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# China Report

RED FLAG

No. 12, 16 June 1983

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17 August 1983

## CHINA REPORT

### RED FLAG

No. 12, 16 June 1983

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

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RED FLAG IS EXPECTED TO BE A GOOD TEACHER OF PARTY SCHOOLS AT ALL LEVELS FOR TRAINING CADRES--IN COMMEMORATION OF THE 25TH ANNIVERSARY OF RED FLAG

Beijing RED FLAG in Chinese No 12, 16 Jun 83 p 8

[Article by Wang Zhen [3769 7201]]

[Text] The RED FLAG magazine was first published on 1 June 1958 at the suggestion of Comrade Mao Zedong. For many years, it has carried out beneficial studies on ways to combine the universal truth of Marxism and Leninism with the concrete practice of the Chinese socialist construction, and has played an active and important role in propagating Marxism-Leninism-Mao Zedong Thought, and in enhancing the theory and policy levels of the broad cadres.

In his report at the 12th CPC National Congress, Comrade Hu Yaobang put forward the grand program to create an all-round phase in the construction of socialist modernizations. Once the political line has been set, cadres are the determining factor. It is an important strategic task for our party to train, in a planned way, a large batch of cadres, especially key leading cadres of the party and the government at various levels, who are needed in building our country into a socialist modernized country with highly civilized and highly democratic features.

In times of revolutionary wars, our cadres were trained mainly through relentless and dangerous revolutionary warfare, through the practice of various kinds of revolutionary struggles, as well as through various forms of short-term training courses. Today, our cadres still need to develop themselves through practical tempering. However, in order to guide such a great undertaking as the construction of socialist modernizations, regular studies and training have to be enforced, so that the cadres can acquire in a systematic manner the political theory, modern technical know-how, and professional knowledge which are necessary for them to take up certain leading posts. This work has already been placed on the important agenda of the party. Not long ago, the CPC Central Committee made the decision to realize the regularization of education in party schools, demanding that normalization and systematization be practiced with regard to problems such as targets of enrollment, school term systems, syllabuses, teaching materials, tests and examinations, graduation, and qualifications, so that training of key figures of the party and government leaders at various

levels, and their reserves can be expedited, and they can meet the needs of the construction of socialist modernizations and have the qualities of being revolutionary, younger, better educated, and equipped with professional knowledge. In accordance with this requirement, party schools at various levels are carrying out reforms so as to attain the change from using short-term rotational training as the major means of training cadres to employing regular training as the major means. Efforts are being made, beginning from the initiation of the Seventh 5-Year Plan, to gradually realize the requirement that all those cadres who take up positions at various levels in party or government bodies should have undergone the corresponding training by relevant party schools. This is a reform of profound significance concerning the whole system of assigning cadres, and is of primary importance in training key leading cadres of the party, and in ensuring the inheritability and continuity of the party's undertaking.

It is an arduous and glorious task to train and bring up a large batch of leading backbone cadres suited to the needs of the construction of our socialist modernizations. Party schools should, under the leadership of party committees of the same level, do their utmost in fulfilling the task and deem it as their unshirkable duty. However, party schools cannot fulfill this task all by themselves with very satisfactory results, they need the support of various sectors concerned in the society. RED FLAG is the theoretical journal of our party, and the party's and the government's important documents, as well as important articles in terms of theory and policy, are published in this magazine. Therefore, it has its specific important function in training and enhancing the theoretical level and political quality of cadres at various levels. I earnestly hope that it will become a stronghold that holds high the banner of communism, propagates communist theories, and educates the broad cadres with communist ideology; that it will follow the principle of combining theory with practice, propagate and clarify the party's line, general policies and specific policies, and expound the experiences and laws of the Chinese socialist construction, so as to educate and equip the cadres at various levels; and that it will become, in this new historical period, a good teacher that helps party schools at various levels to train key leaders at various levels. This is my wish for the RED FLAG journal on the occasion of the 25th anniversary of its first publication.

CSO: 4004/41

## NEW DEVELOPMENT OF THE PLA'S PARTICIPATION IN SOCIALIST CONSTRUCTION

Beijing RED FLAG in Chinese No 12, 16 Jun 83 pp 9-11, 16

[Article by Yu Qiuli [0060 4428 6849]; passages within slantlines published in boldface]

[Text] Under the guidance of the guiding principles worked out by the 3d Plenary Session of the 11th CPC Central Committee, in recent years there has been a new development of the PLA's participation in socialist construction in both content and form. This new development is mainly reflected in the following three aspects: 1) The army and the people jointly take part in the activities of building socialist spiritual civilization. In other words, under the unified leadership of the PLA CPC committees and the local CPC committees, the PLA fighters work with the people and masses in the places where they are stationed to build civilized villages, civilized streets, civilized towns, civilized schools, and so forth. 2) Efforts have been made to train talented personnel who can work both in the army and localities. In other words, cadres and fighters should be trained in accordance with the needs of the construction of the army and state so that they can master the skills needed for fighting in a war and participating in economic construction. 3) The army supports material and civilized construction of the localities, with emphasis on social welfare undertakings, strategically located and difficult projects, and technical aid.

Our army is always a fighting force. It is also a work team and production brigade. During the years of revolutionary war, apart from fighting in a war, our army had to do mass work and shoulder the task of developing production. After we succeeded in seizing state power throughout the country, our army has inherited and carried forward these fine traditions. In other words, our troops not only safeguard socialism, but also take part in socialist construction. We are now in a new historical period. The common task of the entire party, the whole army, and people of various nationalities throughout the country is to gradually realize the modernization of our industry, agriculture, national defense, and science and technology in order to build our country into a highly civilized and highly democratic socialist state. All activities of our army must accord with this common task. In his report delivered at the 12th CPC National Congress, Comrade Hu Yaobang demanded that our army become not only a great

wall of steel safeguarding our socialist motherland, but also a main force in the building of socialist material and spiritual civilization. This is the great task assigned to our army by the party and state during the new historical period.

