipment and definitely advocated a well-coordinated

policy of scientific research, construction, and production. Additionally, it formulated an economic and technical policy for encouraging homemade products. At present, the self-planned and homemade ethylene cracking furnace for the building of large ethylene engineering equipment has been examined and approved by the relevant government department. The technological design of the furnace has reached the international level of mid-1980's. More than 170 brands of catalysts, solvents, and additives ordinarily needed and imported from abroad can now be produced within the country, thus achieving savings in foreign exchange of \$100 million.

Accelerating the open-door steps and striving toward operations straddling the countries is important. International market competition is, in effect, competition between large enterprise groups. The position and role of a nation in the international economy is frequently determined by the position in international exchange and competition of certain technology-intensive and capital-intensive enterprise groups. Strong and powerful enterprise groups usually conceive the ideology of going into world competition and are able to engage in operations that straddle national barriers and are in international economic competition. Led by the party's and state's guideline of opening to the outside world, the National Petrochemical Corporation, following several years of tireless efforts, has achieved pleasing results in external economic and technical cooperation. The corporation has developed international exchange and contact through such means as funds merging, technology transfer, and trading in products, and has earned a good image and reputation in international petrochemical, financial, and trade circles. It has successively established business relations with more than 1,000 plants, companies, and banks in over 50 countries throughout the world. It has established its own overseas companies and agencies in the United States, Japan, Germany, Thailand, and Ecuador. Because of the state's shortage or lack of capital funds, the cooperation has relied on its own strength and credit reputation, through various channels and forms, to raise foreign capital and effectively ensure the smooth progress of the state's various major projects. Since establishment of the corporation, it has actively expanded the export of its products and opened up international markets. It is anticipated that by the end of 1990, the cumulative amount of exported products from various channels will be some 40 million tons and the amount of foreign exchange earnings will be \$8.5 billion. The organization of jointly financed enterprises has also begun. Cooperating with such countries and regions as Germany, the United States, Japan, and Hong Kong, it has established 36 jointly financed enterprises. Following the economic strengthening of the corporation and expansion of its international contact and relations, its influences abroad, particularly the economic influences on Hong Kong and Taiwan, will be expanding daily.

In order to further improve the enterprise groups' operations and make bigger and better contributions to

development of the socialist economy, it is necessary, on the basis of enhancing their production and technological level and improving their management quality, to fully display the strong points of the enterprise groups. Our country's large enterprise groups are generally centralized in the greater portion of the backbone enterprises of the industries and trades and they possess considerable economic strength and superiority in technology. Of the 36 subordinate production enterprises of the petrochemical corporation, 16 belong to the extra-large category, and the rest are all large enterprises. Their oil refining and ethylene and synthetic fiber production capacities occupy respectively 90-98 percent of the processing capacity of the same kind of products in the whole country. For the sake of enabling the strong points of this category of enterprise groups themselves to be fully displayed, centralizing strength to tackle big and important issues, preventing redundant construction and blind development within the industries and trades, making the development of the industries and trades shift from crude and unruly operations to collective operations, and change from extensive development to intensive development, it is necessary for the state and the relevant government departments to render great support and endow large nationwide enterprise groups with definite functions in overall administrative planning. Governments of certain countries in the world have adopted an encouraging and supportive policy to the development of enterprise groups. In 1975, the Japanese Government advised the original three computer groups to merge into two and they are now on an equal competitive plane with IBM of the United States. If we can give major support in policy, finance, and transnational operations to large enterprise groups and form 10 to 20 large enterprise groups like the National Petrochemical Corporation, Petroleum and Natural Gas General Corporation, and Nonferrous Metals General Corporation, then the whole country's economic strength and power in macroeconomic regulation and control will be greatly increased. The enterprise groups should consciously abide by the country's macroeconomic regulation and control, correctly handle relations between the state and the enterprise, ensure fulfillment of the state plan, strictly carry out the contract on the supply of goods, deliver promptly and on time the profits and taxes to the treasury, strictly enforce price policy, repay in due time the various loans, and from beginning to end put the state's interest in the first place. They must firmly insist on "one center and two basic points," and make contributions to the country's political stability and to the socialist direction of firmly insisting on the reform.

Further displaying the strong points of enterprise groups in opening to the outside world is necessary. The enterprise groups' proceeding to transnational operations is the inevitable trend in the development of enterprise groups both inside and outside the country and is also one of the successful experiences in the development of enterprise groups. At present, the large enterprise groups in the country have initially possessed the foundation

and conditions for proceeding to transnational operations. For example, the National Petrochemical Corporation owns fixed assets worth 80 billion yuan and its yearly sales volume is 68 billion yuan; in 1989 its gross volume of sales, computed on the current year's international market prices, amounted to \$18.2 billion, 16th place in the large petrochemical companies of the world; and it ranks in the world as an enterprise group wielding relatively large influences. Under such conditions, if the state can endow certain large enterprise groups which have good development prospects, are strong and powerful, and are both technology- and capital-intensive, with relatively large autonomous power in foreign trade, and make them proceed to the world market and gradually realize transnational operations, then it would have more strategic significance than stressing the labor-intensive medium-sized and small enterprise groups.

Further perfecting the internal administrative mechanism of the enterprise groups. Simultaneously with correctly handling their external relations, enterprise groups must further strengthen their internal administration and handle well their internal relations, strive hard to perform well the "exercises to benefit the internal organs," and enhance their own quality. In order to further augment their adaptability to the external environment and ability to meet emergencies, improve and perfect the product sales system, fully display the strong point of joining production and sales into one body, and ensure effective supplies to both the internal and external markets, the main company will strengthen liaison between production, transportation, and sales of the whole system and structure; enforce joining production, transportation, and sales into one body; join the sales of large bulks of crude oil and chemical fiber products into one body; and carry out unified arrangements for inside-the-plan and outside-the-plan products, as well as for products for internal sales and products for external sales. Regarding relations between the main company and its subordinate enterprises, on the one hand, the main company must ceaselessly readjust and smooth out its relations with its subordinate enterprises; issues and matters that should be centralized and unified should be so centralized and unified, and those that should be decontrolled and invigorated should be so decontrolled and invigorated to strengthen the vitality of the subordinate enterprises in autonomous operation and self-development. On the other hand, the subordinate enterprises should not confine their attention to their own interests, but should envision the situation as a whole and consciously abide by the whole interests of the state and the enterprise group. Enterprises within the group should, by means of rational economic methods and the necessary administrative tactics, establish new relations of close and intimate liaison, mutual coordination, mutual cooperation, mutual help and benefit, and joint development. It is necessary, through effective self-construction, to make the enterprise group strengthen the administrative mechanism for self-regulation, self-perfection, and self-restriction. For historical reasons, among the subordinate enterprises of the