Our army is now taking part in the three kinds of activities of the socialist modernization. Although these activities are progressing in all areas by drawing upon experience gained at key points, their important role and significance have obviously been shown.

/1. These activities have effectively promoted the building of spiritual civilization./ Under the leadership of the party, our army is always a propagator of new ideas, ethics, and practice. It has a wealth of experience in political work and a good tradition for doing mass work. Our troops work together with the people to carry out the activities of building spiritual civilization. This has brought about a profound change in some villages, towns, and cities. The change in the Baoding Prefecture of Hebei Province is a vivid example. During the 10 years of internal disorder, this prefecture was severely sabotaged by the Lin Biao and Jiang Qing counterrevolutionary clique, and became a notorious "severely afflicted area." Enlightened by the experience of mass work gained during the military maneuver in 1981, over the past year, troops stationed in this prefecture have worked together with local people to carry out activities of building spiritual civilization in 376 villages and 212 streets, stores, schools and other enterprises as well as in institutions. Gratifying results have been achieved in greatly improving the general mood and order of the society. Some villains who feared neither punishment nor custody have now repented of their mistakes and some civil cases and disputes which were difficult to handle have now been solved. A number of "civilized families," good mothers-in-law, good daughters-in-law, good sisters-in-law and good neighbors who are praised by the masses have come to the fore. Family members of martyrs and servicemen, five guarantees families, households with material difficulties, widowers, widows, orphans and the childless and the disabled are warmly taken care of. Following the implementation of the responsibility system in production, the situation of "three haves and two lacks" has occurred in the rural areas: Peasants have decisionmaking power in production. They have spare money. In addition, they also have spare time. However, they have lacked science and technology and cultural life. In order to change the situation of "two lacks," our troops have helped the local masses establish "homes for the young people's militiamen," "peasants' sparetime schools," and others. They have organized the masses to study scientific and cultural knowledge and carry out some beneficial cultural and recreational activities. Peasants say happily: "Now, after we finish work, we may enjoy interesting music and read some useful books. We have something to learn and can amuse ourselves. How happy our life is today!" Practice has proved: Activities for building spiritual civilization jointly carried out by the army and the people are a good method for implementing the spirit of the 12th CPC National Congress, tackling problems in the basic-level units in a comprehensive way and carrying out full-scale construction. It is a good way for establishing and developing new relationship between the army and the

governments on the one hand and between the army and the people on the other. It is also an important aspect for strengthening the modernization and regularization of our revolutionary army. Such activities are being gradually carried out in various parts of the country in a guided way. The army and people are jointly carrying out activities of building spiritual civilization in more than 500,000 units. This will directly influence 100 million people. If all these units do well in building spiritual civilization, this will be an amazing achievement.

/2. The PLA participation in socialist construction has promoted the building of socialist material civilization./ Our army is characterized by its highly unified leadership, strict discipline, fairly strong technical power and good facilities and equipment. In addition, the broad masses of our commanders and men are politically conscious and most of them are young or in their prime. This determines that our army will play an important role in the building of socialist material civilization. Since the 3d Plenary Session of the 11th CPC National Congress, the number of workdays of our army's participation in local socialist construction has exceeded 100 million and our troops have provided disaster relief on more than 5,000 occasions. Last year, our troops took part in more than 19,000 social public welfare projects. The whole army has conscientiously implemented the "resolution on all-people tree planting drive" adopted by the Fourth Session of the Fifth NPC and firmly grasped the work of planting trees and making the motherland green--matters of primary importance which are closely connected with the national economy and the people's livelihood as well as being of benefit to our future generations. A great number of the PLA units carry forward the revolutionary spirit of fearing neither hardship nor death to accomplish a number of strategically located and difficult construction projects. The fact that a certain unit of the PLA railway engineering corps and PLA units stationed in Tianjin took part in the key state project of diverting water from the Luanhe River into Tianjin was a striking example. They undertook the task of accomplishing the principal part of the project and played the role of a shock brigade. They dug the longest water conservancy tunnel in China--Jingzhongshan diversion tunnel. According to the original plan, the project should have been completed in 3 years. However, it took only 19 months to complete the project, with quality fully guaranteed. This was enthusiastically praised by the masses and experts. Various units, organs, universities, colleges and scientific research departments in our army give scope to their strong points in doing some work of popularizing technology and providing technical support. In recent years, they have trained about 156,000 technicians for localities.

/3. The PLA participation in socialist construction has trained talented persons and provided the state with qualified personnel./ At a plenary meeting of the Central Military Commission held in 1977, Comrade Deng Xiaoping pointed out: "When we say that we should regard education and training as a strategically important task, the work of turning the army into a great school should be included in it, so that cadres can study modern warfare, modern science and production as well as political work and administration. In so doing, our cadres will play their role in the

construction of the army and localities. During the war, they will also play their role. Our cadres will be useful in the army and localities." He added: "We should provide our fighters with versatile training. They should study politics, military affairs, technology in addition to mathematics, physics, chemistry and foreign languages. They should also study industrial and agricultural knowledge." In accordance with Comrade Deng Xiaoping's proposal, a number of PLA units organize cadres and soldiers to study scientific and cultural knowledge to train talented persons useful for the army and localities. As a result, a great number of qualified personnel who acquire military knowledge and master special skills for socialist construction have come to the fore. Many fighters have been praised as "engineers," "agronomists," "doctors," and various kinds of skillful craftsmen. After they are discharged from military service and transferred to localities, they can serve local construction. Some PLA units have also sent cadres and soldiers to villages, residential districts and schools to serve the people and take part in socialist construction with the technology and knowledge they have mastered. This year, during the activities of All-People Civility and Courtesy Month, the PLA Nanjing units formed more than 5,000 "service teams of qualified personnel suitable for both the army and localities" which were composed of more than 60,000 cadres and soldiers. They went right to cities, towns, villages, fishing ports and mountain areas throughout the country to serve the masses in their production and daily life. At present, the activities of encouraging the entire army to study scientific and cultural knowledge, and training qualified personnel suitable for the army and localities are being fully promoted in all areas by drawing upon experience gained at key points. They are no longer spontaneous activities, but are carried out in an organized way. Apart from studying specialized technology, all fighters and cadres are now paying attention to studying rudimentary scientific and cultural knowledge. Such activities are now progressing swiftly and a great upsurge has been created. Every year, more than 1 million cadres and fighters are retired or discharged from active military service. If we can train them to be qualified personnel who are useful to the army and localities, they will play a great role in the socialist modernization.

/4. The PLA participation in socialist construction will speed up the progress of the modernization of national defense./ The modernization of national defense is a part of the four modernizations. The building of our army cannot be separated from the prosperity of our country, progress of the society, or the support of the people. Economic construction is a prerequisite for our national defense construction. Modernization of our national defense should be based on rapid development of our national economy. Only by doing well in promoting our national construction, can we speed up the progress of our defense construction. Our forces should be armed with sophisticated weapons and equipment and should have ample material supply and modern communication equipment. All these should be based on rapid development of the national economy. In particular, modern science and technology are developing rapidly and atomic energy, space technology, electronics technology, laser, infrared ray and others have been extensively applied to military affairs. The fact that weapons and equipment should be constantly renewed has demanded that national defense

construction should suit the needs of modern warfare and that extensive development of science and technology should have a solid material basis. Therefore, our army's participation in socialist economic construction is an actual process for speeding up national defense modernization by relying on the practical efforts of our army. As long as we do well in building socialist material and spiritual civilization, we will lay a solid foundation for winning a victory in anti-aggressive war.

/5. The PLA participation in socialist construction will be beneficial to enhancing the military and political quality of our army./ To raise ideological and political consciousness of cadres and fighters, we should rely not only on education conducted in our army, but also on education conducted in the society. In the process of taking part in the building of the two modernizations, our cadres and fighters extensively come into contact with the masses. They take society as their classroom and regard the masses as their teachers. Thus they widen their field of vision. They see with their own eyes the present favorable situation whereby our country's construction is developing vigorously. This kindles their love for the motherland, the people, socialism and the party. Through vivid and specific facts, they realize the correctness of the party's line, guiding principles, and policies. This further enhances their consciousness for keeping in line ideologically and politically with the CPC Central Committee. They have learned lofty moral character and good work style from workers, peasants, and intellectuals. They have also learned good work experience from the localities for solving some ideological and practical problems which our army might find difficulty in handling. By taking part in some strategically located and difficult projects, our army not only creates material wealth for the state, but also trains cadres and fighters so that they observe strict discipline and are imbued with the spirit of self-sacrifice. This is the result of spiritual civilization obtained by our army. Through taking part in socialist modernization, our cadres and fighters have enriched their knowledge, learned the skills for doing mass work, and mastered some technical know-how and knowledge for industrial and agricultural production. This helps us train talented persons and promotes military training and various preparations for war. In particular, the activities of encouraging our troops to study scientific and cultural knowledge, and training qualified personnel suitable for both the army and localities, have freed the minds of our cadres and fighters of apprehensions. This is a great success. Socialist modernization has set new demands on cadres and fighters who are retired from active military service. Cadres and fighters hope that they can study some scientific and cultural knowledge and special technology in the army to create conditions for their work and production after they are transferred to civilian work. The activities of training qualified personnel for the army and localities will satisfy the rational needs of cadres and fighters. Therefore, they feel that in the big school of the PLA, they "can accomplish something magnificent and have good prospects." Cadres and fighters as well as their family members are satisfied with these activities. This is beneficial to the construction of the state and the army.

/6. PLA participation in socialist construction will build the relations between the army and the government on the one hand and the army and civilians on the other./ During the war years, our troops were stationed in villages. They were with the masses from morning to night and had a common destiny. At that time, the relations between the army and government and between the army and civilians were very close. After the founding of new China, a great number of our troops entered cities and lived in army barracks. They had less contact with the masses and the old methods and means for keeping in contact with the masses did not work any longer. In particular, during the 10 years of internal disorder, the relations between the army and government on the one hand, and between the army and the civilians on the other were severely hampered because of the sabotage of the Lin Biao and Jiang Qing counterrevolutionary clique. Now, through the activities of taking part in building socialist material and spiritual civilization and training qualified personnel suitable for the army and localities, the army has made contributions to the localities and has done a good turn for the masses, and certain feelings of estrangement among the army, government, and civilians have been cleared up. The situation whereby the army and the people are as inseparable as fish and water, which was common during the war years has now occurred again. Some comrades gave the following vivid description: "During the 10 years of internal disorder, there was an 'impassable wall' between the army and the people. However, during the joint activities of the army and the people to build socialist spiritual civilization, a 'linking bridge' has been built between them." A certain PLA unit stationed in Tianjin firmly grasped the building of civilized residential districts and the project of diverting the water of the Luanhe River into Tianjin. This matter has evoked strong repercussions inside and outside the army and is highly praised by the masses. The masses said happily: "The old Eighth Route Army has returned. The PLA fighters are our most beloved persons!"