main company, some have retained the structure of the coexistence of the two-level legal persons. This structure affects the ameliorated distribution and comprehensive utilization of the internal resources of the enterprise group and impedes the enhancement of the benefits of the group as a whole. Since last year, in the main company some enterprises have in a planned manner changed the two-level legal person to single-level legal person. By so doing, the strong points of the enterprise group can be further displayed, a restrictive mechanism curbing the demand inflation of a portion is formed, and the plants at the grassroots level are liberated from the market operations and can concentrate their efforts on grasping production well. From now on, the chief company will continue to actively and safely push forward this work in the enterprises.

Which Creates Value: Labor or Capital?

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[Article by Ren Weizhong (0117 4850 1813)]

[Text] Several years ago, when some people in the academic and theoretical circles showed their courage to create something new and original by criticizing the basic theory of Marxism, Comrade Xiong Yingwu [3574 2503 2745] published an article in the May 1988 issue of QIUSHI XUEKAN, entitled "Refresh Understanding About Commodity Economy, About Capitalism, and About Socialism." The subhead of the article was "Further Critique on Political Economy." The writer explained that his reason for choosing such a subhead was because Marx had published 129 years ago the *Critique on Political Economy*, and because the subhead of his work *Das Kapital* was also entitled *Critique on Political Economy*. "For the purpose of eliminating the economics sediment and dirt that have accumulated over the years," he therefore joined in making a "further critique" on Marxist economics.

The "Further Critique" article blamed and criticized Marx's theories on commodities, value, currency, pricing, capital accumulation, economic crisis, and so forth. It also totally negated Marx's scientific theory on socialism, as well as Lenin's *On Imperialism*.

Since the "Further Critique" article covered extensive aspects, I am going to explain my viewpoint only on Marx's labor value theory.

I

The writer of "Further Critique" held that this cornerstone of Marx's labor value theory, "after so many years of trials and hardships, no longer stood so firm as before." The reason that it no longer stood firm was because of its narrow-minded nature. It held that "only labor in the industrial and agricultural sectors was 'productive labor' and only such created value," that it also "negated the creation of value by materialized labor" as well as the "appropriate nature of capital income."

The writer of "Further Critique" suggested that "the role of materialized labor in the formation of value should be reassessed. It is inevitable that if we negate the creation of value by materialized labor, a considerable portion of the factors of production will go to waste, and the development of productive forces will be hindered." On the creation of value by materialized labor, this kind of viewpoint was by no means a new argument. Instead, it simply repeated the theory of creation of value by capital, which had long been thoroughly criticized by Marx.

Materialized labor is labor of the past; compared to living labor, it is called dead labor; compared to present labor it is called labor of the past. It is the labor which has already been embodied in the commodity through the production process. Being the labor of the past, materialized labor provides material conditions for the new living labor. Yet, the materialized labor itself cannot create any new value. Any argument suggesting the creation of value by materialized labor suggests that value creates value, which clearly shows that it is logically impossible.

In a capitalist society, the means of production, which is materialized labor, is owned by capitalists. When capitalists use materialized labor as their means to produce surplus value, it is turned into capital. Therefore, the so-called creation of value by materialized labor is simply another argument suggesting the creation of value by capital.

Arguments on creation of value by capital had long been criticized by Marx. The postulation on creation of value by capital was put forward by [Jean Baptiste] Say 190 years ago. As the founder of the French bourgeois vulgar economy, he began in the early 18th century [as published] judging classic economics from a vulgar perspective, and put forward the so-called production expenses theory. He explicitly advocated that commodity value was jointly created by productive services rendered by three factors, namely labor, capital, and land. In his point of view, commodity value was determined by its usefulness. In the course of production, each of the three factors of production rendered its productive service, and they respectively yielded returns, namely wages, interests, and rent, which thus became the production expenses, and determined the commodity value. Marx evaluated such a viewpoint of creation of value by capital from two aspects, and pointed out in his *Das Kapital* errors found in such postulations: If capital here referred to its material carrier—means of production—such means of production was the use value, and profits were value. Neither the use value nor the value could be pledged. If such capital referred to the form of value, profits were still such value. This argument thus bogged down in an endless debate on value assessment, and failed to explain the sources of profits. This is a genuine theory defending the capitalist moves. Marx pointed out sharply that such a "three-in-one" formula tallied with the interests of the ruling class. This was because it "declared that the source of income of the ruling class

was naturally inevitable and eternally reasonable." (*Complete Works of Marx and Engels*, Volume 25, p. 939.)

I hold that the reasons for having the above errors in the theory are:

First, it confused use value with value, and confused factors for the use value of production with factors for the creation of value. Use value refers to the relationship between human beings and material; and value refers to the production relationship among human beings. Indeed, labor is not the only source of use value. It is just as Marx said in his *Critique of the Gotha Programme*, "Labor is not the source of all wealth. Like labor, nature is the source of use value (and material wealth is originally formed by the use value). Labor itself is only the manifestation of a natural force, that is, the manifestation of human labor force." (*Selected Works of Marx and Engels*, Volume 3, p. 5.) Nevertheless, only human labor is the source of value. In the course of production, laborers add their labor into the use value, and this thus comes the value of products. The amount of labor is measured against the time factor. The amount of commodity value is determined by its required socially necessary labor time. Labor is the only source of value. The theory of dualism is thus erroneous, as it takes value as being jointly created by labor and capital. Likewise, it is erroneous to substitute the argument on creation of value by labor with that on the creation of value by land, means of production, and capital.