Our army has taken part in socialist modernization to support the people, and the people love their own army. They actively send their sons and daughters to join the army and support the building of the army with the material wealth they have created. Local party and government organs have greatly supported and helped the army in making proper arrangements for the placement of demobilized soldiers, arranging jobs and education for family members and children of servicemen as well as imparting scientific and cultural knowledge and professional skills. Today, it is still proper to say that without the support and assistance of the masses, the army would have nothing. In peacetime, our troops and the people work together to build socialism and they will fight shoulder to shoulder to defeat the enemy in war. In this sense, we may say that our army is a main force for building socialist material and spiritual civilization. Our army is also a great wall of steel guarding our socialist motherland.

We are building socialism with Chinese characteristics. In the meantime, we are also building a modern army with Chinese characteristics. To turn our army into a main force for building socialist material and spiritual civilization is an important aspect of building a modern army with Chinese characteristics. We should adhere to this orientation and principle of army

building. The forms and methods which are adopted in light of this orientation and principle will be constantly developed and improved as our practice continues to develop. In his government work report delivered at the First Session of the Sixth NPC, Premier Zhao Ziyang fully affirmed the success scored in national defense over the past 5 years. He also explicitly put forth the task to be fulfilled by our army in the coming 5 years. Under the new historical conditions, we should inherit and carry forward the fine tradition of our army, expeditiously study new problems occurring on our road of advance and sum up new experiences so that our army will make greater progress in its work, and make greater contributions in carrying out its sacred duty of defending the socialist motherland and in building socialist material and spiritual civilization.

CSO: 4004/39

ADVANCE ALONG THE CORRECT PATH OF SOCIALIST MODERNIZATION

Beijing RED FLAG in Chinese No 12, 16 Jun 83 pp 12-16

[Editorial; passages within slantlines published in boldface]

[Text] The First Session of the Sixth NPC and the First Session of the Sixth CPPCC National Committee now being held in Beijing will have a far-reaching impact on our socialist modernization. People of various nationalities throughout the country are fervently watching their development. We wish them complete success.

The government work report given by Premier Zhao Ziyang on behalf of the State Council reviewed the major achievements made by China in the past 5 years as well as the great changes which took place, and, based on the present situation as well as the problems ahead, clearly set forth the main tasks of government work for the next 5 years. It is a program of action for mobilizing and uniting people of various nationalities throughout the country, and continuing to push forward modernization centered on economic construction.

The past 5 years was a period in which our country extricated itself from the serious effect of long-standing political turmoil and economic disorder and returned to the path of sound growth, and these were years in which the people enjoyed peace of mind and the state became more prosperous every day. In accordance with the spirit of the 3d Plenary Session of the 11th CPC Central Committee, we have firmly and resolutely brought order out of chaos, and appropriately solved a series of problems left over from the past as well as a host of new problems that appeared. Politically, we have achieved and enhanced stability and unity throughout the country, strengthened the building of socialist democracy and law, and laid the foundation for a long period of order and stability for the whole country. Economically, we have resolutely implemented the principle of readjusting, restructuring, consolidating and upgrading, so that the serious imbalance of the national economy could be gradually straightened out, and a new situation of all-round upsurge beyond people's expectation could be created in agriculture. Industry has continued to grow during readjustment, and a scene of prosperity rarely seen since the founding of the PRC has appeared in the urban and rural markets. The great improvement in the living standards of the people in recent years has never appeared before since the 1950's. On the

ideological front, we have gradually corrected the erroneous tendency of belittling knowledge and discriminating against intellectuals, conscientiously implemented the policy toward intellectuals, and ushered in a springtime for education, science and culture. The new steady strengthening of national defense construction and national defense capability has safeguarded the independence and security of the motherland and guaranteed that the people of our country will be able to dedicate themselves wholeheartedly to the cause of modernization. In foreign relations, we have adhered to an independent foreign policy. We are opposing hegemonism and safeguarding world peace together with people throughout the world, and playing an ever greater role in the international struggle. All this shows that although there may still be this or that shortcoming and mistake in our work in the past few years and there are still many difficulties on the path of advance, the superiority of the socialist system, damaged during the 10 years of internal disorder, is being more and more fully brought into play, and the future of our great motherland is incomparably beautiful and bright.

Why has our country been able to make such an enormous change in recent years? The most fundamental reason is that we have firmly and resolutely implemented a series of correct guiding policies profoundly summed up from long historical experiences by the party and the state, and moreover, repeatedly tested in practice. Just as Premier Zhao Ziyang pointed out in the report, since the 3d Plenary Session of the 11th CPC Central Committee, we have politically made determined efforts to eliminate various long-standing pernicious influences caused by the so-called theory of continuing the revolution under the dictatorship of the proletariat, and, while eliminating interference of all sorts from the right, upheld the four basic principles; economically, we have resolutely corrected the persistent error of one-sidedly pursuing high targets and indiscriminately expanding the scale of construction, and adhered to the principle of proceeding from China's actual conditions and capabilities, working hard, and advancing step by step. Over the past 5 years, this is the reason why we have been able to sum up the most basic experiences of our great achievement, which has become the focus of world attention. In the future, this is the basic guarantee that we will be able to continue the development of the excellent situation and will not again lose what we have acquired.

In the process of bringing order out of chaos over the past years, the CPC Central Committee has made a profound and systematic analysis and summation of the former errors of guiding policy in the political sphere, and established a correct Marxist line. Such things as "taking class struggle as the key link" and the "revolution" of "one class overthrowing another class" do not have much of a market at present among the broad masses of cadres and people. Naturally, our efforts in maintaining close ties between actual conditions and the ideological reality of people, continuing to publicize and explain the party's policies in this respect, and eliminating the ideological influence of the "left" still cannot be relaxed. The CPC Central Committee has also made a conscientious and scientific summation of the former errors in guiding policy in the economic sphere and established a series of correct construction policies in keeping with

objective laws and actual conditions. But relatively speaking, because there is still not enough link with theoretical exposition made by historical experience in actual work, and the propaganda and explanation given by actual economic life are still not penetrating or specific enough, many comrades are still not very clear in ideology and understanding why our party should adopt the present construction policies and not some other kind of policies. Therefore, it is very necessary to further profoundly sum up the experiences in economic construction since the founding of the PRC and continue to carry out thoroughgoing propaganda and education, so that the correct construction policies of the party will be more firmly established among all the cadres and people. Only thus can we guarantee that they will be more properly implemented in actual work.

Integrating the basic tenets of Marxism with the concrete realities of China, adhering to the principle of seeking truth from facts and doing things in accordance with China's concrete conditions are the basic points of departure for the correct construction policies we must adopt. China at present is still a developing socialist country. China is a big country with a huge population, and its foundation is still rather weak. This is the most basic fact. We have a superior socialist system, hard-working and courageous people, and favorable conditions for accelerating economic construction. This is one side of the matter. The other side is that our material and technical foundation is still rather weak, and this determines that the modernization of our country must undergo a protracted, arduous and complicated historical process. We can only adopt the policy of achieving the goal of modernization step by step and in stages. We cannot passively wait, but neither can we become impetuous. We must see that striking changes in basic production conditions and major advances in science and technology require a long period of accumulation, and cannot be reached in a single step. We must not seek, neither can we expect, a "miracle" to appear within a short time. We have suffered rather serious setbacks in economic construction on several occasions in the past 30 and more years, and the major setbacks were all due to, among other things, becoming divorced from China's realities as manifested in impatience for quick results in guiding policy. The moment the situation took a turn for the better, we became carried away, replaced the scientific attitude of seeking truth from facts with subjective desire, and attempted a "big leap forward" which exceeded objective possibility. This consequently led to serious imbalance and chaotic economic life. We had no alternative but to carry out major readjustments, and instead of progressing faster, we became slower. We must firmly bear in mind the historical lessons, remain clear-headed at all times, adhere to the principles of seeking truth from facts and making steady advance, and avoid repeating past mistakes.

Based on the spirit of this government work report, what are the problems we must pay special attention to solving at present and in the future in order to adhere to the correct construction policies?

/We must adhere to the strategic policy decision of dividing the 20 years into two steps./ The 12th CPC National Congress decided that the strategic goal of quadrupling the gross annual output value of industry and

agriculture by the end of the century should be realized in two steps. In the first 10 years, our main objective is to lay a solid foundation, accumulate strength and create conditions for advancing to a new period of various economic development. This is not a subjective voluntary choice, but is determined by objective reality. Various economic relations, thrown into great confusion by the 10 years of internal disorder, cannot be put in order without going through a relatively long period of readjusting, reorganizing and restructuring; the condition of serious weakness in such infrastructures as energy and communications cannot be markedly changed without a relatively long period of construction and upgrading; the technical condition of obsolete equipment, backward technology and aging products in existing enterprises cannot be shifted to a more advanced technical foundation without a relatively long period of hard work; the training of large numbers of qualified technical and management people needed by modernization takes even more time. All these are essential conditions for achieving new, vigorous economic development. We must make the best use of time, carry out work properly, and conscientiously solve the aforementioned problems. We must not only strive for steady growth of the economy year by year in the 1980's, but must also lay a solid foundation in a down-to-earth manner, for only in this way can we guarantee a new, vigorous economic development in the 1990's. The strategic disposition of taking two steps is an important policy decision that will ensure success and victory to the cause of our construction.

/We must uphold the principle of unity of results and speed under the premise of improving economic results./ To carry out modernization, we must have a certain speed in economic development, and it is wrong not to attach importance to speed. However, the speed we seek should be honest speed without exaggerations, a speed able to guarantee sustained economic growth. This kind of speed can only be obtained under the premise of improving economic results. If we one-sidedly go in for speed, especially the kind of speed that includes high material consumption and overlapping calculation of the growth of gross output value, the result will inevitably be high material consumption and poor product quality, and many of the products will not meet the needs of society. Such a speed, which seems to be quite high, will actually not add much wealth to society, and the people will not receive the material benefit they should receive, but will in fact only be harmed by the attempt to earn an undeserved reputation. Precisely because of this historical fact, the CPC Central Committee has again stressed shifting all economic work to the path centered on improving economic results. This concept must be firmly established in the minds of all those engaged in economic work, and must also be truly implemented in practical action. We must strive for unity of results and speed. In such work as readjusting the economy, restructuring the enterprises, transforming technology and improving the system, whether the measures and methods we adopt are correct or not must be measured by the criterion of whether or not they can improve economic results. What we must emphasize in particular is that the objective of quadrupling the gross annual output value of industrial and agricultural production by the end of the century under the premise of improving economic results has been set for the country as a whole. It does not mean that all localities, departments, trades and

enterprises must quadruple production. When it comes to specific localities, departments, trades and enterprises, some will have to increase their output value by more than four times, and some by less, depending on their own specific conditions. If we do not take objective possibility into consideration but blindly go in for quadrupling, we will damage the planned and proportional economic development of the whole country. We must always proceed from reality, submit to the overall balance of the country as a whole, and seek a practical and effective speed of development centered on improving economic results.