Second, it confused the source of commodity value with the composition of value. Labor is the only source of commodity value; whereas the composition of commodity value includes the value transferred from the means of production, and newly created value. The transfer value refers to the materialized dead labor of the past, which cannot be increased in the course of production. The value created by direct labor may exceed the amount necessary to make up for the production expenses relating to laborers. Such value is the surplus value. Marx called capital transferred from the means of production constant capital because the value of this portion of capital does not change in the course of production. Any capital that may be transferred into a labor force is called variable capital because the use of labor forces, that is, direct labor, not only reproduces its equivalent, but also produces an extra part, that is, surplus value. If we confuse the source of value with the composition of value, it is possible that we shall treat all factors of the composition of value as the sources of value.

Theoretically, a more profound reason that the bourgeois vulgar economists made such mistake was because they failed to understand the labor dualism embodied in commodities, as well as their respective functions in the formation of value. Labor dualism had been proved by Marx in his critiques, and was the key to understanding the political economy. Marx told us that "all labor, on the one hand, is consumption of human labor forces in a

physiological sense; and, be it identical or an abstract human labor, it forms the commodity value. On the other, all labor is the consumption of human labor forces in the special form of pursuing a particular goal; and, being a specific useful labor, it produces the use value." (*Complete Works of Marx and Engels*, Volume 23, p. 60.) "To add new value to the object of labor and to preserve the old value of products are two different results accomplished by a worker at the same time (though the worker has only labored once at that time). Therefore, this clearly shows that the dualism of such results can be explained only by the dualism of his labor. Within the same period of time, labor, being a property, inevitably creates value; and it, having another property, also inevitably preserves or transfers value." (*Complete Works of Marx and Engels*, Volume 23, p. 225.) If one fails to understand the dualism of labor, he will come to the erroneous conclusion of joint creation of value by materialized labor and direct labor.

There were profound reasons why the bourgeois scholars made such mistakes. As they represented and safeguarded the bourgeois interests, they failed to realize and were unwilling to realize the historical status and transient nature of capitalist society. Under capitalist conditions, the production relations among value, capital, and profits were hidden and confused. When they took this area as a natural eternal one, they saw only material factors to the neglect of human ones. They only realized the relationship between human beings and the nature, and mistakenly took materialized labor and means of production, or capital, as the source of the use value and that of value.

The writer of "Further Critique" simply did not present any argument negating the labor value theory. He only briefly repeated those viewpoints stated by bourgeois vulgar economists 100 or 200 years ago, and took the labor value theory scientifically established by Marx as his target of eliminating "sediment and dirt which have accumulated over the years." Such move may sound a bit too superficial and frivolous.

"It is inevitable that if we negate the creation of value by materialized labor, the factors of production will go to waste." This may be an innovative idea of the writer. It is just as I mentioned above, though the means of production do not create new value, its own value was created by the direct labor of the past. Through the absorption of direct labor, it preserves its own value and transfers such value to the new products. Therefore, the commodity value consists of the value transferred from the means of production and the value newly created by direct labor. By emphasizing conservation, we usually mean two things: First, the conservation of means of production so as to conserve the amount of direct labor; and second, the conservation of direct labor. This is explicitly elaborated in *Das Kapital*. The writer of "Further Critique" disregarded the failure of materialized labor to create value and obstinately stated that materialized labor was not related to the commodity value, so that he concluded that the labor value would make the

direct labor go to waste. Is it the "sediment" of Marx's labor value theory, or the writer's own deduction? I think the readers may make their own judgment.

II

The writer of "Further Critique" negated the labor value theory, thus negating the surplus value theory. We all know that the surplus value theory is the cornerstone of Marxist political economy, and that the surplus value theory is based on the labor value theory. Marx's labor value theory runs through his *Das Kapital* like a red line. Commodity value is created by the labor of workers, which is divided into necessary labor and surplus labor. The value created by necessary labor is to compensate capitalists for their expenses relating to the purchase of labor forces; whereas the value created by surplus labor forms surplus value, and is owned by capitalists. Marx's labor value theory has revealed the source of surplus value, as well as causes of antagonism between the bourgeoisie and the working class. In order to argue in favor of the capitalists, the bourgeois vulgar economy proposed in its value theory the so-called "theory of three factors of production," the "production expenses theory," "theory on conservation of demands," "theory on efficiency," and so on. Their common point was that they all held that the means of production, or capital, owned by capitalists may create value; and is the source of surplus value, thereby completely denying the exploiting nature of capitalism.

A fundamental characteristic of capitalism is the ownership of means of production by capitalists, and that the working class has no other choice but to sell their labor. The prime objective of capitalist production is to pursue surplus value. If we recognize the creation of value by materialized labor, and, hence, recognize the creation of value by means of production, or capital, owned by capitalists, why is there the capital-hired labor relations? And why is there the issue of surplus value exploited by capitalists? By negating the labor value theory, and hence the surplus value theory, we are essentially negating the class-exploiting structure, as well as class antagonism, of a capitalist society. If class contradictions, as well as class struggle, no longer existed, and if capitalists stopped cultivating their gravediggers, there would not exist the proletariat mission to overthrow capitalism and fulfill the historical mission of establishing socialism, and then capitalism would naturally last forever.

What would the situation be if we assessed socialism from the viewpoint of creation of value by materialized labor? In the case of China, it is at the preliminary stage of socialism. The principal part of China's economy is the economy owned by the public. At the same time, it allows the private economy to exist as a supplement. On private enterprises, which are marked by capitalist nature, we hold that, on the one hand, their development at an appropriate level plays a positive role in the development of productive forces; and on the other, they have their negative roles as they give rise to the hired labor-capital relationship and bring about exploitation.

Therefore, our principle for dealing with private enterprises should be just as what Comrade Jiang Zemin pointed out: "First, we must encourage them to actively develop within the scope permitted by the state; and second, we must apply economic, administrative, and legal means to control and guide them, so that we can give play to their positive role while checking their negative one, which is detrimental to the socialist economic development." ("Remarks Delivered at the Meeting Marking the 40th Anniversary of the Founding of the PRC.") Proceeding from the viewpoint of creation of value by materialized labor, one would naturally negate the existence of exploitation, thereby obliterating the differences between it and the economy owned by the public; and that they may freely and extensively develop themselves till adopting privatization, eventually altering the nature of socialism. This is just the conclusion the writer intended to come to. Isn't it true that he maintained that capitalism "has a thriving vitality," that there is no reason for China to "restrict the development of its own capitalism," and that it should "allow large-scale capitalist economic development"?