/We must correctly handle the relations between accumulation and consumption, and between construction and livelihood./ The level of economic development in China is still very low at present, and the average national income is only about 400 yuan per capita a year. In these conditions, correctly handling and appropriately arranging the proportional relations between accumulation and consumption and between taking into consideration the needs of national construction and improving the people's livelihood are an extremely important problem that is very difficult to solve but which must also be properly solved. In the past, under the influence of "leftist" guiding ideology, for a long time we set the rate of accumulation too high and the scale of capital construction too big, far exceeding the ability of the country to shoulder. This was the main reason for the many ups and downs in the economy. In recent years, especially since the policy decision made by the Central Committee in the second half of 1980 to further readjust the national economy, we have resolutely reduced the excessive scale of capital construction, lowered the excessive rate of accumulation, eliminated the big financial deficit, and stabilized the whole national economy. This is of decisive significance in bringing order out of chaos in economic work. However, as a result of the daily improvement in the economic situation, the serious condition of indiscriminately expanding the scale of capital construction has again appeared. In 1982, the total scale of capital construction in the whole country exceeded the budget by more than 10 billion yuan. This year, this tendency has still not been effectively controlled. If we still fail to take effective measures to resolutely change this situation, we will again create an imbalance between agriculture, light industry and heavy industry, squeezing out agricultural production as well as the market for light industry, and the achievements of readjusting the economy we have so energetically worked for in recent years will be in danger of being lost again. In firmly controlling the scale of capital construction and maintaining a rational rate of accumulation, we must at the same time also strengthen planned control over the growth of consumption funds. The financial foundation of our country is not solid, and we are at present still working hard to build up the country, so it is impossible to increase consumption funds too quickly. If we do not accumulate the required capital to carry out key construction projects, the country will have no hope, there will be no foundation for the sustained improvement of people's livelihood, and in the end, the basic interests of the people will be seriously harmed.

/We must correctly handle the relations between centralization and decentralization, and between the whole and the partial./ To vigorously push

because of the disparity in the degree of intellectual development and the creation and employment of different means of labor, their ability to understand and transform the world is not the same. Consequently, we must have the foresight and sagacity to regard intellectual investment as the most important investment in improving economic results. We must look upon intellectual development as the "most basic capital construction," and energetically develop all kinds of educational undertakings, especially institutions of higher learning. At the same time, we must also conscientiously draw up a unified program for economic development, social development, and scientific and technological development, actively organize the tackling of scientific and technological problems based on the needs of modernization, and organically integrate economic development and social development with scientific and technological advance, so that science and technology will play a more and more vital role in various production and construction undertakings. We must continue to get rid of the erroneous concept of belittling knowledge and despising the intellectuals, further implement the policy of the party toward intellectuals, and make rational use of the existing scientific and technical personnel so that they can all work in positions commensurate with their special skill or knowledge, gradually improve their working and living conditions, and fully give play to their aspirations of making contributions to modernization.

/We must continue to provide leadership and step by step push forward the reform of the economic system./ Our reform should abide by the following principles and achieve the following objectives: Under the premise of upholding the leading position of socialist state-owned economy, we must correctly develop diversified economic forms and management methods; under the premise of upholding the policy of giving priority to planned economy, we must correctly give play to the supplementary role of regulation by market mechanism, set up a rational planning system, and strengthen effective management and guidance of the state over all economic activities; based on the internal relations of the economy and the demand of large-scale socialized production to organize various types of economic activities, we must gradually set up different categories and levels of economic zones spanning different regions and trades as well as economic network centered in the city, and safeguard and develop the unified market of socialism; we must correctly handle the interests between the state, the collective and the individual, and give full play to the initiative of the localities, departments and enterprises to improve production management and raise economic results under the centralized leadership of the state; we must correctly and conscientiously implement the principle of "from each according to his ability and to each according to his work," resolutely overcome egalitarianism, and break the system of "eating from the same big pot" so that the workers will really be able to receive appropriate material benefit based on the quantity and quality of their labor. It can be anticipated that by means of the efforts of the next 3 years in the Sixth and Seventh 5-Year Plans, we will be able to gradually set up a socialist economic system in China with our own characteristics, and thereby more effectively promote the flourishing development of social production.

The main task of people's government at various levels as well as people throughout the country in the next 5 years is achieving steady economic growth year by year and laying a solid foundation for new, vigorous economic development. We must, as demanded by Premier Zhao Ziyang in the government work report, unremittingly implement the correct construction policies of the party and the state, strive to properly readjust the national economy in the next 5 years, step up the tempo of reforming the economic system, and pay close attention to the construction of key projects and the technical transformation of existing enterprises so as to guarantee fulfilling the tasks of economic construction. At the same time, we must also energetically strengthen the building of socialist spiritual civilization, continue to strengthen the building of socialist democracy and law in accordance with the stipulations of the new constitution, reform the government organs as well as other management systems, actively carry out overall control of social order, bring about a fundamental turn for the better in social mood, and create a good social environment so that people throughout the country will have greater peace of mind and can devote themselves to carrying out socialist modernization. At present, the general policy of the party and the state has been laid down. We must strictly guard against indulging in empty talk, vigorously implement the policy, proceed cautiously, quietly bend our shoulders to the wheel, strengthen inspection and supervision, and conscientiously solve various problems existing in real life.

We must resolutely and quickly change the condition of only paying attention to making superficial efforts but not to organizing implementation, checking on work results or attaching importance to work efficiency and quality. We must conscientiously carry out various work better still so as to suit the needs of developing the cause of modernization.

People of various nationalities throughout the country must rally more closely together and implement the new constitution as well as the various tasks put forth by this government work report with one heart and one mind. As long as we unflaggingly and tenaciously do this, we will certainly be able to advance along the correct path of socialist modernization and successfully attain the great goal of bringing vigorous development to China.

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forward modernization, we must give full play to the enthusiasm, creativity and initiative of the localities, departments, enterprises, and all the workers. In the reform of recent years, we have put the stress on changing the defects of excessive concentration and too rigid control, and delegated necessary decisionmaking powers to the localities, departments and enterprises. This is correct as well as necessary. In the future, we must still continue to reform the irrational management systems and methods fettering the initiative of various sectors. At the same time, we must also soberly see that although the speed of our economic development in recent years has not been slow and the new increase in national income has also not been small, the financial revenue of the state has not only failed to increase correspondingly, but on the contrary has decreased. At present, the proportion of state financial revenue in national income is too low. In the financial revenue of the state, the amount of revenues controlled by the central authorities is also not in keeping with the expenditures they bear. Therefore the central authorities suffer financial deficits year after year, whereas the localities enjoy financial surplus as a result of economizing. If this condition of inadequate state financial resources and serious decentralization of capital is not quickly changed, the progress of key construction projects and technical transformation of enterprises will not obtain the necessary financial and material guarantee from the state. China is a poor but big country. As long as we are able to centralize all the financial and material resources that can and should be centralized for use, we will be able to accomplish some important tasks with a bearing on the future development and destiny of the country, and solve problems urgently requiring solution in the overall national economy. This is also an important expression of the superiority of socialist planned economy. Therefore, we absolutely cannot one-sidedly pay attention to decentralization without paying attention to appropriate centralization, or only pay attention to livening up the partial without paying attention to the unity of the whole. Under the guidance of the unified state plan, we must give full play to the initiative favorable to improving social and economic results within the framework of overall balance throughout the country, and the stronger this kind of initiative is, the better; at the same time, we must resolutely overcome the blindness of deviating from the state plan, pounding against overall balance, and damaging the economic results of society. For the sake of guaranteeing the healthy development of the national economy, we must balance the financial, credit, material and foreign exchange revenues and expenditures of the state; we cannot waver at any time.

/We must pay special attention to intellectual development, and firmly establish the guiding ideology of relying on technical progress as well as scientific and technical work geared to economic construction for vigorous economic development./ The key to whether or not China can break away from the condition of economic backwardness as quickly as possible and become prosperous and strong at an early date lies in whether or not there can be a very great advance in science and technology. Moreover, the key to scientific and technological advance lies in speeding up the training of qualified people. Man is the decisive factor in productive forces. There is no great disparity in the physique of modern and ancient people, but,

## UPHOLD THE POLICY OF MAKING STEADY PROGRESS IN CONSTRUCTION

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[Article by Fang Weizhong [2075 4850 0022]]

[Text] The government work report that Premier Zhao Ziyang made at the First Session of the Sixth National People's Congress summarized the last 5 years of work and stated the major tasks for the next 5 years. One important guiding concept running through the report was the need to maintain a clear head and uphold the policy of making steady progress in construction. Premier Zhao Ziyang said: "In our economic construction work in the past we have made several rather major mistakes and apart from reasons to do with other things, they were all the result of divorcing ourselves from China's reality and making the demands of our guiding policies too extreme. The most important and primary prerequisite for ensuring that the present healthy situation continues to develop and that we do not end up following the same old disastrous road is to firmly record our past experiences, to maintain an alert and clear head at all times, and to constantly uphold the principle of seeking truth from facts and the policy of making steady progress in construction."

The spirit of this speech by Premier Zhao Ziyang embodies the line and policies for construction as outlined at the 12th party congress. The developmental history and present state of China's socialist economy has proved the accuracy and extreme importance of the policy of steady progress.

### A Review of History

Since liberation there have been great achievements in China's economic construction which have clearly illustrated the superiority of the socialist system. This is something which everyone is aware of. Mistakes in our guiding ideology have meant that there have been several major upsets in our actual practice and as a result we have been unable to achieve the successes that we should have achieved.

The first major upset was from 1958 to 1960. In general, the First 5-Year Plan, which was implemented from 1953 to 1957, was carried out fairly smoothly. At that time, the principles of seeking truth from facts and orderly development were basically upheld while care was taken to ensure

that the scale of capital construction was suited to the country's capacity and several important proportional relations and balances were well handled, production maintained a course of development, and standards of living greatly improved. The smooth completion of the First 5-Year Plan and the speedy development of the three great reforms movement meant that a major misconception occurred in our guiding ideology, namely that socialist modernization was not going to need as long a time to complete as was originally thought, and that all that was needed was to oppose and wipe out right-deviationist conservatism and arrange mass movements, and then miracles would occur. Thus, in the spring of 1958, the Great Leap Forward was rashly launched, which was designed to be a 3-year arduous battle to change the face of China, so that within a few years iron and steel output as well as the output of some other major industrial products could catch up with advanced countries. At that time there was a national trend of criticizing right-deviationist conservatism and many high targets were drawn up and people were required to fulfill these targets. The Great Leap Forward, in addition to the mass movement of people's communication, meant that the "leftist" errors of high targets, blind commands, exaggeration, and the "communist mood" spread unchecked. At the end of 1958 it was realized that problems existed and thus the policy of "compressed air" was introduced, but the main guiding ideology did not change. During the Lushan mountain conference in 1959 there was another move to oppose rightism. Although the Great Leap Forward did mean that production speed was quickened for a while, the smooth progression of economic construction did suffer serious damage, while serious disproportions occurred in the proportional relations of the national economy and the standard of living dropped, all of which finally led to a massive economic failure. By 1962 total production value in industry and agriculture had fallen to the 1957 level. Many engineering projects which had already begun had to be stopped, a great deal of equipment became overstocked or discarded, and the total damage was difficult to estimate. The result of being too anxious to get results too quickly was "more haste makes waste" and thus even normal speeds could not be maintained. In 1958 the call for reliability and surety was criticized and it was felt that a country as big as China could without doubt pull itself out of disaster. But practice proved that it could not pull itself out of disaster, but instead, through its overanxiousness for quick results, it threw itself into disaster.

The grim facts gradually cleared people's heads and made them realize that this was not the way to do things. In 1960 the principles of readjustment, consolidation, replenishment, and upgrading were finally introduced. After 2 years of major readjustments, in 1961 and 1962, the situation quickly got better and by 1965 a new springtime had emerged with the situation becoming increasingly healthy.