III

The so-called arguments put forward by the writer of "Further Critique" to negate the labor value theory were that Marx's thinking on productive labor and the labor that creates value was too narrowminded, and that it failed to explain the source of value created by capital-intensive and knowledge-intensive enterprises.

It is an unfounded argument that Marx's productive labor, as well as his outlook about value, were narrowminded. On the contrary, he was just the one who broke away from the narrowminded vision of classic economic schools on productive labor, and who founded the scientific labor value theory, thereby revealing the secrets of surplus value and laying a foundation for Marxist political economy.

An achievement of the physiocracy was that it shifted the focal point of studies from the circulation channel onto the production area. However, they further held that agriculture was the only productive sector, and that only agriculture could increase material wealth and provide straight products. They held that industry did not engage in production. Instead, it only processed agricultural raw materials, changed the form of material wealth rather than increasing it, and could not provide any straight products. Adam Smith criticized the narrowminded viewpoints of physiocracy, and expanded the scope of productive labor and value-creating labor. He held that all material production sectors, including industry, were productive sectors that created material wealth. He also correctly held that "labor is the genuine source and yardstick of value." Nevertheless, when examining what kind of labor determined value, he incorrectly stated that commodity value was determined by labor purchased by the commodity, and put forward that "wages, profits, and rent are three basic sources of all income and every exchangeable value." (*Studies on the Nature and Causes*

of the Wealth of Nations, Volume 1, p. 47.) Thus, he fell into the endless debate on the determination of value by value (wages), and left a loophole for the later school of bourgeois vulgar economy to exploit. Taking a step further than Adam Smith, David Ricardo held that the commodity value only determined such labor consumed in production. But he failed to understand the dualism of labor in commodity production, nor did he understand that it was abstract labor which created value, or explain why and how labor was manifested in the form of value.

Only Marx focused on the commodity economy as a whole. He analyzed it in length and breadth and made in-depth inquiries, so that he put his theories on productive labor and labor value on a scientific basis. When examining the issues of productive labor and creation of value by labor, he actually took the material production area, as well as industrial and agricultural productive sectors, as his main targets. This was because material production was the basis of all economic activities as well as of spiritual life. But he never limited productive labor and creation of value by labor to such industrial and agricultural productive sectors, or limited them to either physical labor or labor of directly productive workers.

Marx divided productive labor into ordinary productive labor and capitalist productive labor.

On examining the process of labor, regardless of its historical form, straight from the viewpoint of man-nature relationship, it is shown that "any labor that is involved in production, resulting in the development of products or certain use value, or, in other words, of certain achievements is productive labor." (*Complete Works of Marx and Engels*, Volume 49, p. 100.) When such a labor process was done purely for an individual's sake, all functions, physical labor, and mental labor of the process of production were mixed together, and the products as a whole were made by such individual. Following development of division of labor, concepts of productive labor and productive workers were expanded. When a product was turned from one produced directly by an individual into a social product, or a product jointly created by the whole staff of workers, it was not necessary for each of these workers to personally undertake the productive labor. This might be done provided that they were part of the whole staff and that they had fulfilled their particular functions. They undertook the process of developing products through totally different modes. "Some of them do their work mainly with their hands, and some mainly with their brain. Some work as managers, engineers, technicians, and so forth. Some work as supervisors, and some simply work as physical laborers, or workers responsible for handling very simple odd jobs. Therefore, more and more functions of labor capacity are covered directly by the thinking on productive labor; and those who undertake such labor capacity are also covered by the concept of productive workers." (*Complete Works of Marx and Engels*, Volume 49, pp. 100-101.)

Judging from the previous forms of the labor process, capitalism distorted both productive labor and value-creating labor. On the one hand, it narrowed the concepts of productive labor and value-creating labor. This was because capitalist production was not only the production of commodities, but also the production of surplus value. Workers engaged in production not for themselves but for capitalists. Only labor that created surplus value for capitalists was productive labor, and only workers who rendered services to increase the wealth of capitalists were productive workers. If the value created by a worker were just enough for his consumption, and if he were unable to provide surplus value to capitalists, then he would be rejected by capitalists and would be unable to become a productive laborer even though he was willing to participate in the labor. On the other hand, capitalism widened the concepts of productive labor and creation of value. It even turned prostitution and gambling into productive labor because these two could bring profits to capitalists.

Though China's academic circles have a different understanding about Marx's productive labor theory, it is rather rare to find somebody like the writer of "Further Critique," who ignored Marx's historical and dialectic analyses, and stated that Marx's productive labor was a narrowminded.

The writer of "Further Critique" stubbornly put forward the development of knowledge-intensive and capital-intensive enterprises as an evidence that the labor value theory was out of date. This viewpoint was by no means a new one. Rather, it was copied from the modern bourgeois scholars of the West. The U.S. writer of the book *Megatrends* stated with certainty that, in an information society where technology was highly developed, "it is necessary to create a knowledge value to replace the labor value theory." A difference between them was that the writer of *Megatrends* still held that "knowledge is a completely different kind of labor"; whereas the writer of "Further Critique" abruptly linked it to materialized labor, means of production, and creation of value of capital. In his opinion, the writer of "Further Critique" thought that the emergence of knowledge-intensive enterprises might discredit Marx's labor value theory. It is necessary to quote here a statement made by Marx in his *Surplus Value Theory*. He said: "The capitalist production mode separates different kinds of labor, thus separating mental labor from physical labor, or, in other words, separating labor which is mainly in the form of mental labor from labor which is mainly in the form of physical labor, and assigns them to different people. However, this does not undermine the fact that material products are products of joint labor by these people. In other words, this does not prevent them from embodying in such products their joint labor in the material wealth. On the other hand, this separation also fails to undermine the relationship between each such person and capital, that is, each is a hired laborer, which is the relationship of productive workers in this particular sense." (*Complete Works of Marx and Engels*, Volume 26-I, p. 444.)

The emergence of knowledge-intensive enterprises in large number indicates the growth of the most advanced productive force, and is a major progress of society. Being an enterprise, however, the knowledge-intensive enterprises must have a certain quantity of laborers, machinery and equipment. Compared to other kinds of enterprises, they are different in their volume of mental labor, and the proportion of science and technology personnel to their number of staff; and their degree of modernization in technology and equipment is much higher. Like physical labor, however, mental labor may also create value. Similarly, engineering and technical personnel are also productive laborers who create value. They are different only because their labor is a complicated one, and the per unit labor time required for value creation is more than that of simple labor. If the value of commodities produced by a labor-intensive enterprise is created mainly by the physical labor of laborers, the commodity value of a knowledge-intensive enterprise is created mainly by the mental laborers. Marx always attached great importance to the significant role of science and technology in production development. He held that science was also a productive force, "an ordinary social productive force" (*Complete Works of Marx and Engels*, Volume 26-I, p. 422.), a factor of productive forces, and a revolutionary strength. In his (*Draft*) *Critique on Political Economy* written between 1857-1858, he explicitly pointed out: "Among these productive forces is science," and "the development of fixed assets has indicated that ordinary knowledge about a society has, to a greater extent, become a direct productive force." (*Complete Works of Marx and Engels*, Volume 46-II, pp. 211, 219.) Though Marx did not realize such major development in science and technology, it had been foreseen by him. From his labor value theory up to his economic theory, he gave full consideration to the role of science and technology in production. The strengthened role of science and technology did not contradict with the labor value theory. Under the circumstances where science and technology is mixed with the production of enterprises, the commodities produced by enterprises embody the functions of knowledge. The labor of scientific personnel mixes with that of directly productive workers and they jointly create the commodity value. Under the circumstances where the result of labor by scientific and technological personnel—technology—is sold separately, technology is a commodity with both use value and its value. The value of a technology commodity is created by the abstract labor of scientific and technological personnel. Thus, we can see that the development of science and technology, and the strengthened role of knowledge does not negate the labor value theory.

Essentially, the so-called capital-intensive enterprise refers to enterprises with a rather high proportion of capital in their composition. Their characteristic is that their fixed capital is much higher than their variable capital. Nevertheless, no matter how much the fixed capital is, it is still fixed capital, and in the process of production, it only transfers its own value into the

products and cannot add any new value. No matter how little is the variable capital, it is still variable capital. The labor force driven by it may not only create a value equal to its own, but may also create surplus value for capitalists. Judging from the formation of value, capital-intensive enterprises are essentially the same as labor-intensive ones. The only difference is that the proportion of transfer value in the value of products made by capital-intensive enterprises is higher; whereas the proportion of newly created value in the value of products made by labor-intensive enterprises is higher. This does not eliminate the difference between the transfer value and newly created value. As for capital-intensive enterprises, the value created by unit labor is more than that of labor-intensive enterprises. This is because the extent of labor repetition in the former is generally higher than the latter.

Ever since Marx's labor value theory emerged, it has arouse fears and worries among the bourgeois. A book on Malthusian theory published in 1832 openly raised a hue and cry, stating of the labor value theory that "it looks like it is both erroneous and risky because it unfortunately gives somebody an excuse to state with certainty that all properties belong to the working class, and it seems that those held by others are obtained by robbery and deceit." (Quoted from *Complete Works of Marx and Engels*, Volume 26-III, pp. 63-64.) Austrian bourgeois vulgar economist Pang-ba-wei-ke [7894 1572 4850 0344] strongly advocated the theory of marginal effect. He openly declared that the reason that he opposed Marx's labor value theory and surplus value theory because "these theories which speak for the poor are most attractive to ordinary masses." (*Capital and Interests*, Chinese edition, p. 322.) The defenders of bourgeois put forward such and such fallacies to defame Marx's labor value theory, but all of them ended in failure. Standing against all tests, Marx's labor value theory remains firm and steady, showing its strong vitality. Today, some people take the labor value theory as an outdated dogma and harmful "dirt." They attempt to shake and get rid of it, and substitute it with the bourgeois vulgar economic theory of creation of value by capital. They will not realize their goals. Marx's labor value theory is not only the key to reveal the essence of capitalism and a sharp weapon to guide the socialist revolution, but is also a basic theory of socialist economics and a important weapon for guiding socialist construction.

Correctly Handle the Dialectical Relationship Between Centralization and Decentralization in Agricultural Management

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[Text] After China initially completed its change of the rural economic system from a highly centralized one to a

two-tier one integrating centralization with decentralization, particularly after urban economic reforms gradually merged with the rural ones as a result of their inherent relationship, there have been dramatic changes in the rural economic structure and its operating mechanism. Its economic relationship, economic activities, as well as various relating factors have become complicated. However, most of these new situations and problems indicate directly or indirectly the contradictions between centralization and decentralization. Therefore, whether we can correctly handle the dialectic relationship between centralization and decentralization has become a focal point, difficult task, and a hot topic of our present agricultural work. Under these new circumstances, being a grassroot leading cadre, one may grasp the focal points and master the whole situation, despite the special characteristics, as well as inter-relationship, of the internal contradictions only when he takes the Marxist philosophy as the guidance, and assesses the general situation, and every aspects, of the rural work by proceeding in all directions. A major reason that in recent years, the rural economy of Jiaozuo City saw a rapid development, successively reaped bumper harvest in agricultural output, particularly grain output, and yielded wheat at a record level of 704 jin per mu this year was that it conscientiously studied and applied the basic theory and methods of materialist dialectics and historical materialism to guide its rural work, as well as reform practice. Among them, we are deeply impressed by the one in which it handled well the dialectic relationship between centralization and decentralization in the process of perfecting the two-tier operating system, so that the centralized operation by collectives was coordinated with the diversified operations by families, and the initiative of the two was given full play.

I. To Observe Antagonism-Centralization Rule, and To Grasp Points Shared by Centralization and Decentralization

The materialist dialectics hold that the internally contradictory two sides of a thing are both different and antagonistic, share the same nature, and are uniform. They exist on the condition of existence of the other side, and each of them may, under certain conditions, transform toward their opposite side. This kind of antagonistic, inter-related, mutually infiltrating, and mutually uniform relations between the two contradictory sides forms the internal driving force of motions of a thing. At the present stage, the centralized operation by collectives and the diversified operations by peasant households are internally contradict with each other in the two-tier operation system. The two contradictory sides are mutually separated and mutually conflicting with each other because of differences in their mode, subject, and other aspects of operations. At the same time, they are mutually integrated with each other because they share the same basic interests, and they are linked together by their common goal of developing production. If one ignores either the contradictory nature or the uniformity of the two sides, he will be unable to correctly handle the

dialectic relationship between centralization and decentralization, and to make them operate in a coordinated manner.

In 1982 when Jiaozuo City just started the contracted responsibility system with payment linked to output of households, some of our comrades only realized the differences between the diversified operations by families and the centralized operation by collectives, but neglected or even denied the uniformity between them. They only realized the important role of giving full play to the advantages of centralized operations, but failed to realize the immediate significance of mobilizing the initiative of peasants in production. Therefore, they ideologically regarded the practice of large-scale contracting as a "quick step back to the days of liberation after having worked hard for several decades." They took a wait-and-see attitude, were not willing to make progress, and became an obstacle of our rural reforms. After the system of household contracts was popularized and yielded enormous socioeconomic effects, some cadres at grassroot levels also realized only the advantages of diversified operations to the work of speeding up the economic development in rural areas, but ignored the restrictions of household operations, as well as the necessity of centralized operation. They erroneously held that, "after land plots are assigned to households, rural cadres are no longer needed." Therefore, they took a relaxed attitude toward their services and guidance to household operations, so that there gradually developed in certain areas a situation where anything that could not be done well by a single household was left unattended, that nobody came to solve actual problems before, during, and after the process of production, and that land and other means of production owned by the collectives were subject to predatory operation or were even abandoned or destroyed. An important reason that these comrades tended to make such mistakes in terms of metaphysics was because they failed to grasp the characteristic of centralization while emphasizing antagonism, and vice versa. In order to overcome such metaphysical thinking in the minds of and the work relations among these comrades, we actively guided the cadres, particularly leading cadres at the grassroots level, to firmly grasp four points linking the two sides when handling the relations between centralization and decentralization: First, in operating the contracted land and other means of production, the collectives undertook, through the relative separation of administrative power from business management, a compensatory transfer of the right to use them to peasant households. But the collectives continued to hold the right of ownership of such collective properties as they had been. Therefore, the diversified economy taking peasant households as the basic unit must always be subject to the administration, supervision, control, and regulation of collective economic organizations. This was different from the days of people's communes when peasants obtained the right of autonomy in respect to production and operation, but not the right to operate according to their own accord. Second, both sides to a contract, that is, the two-tier

relationship between collectives and peasant households, shared interrelated interests and obligations. It was an obligation of collectives to render various quality services to peasant households, while it was the right of collectives to urge the other party to fulfill the specified tasks. It was an obligation of a peasant household to ask collectives to provide the necessary services, while it was its duty to submit itself to the requirements of the state and the collectives. Taking the contract as a link, the two sides were closely combined as an active whole. Third, the basis of the contracted responsibility system with payment linked to output was a two-tier operation system, with centralized operation by collectives as the major part of the operation. The relationship between the two was so close that they were likened to timber in a forest, or water in a channel. Without the basis of decentralized operation by families, there was no way for the centralized operation by collectives to grow like a "dense forest." Without the dominant role of centralized operation, there was no way for the decentralized operation to develop like "water in a channel"; it might lose the correct direction. Fourth, the advantages of the two-tier system complemented each other. Each took the development of the other side as the prerequisite of its own development, so that the two would not separate from each other, not even for a little while. Under present conditions, when the advantages of centralization are given full play, we can overcome the restrictions of decentralization and preserve its enthusiasm. In other words, only when enthusiasm is fully mobilized can we input more vitality to the former. The enthusiasm of the two sides will promote and complement each other when they are stuck together. Otherwise, both sides will suffer whenever either encounters a setback.

Grasping the above-mentioned four major points linking the two sides, Jiaozuo City basically avoided taking a winding course in its rural reforms. Even when it made mistakes, it promptly rectified most of them. For example, in the years before and after 1985, many peasants, for a variety of reasons, were in arrears in fulfillment of state quotas, and refused to deliver to the collectives their share of profits, when handling the interests among the state, collectives, and individuals. They mistakenly held that the practice of large-scale contracting meant working on their own on their share of farmland. Some grassroots cadres also mixed up the two and dared not supervise what they were supposed to do. In light of such tendencies, we conducted in various ways such as talks, forums, and the press a propaganda campaign among the city's rural cadres and masses and educated them on distinguishing the difference between contracting by households and working on one's own on his share of farmland, on the difference between land ownership and land use rights, and the difference between the right of autonomy and the right of freedom. Thus, the understanding of cadres about the centralization and decentralization relationship was rectified, as was the concept of the masses on public ownership. Many peasant households voluntarily delivered to the collectives all their share of profits, and fulfilled the state

quota, which had remained unsettled for years; so that the city's assigned tasks of purchasing were fulfilled on time with good quality.

II. To Observe the Rule of Mutual Exchange of Quality and Volume, and To Master the "Degree" of Centralization and Decentralization

Under the materialist dialectics, the rule of mutual exchange of quality and volume holds that everything in the universe is subject to a rule governing certain quality and volume. There must be a quality up to a certain volume, while there must be a volume up to a certain quality. Whenever the balance in such quality and volume exceeds a certain degree, it is inevitable that there will be changes in the quality of the thing in question. Thus, we can see that it is highly significant for us to master the degree in handling a thing and the best volume that meets people's actual needs, which will help us do well in various tasks and correctly handle various contradictions and relations. Of course, it is necessary that in the actual work of guidance, a certain point or a certain aspect must be stressed at different stages or certain periods of time in accordance with objective requirements. However, if we have no sense of propriety, and excessively emphasize it, we shall violate the principle of propriety, and it will be inevitable that our work will suffer setbacks and our undertakings of revolution and construction will be hampered.

In the past and at present, there were instances where we made unjustified mistakes with respect to handling the centralization-decentralization relations as a result of our failure to grasp the propriety of a thing. In 1958 at the time of the Great Leap Forward, a considerable number of cadres from top to bottom cherished the ideal of communism and wanted so ardently to put an end to the situation of poverty and blankness that they ignored the objective rules governing a thing, set targets excessively higher than the growth rate of productive forces could reach, and artificially pursued a higher degree of public ownership in production relations by practicing "large in size and collective in nature among people's communes," thereby learning a profound lesson in the development history of New China. In the early days of rural reform, the contracted responsibility system with payment linked to output of households was so attractive and full of vitality that it was rapidly popularized in the rural areas. As most of the party and government organizations were neither mentally nor theoretically well prepared, and the peasants had long resented the original system, everyone from top to bottom generally had an erroneous idea of "the higher the degree of decentralization, the more likely to be correct." At that time, when emphasizing decentralization, some areas of the city disregarded the actual needs of production, and meted out all land that was available and divided land plots into broken pieces. A single household might own as many as scores of pieces of land. All collective property, even office sites needed by production brigades, were sold and meted out. Some of the agricultural machinery necessary for production was sold at a low price, and

some was discarded for scrap iron. As everything was excessively decentralized, the collective economy in these areas became a vacuum, and centralized operation, having lost its essential basis and means, existed in name only. The most typical example is that a leading group of a village, when handing over its authority, left only a seal and no collective assets to its successor. Such practices made us develop enthusiasm in a certain area at the expense of another. Consequently, they involuntarily did things that hindered the development of productive forces while seizing opportunities to liberate the productive forces of the rural areas. It must be pointed out that the sharp fall in grain production in 1985, and its fluctuating production in the following two years, was related to the practice of emphasizing decentralization at the expense of centralization, and of having no sense of propriety in handling the centralization-decentralization relations.

Facing such problems in the early days of reform, we acted in accordance with the materialist dialectic rule of mutual exchange of quality and volume with respect to the requirement of propriety, and adopted effective measures to integrate centralization with decentralization in three aspects: First, on the basis of upholding the principle of "maintaining overall stability and making small-scale readjustments" put forward by the central authorities, we appropriately readjusted case by case those broken pieces of land, and maintained the number of farm plots contracted by an ordinary peasant at from three to five. At the same time, we centralized the planning of such farmland, rationally allocated plots for growing grain and cash crops, and practiced uniform planting for farmland in which different kinds of crops were grown. This thus, on the one hand, made the production convenient for peasants; and on the other, overcame the disadvantages of planting without planning, thereby creating favorable conditions for centralizing and arranging mechanized cultivation by collectives, and for applying and popularizing modern agricultural science and technology. Second, we strengthened the supervision and maintenance of production facilities and large and medium-sized agricultural machinery originally owned by collectives, and prohibited acts of damaging or disassembling them. Some agricultural machinery which had been meted out by localities were bought back and were subject to the centralized arrangement by collectives. Third, we upheld the centralized operation by collectives with respect to the key areas of production, and urged all areas to strive to carry out the "four centralizations," "five centralizations," and "seven centralizations" in such farm work as harrowing, irrigation, crop protection, and seed supply in light of their actual situation. Through these measures, we roughly maintained an appropriate degree of centralization and decentralization, and struck a new balance between the two. At that time, a village in Wanxian County promptly solved major difficulties for the masses by centralizing the farm work of cultivation, harvesting, irrigation, and pest elimination. Therefore, when we

arrived at the village on an inspection tour, some peasants were so excited that they shouted: Long live the four centralizations!

III. To Uphold the Development Viewpoint of Negation of Negation, and To Grasp the Direction and Development Trend of Two-Tier Operation

According to the law of negation of negation, the content of a thing includes both its positive and negative aspects. Right from its moment of existence, a thing embodies factors of self-negation. Through the process of self-negation, the thing develops itself. The essence of dialectic negation is to discard, that is, both the new and old things develop from a low level to a higher one through the process of overcoming and preserving, and the relationship of transforming and carrying forward. This is the development viewpoint of materialist dialectics, which profoundly reveals the development trend of a thing.

In light of such viewpoint, we have, in our recent work of intensifying rural reform, firmly grasped the direction of reform and perfected some work in a down-to-earth manner by focusing on the two-tier operation system. During the past decade of rural reform, there were actually three erroneous viewpoints on the contracted responsibility system with payment linked to the output of households. The first one, while affirming the system, interpreted "being unchanged for a long time" as being immutable, negated the necessity for continuous perfection, and failed to realize the uniformity between stability and perfection. The other one excessively emphasized the restrictions on the system, expressed doubts about its vitality, and negated the necessity of being unchanged for a long time. The third one blindly criticized the side effects of "centralization", regarded them as obstacles to the development of household operations and of productive forces, and negated the superiority of "centralization," as well as the urgency for further strengthening it. A common mistake shared by these viewpoints was that they were ossified, static, isolated viewpoints that judged issues in extreme terms of metaphysics. They either affirmed everything or negated everything, and shifted between the two extremes. On evaluating the historical roles of the practice of household contracting and that of centralized operation and their prospects for development, we hold that the two-tier operation system, which is based on the practice of contracting with payment linked to the output of households, and is marked by integrating centralization with decentralization, and which is a new mode of operation in the collective economy in conformity with China's level of productive forces and its development requirements, plays a major role in promoting economic development in the rural areas. For a rather long time from now on it will continue to exert a profound influence. Nevertheless, it is impossible that the motion of contradiction of a thing goes beyond the development law of negation of negation, but must be subject to the control of objective rules. Through the process of negating the ossified traditional mode of operation, the practice of

contracting with payment linked to the output of households has established a new system of rural economy in the present form and has promoted development of the agricultural productive forces. However, facts have shown that the practice of contracting with payment linked to the output of households is still not perfect. For example, after a household had contracted a land plot, the large-scale irrigation facilities were adversely affected. Therefore, a proposal to integrate centralization with decentralization was included in the agenda. Comrade Deng Xiaoping pointed out long ago that, so long as production was developed and both the social division of labor and the commodity economy of the rural areas were developed, the low-level collective economies in places where production was contracted to households had to develop themselves into high-level ones. Judging from the actual situation of our localities, we unswervingly probed new methods and new ways to continuously perfect agricultural operation. Developing from the perceptual level to the rational one, from a low level to a higher one, and from a single measure to a complete set of social system engineering projects, we promoted step by step the work of perfecting the two-tier operation system. At the first step, we focused on problems with imperfect contracts in various trades and poor uniform services, overcame short-term acts by family-run operations, and solved peasants' difficulties in farmland cultivation. On the one hand, we conscientiously grasped the work of perfecting the contracts, so that they were gradually standardized. On the other, we devoted major effects to restoring, establishing, and strengthening agricultural service organizations, thereby effectively improving poor services. At the second step, in view of the fact that the basis of collective economy was so weak that the functions of centralized operation was seriously restricted, we established an accumulative mechanism for all collectives, gradually expanded the collective economy, and guided the peasants toward the general socialist goal of joint prosperity. We popularized across the rural areas of the city the practice of compensatory contract of land, and further popularized on that basis the "two-tier farmland system." Through these measures, we earnestly rectified the past erroneous practices of "undertaking contracts without payment linked to output, cultivating contracted farmland without performing any responsibility, and contracting land plots without making any payment." We thus established a public accumulative system under which peasant households paid fees on land contracts.

After 1987, through the methods of "compensatory contracts" and the "two-tier farmland system," the city's rural areas annually collected more than 20 million yuan in fees on compensatory land contracts, including more than 7 million yuan of investment in productive construction projects. This thus effectively improved the conditions of agricultural production. Between 1987 and 1990, the city increased by 220,000 mu the farmland that gave stable yields despite drought or excessive rain, and increased the irrigation area by 240,000 mu. The total driving force of agricultural machinery was

increased by 220,000 horsepower, and its tractor-plowed area was increased by 300,000 mu. Beginning in 1988, in order to meet the need to increase grain output, we thoroughly solved major agricultural problems. For example, cooperative economic organizations at the village level offered services to agricultural as they pleased; county and town governments, as well as their departments, did not have a strong sense of serving agriculture; and the enthusiasm of peasants in production was hampered. On the basis of summing up the experience of Wenxiang County in contracting by technology groups, that of Boai County in bidirectional contracting, and that of Xiuwu County in standardizing services at the village level, we started our work from key areas, and gradually established a group-run agricultural system of bidirectional contracted responsibilities which took the two-tier operation as the principle, the bidirectional responsibilities as the key link, the strengthening of services as the key point, and the development of high output, better economic results, and high technology as the goal, thereby making a new step in perfecting the two-tier operation system. The so-called bidirectional contracting referred to the execution of contracts between the upper level and the lower level on bidirectional responsibilities among the city, counties, towns, villages, and peasant households. The content of contracts included services from the upper level in the areas of agricultural production, science and technology, and goods and materials; as well as tasks undertaken by the lower level in the areas of planting of major crops, output of agricultural products, and purchase volume. In addition, the government at various levels entered into contracts with relevant departments of the same level on service responsibilities, so that these departments earnestly provided those services promised by the governments concerned. At the same time, we worked out a strict system of awards and punishment, which were binding to both the upper and lower levels, as well as to various parties of the same level; and ensured that the contracts and responsibilities were performed and discharged. Our experience showed that this kind of responsibility system, marked by the characteristics of social system engineering, was highly applicable, and had a remarkable socioeconomic value: 1) It strengthened the dominant position of socialist public ownership in the rural areas. By strengthening the collectives, the bidirectional contracts helped peasants earnestly realize that it was impossible to separate decentralized operation from centralized operation, which was the major mode, and that decentralized operation could be smoothly developed only when services of collectives were continuously expanded. This thus strengthened the attractiveness and coagulability of collectives among peasants, and strengthened the peasants' trust and centripetal force toward the state. 2) It strengthened and developed the service function of centralized operation, thereby finding a new way to perfect the two-tier operation. First, the bidirectional contracts, using a power method, put the city, the county, and the township governments, as

well as their departments, onto the track of serving agriculture, thereby expanding the content and coverage of centralized operation, and promote the provision of services from the low level to the high level. Second, by strengthening and standardizing the services at village level, we established and perfected the service mechanism for collectives. 3) It strengthened the state's macroeconomic readjustment of agriculture, and strengthened the socialist development of planned commodity economy in the rural areas. Through crisscross links and contracting among the city, counties, towns, villages and households, as well as economic and technology departments at various levels, we helped the peasants accept the planned guidance in contractual form, thereby solving the contradiction between "large-scale agriculture," in respect of which the state developed agriculture by making macroeconomic decisions, and "small-scale production," in respect of which tens of thousand of households engaged in production according to market demand. 4) It promoted the rational combination of agricultural resources and factors of production and helped us realize the policies favorable to agriculture, so that the centralization-decentralization relationship reached a higher level of harmony, the initiative of both collectives and peasant households was given full play, and the third initiative—initiative of various departments—in serving agriculture was further mobilized.

As we insisted on using Marxist philosophical theory to guide our practice, we appropriately handled the dialectic relationship between centralization and decentralization, thereby effectively promoting the city's rural economic development. In 1989, the city's gross output value in rural areas (present value) reached 8,068 million yuan, an increase of 30.2 percent over the previous year. This included 3,994 million yuan of industrial output value, which was an increase of 45.2 percent compared to the previous year; 2,728 million yuan of gross agricultural output value, which was an increase of 27.3 percent compared to the previous year; and 5,510 million yuan of gross revenue from rural society, which was a 20.9-percent increase over the previous year. Under rectification and consolidation, town and township enterprises fulfilled an output value totaling 5,070 million yuan and received a gross income of 4,114 million yuan, increases of 28.5 and 24 percent, respectively, compared to the previous year. The rural areas' gross output of grain was 1,465 million kilograms, an increase of 11.5 percent when compared to the record level in 1984, and thus became one of the seven cities in China which fulfilled their summer grain production quota and received awards from the State Council. This year, the city's people have won the victory in the fight against serious natural calamities such as drought, low temperature, and pests, so that its 2,258,500 mu of wheat fields yielded a gross output of 795,220,000 kilograms, or 352.1 kilograms per mu, increases of 3.4 and 3.6 percent, respectively, compared to the previous year. This reached beyond the production mark of 700 jin per mu.

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