An even greater upset occurred between 1966 and 1976. In 1966 the "Cultural Revolution" was launched, throwing into total chaos the national economy which had just been restored and which had only just got itself back onto the right track. During 1967 and 1968 a large number of projects were halted and production dropped. In 1970 the Fourth 5-Year Plan was drawn up, which was designed to come to grips with production construction,

and this was entirely correct. However, the continuation at that time of the "Cultural Revolution," the fact that the lessons of the Great Leap Forward in 1958 had not been assimilated, as well as the fact that "leftist" errors had still not been cleared up, meant that the guiding ideology for economic work was still centered around overanxiousness to get quick results. At that time people were still criticizing the so-called right-deviationist line and mass movements were still being proposed to achieve a new leap forward. Because very high targets were drawn up which did not correspond with reality, in 1970 industrial production was 30 percent higher than the previous year, and the scale of capital construction increased 59 percent over the previous year. So once again the country's capacity was exceeded. In 1971 it was felt that things were a little bit out of hand and thus preparations were made to reduce investments in capital construction, but because of the indecisiveness of the times and because of a lack of effective command during the "Cultural Revolution," there was in fact no reduction, with the result that the already inflated scale of construction continued until 1976. Mistakes such as these in the guiding ideology for economic construction and especially the premeditated destruction of Lin Biao, Jiang Qing, and their counterrevolutionary cronies, meant that the national economy once again saw the emergence of severe dislocations and standards of living fell once again.

The third upset occurred in 1978. With the smashing of the "gang of four" the people were jubilant in 1976. In order to deal with the situation at that time, readjustment policies to the national economy should have been immediately implemented so that the people might rest and build up their strength, but the guiding ideology of that time did not fully understand and appreciate this, and furthermore the difficulties created in the national economy by the destruction wrought by Lin Biao and the "gang of four" for such a long time were underestimated, there was a lack of sufficient and honest summing up of the good and bad experiences to be learned from the long period of economic construction in the past, and so, after having restricted the scale of construction in 1977, it was proposed in 1978 that the scale be quickly increased and that a new leap forward be organized. At that time it was proposed that from 1978 to 1988 there should be an enormous increase in industrial and agricultural production and that foundation industries should develop large-scale construction in order that the four modernizations might be completed before the end of the century. Under this kind of guiding ideology investments in capital construction in 1978 leapt from 36.4 billion yuan in the preceding year to 47.9 billion yuan, an increase of 31.6 percent. The proportion of accumulation in the national economy rose to 36.5 percent and financial revenue rose to represent 37.2 percent of the national revenue and the result of this was an intensification of all the economic difficulties and serious disproportions that had been built up during the 10 years of internal disorder.

The above three upsets varied in duration and the seriousness of aftermaths. The mistakes that occurred in economic work in 1978 were discovered at the end of the same year and in early 1979 by the party Central Committee and thus the timely principles of readjustment, restructuring, reorganization,

and upgrading, with readjustment as central, were put forward, in order that these mistakes might be corrected fairly quickly. At the central authorities' work conference in December 1980, the "leftist" guiding ideology in economic construction was thoroughly put straight and it was decided that further readjustments should be carried out in the national economy. At that conference Comrades Deng Xiaoping, Chen Yun, Zhao Ziyang, and Li Xiannian all made important speeches in which they clearly illustrated that all the major mistakes that had occurred since the founding of new China had been "leftist" mistakes. They proposed that in the future it was vital that we overcome overanxiousness for quick results and that we instead uphold the policy of making steady progress in construction. This was real restoration of order out of chaos. At the 12th CPC National Congress held in September 1982, Comrade Hu Yaobang's report, which was given on behalf of the party Central Committee, firmly upheld this policy and went on to accurately outline the fact that the glorious strategic targets of the next 20 years must be divided into 2 stages so that during the first 10 years efforts would be concentrated on laying foundations, setting up suitable conditions, and amassing strength, and during the second 10 years economic revitalization would be achieved. In November 1982 the Fifth Session of the Fifth National People's Congress was held, at which the Sixth 5-Year Plan was drawn up, corresponding to the actual situation in China and reflecting the principle of seeking truth from facts. Because of these changes in guiding ideology, China's economy began to move along a road of stable development after a few years of arduous work. Now it is unfolding a brilliant future before the eyes of the people of the entire nation.

These few upsets have taught us a profound and lasting lesson--namely that overanxiousness for quick results produces disaster in economic construction and that the moment work is hastened, problems arise and the situation becomes shaky. If there is a small amount of haste, there is a small upset, and if there is too much haste, then the upsets are enormous. If changes are implemented early enough, the upsets are short-lived, but if these changes are not implemented until later then the upsets last for a long time. Being overanxious for quick results not only does not help speed things up, in the end it will usually extend the process of economic development. In many stages of history there have been situations where damage has occurred due to things being done too slowly, but damage such as this is fairly easily rectified. If things are done slowly one year, the following year things are speeded up a little and then everything is fine and the readjustment involved is fairly simple and the damage not very great. In no time in history has there been a situation in which large losses have occurred because of 2 successive years of doing things too slowly.

Why is it that economic construction must proceed in a stable manner and why is it that over-hurrying will produce losses? First, the answer is linked to China's actual situation; second, it is linked to the objective laws of economic development.

China is a large country, rich in natural resources and under a superb socialist system. Its people are hard-working and courageous and all these factors are helpful conditions in achieving socialist modernization. Under the correct guidance of the party and full expression of the enthusiasm of all the people of China, we will be able to achieve our goals. There is no reason to adopt a pessimistic attitude toward China's four modernizations program, but, nevertheless, our initial foundations are weak, our economic foundations are weak, and standards of living are still not extremely high, and during these few years annual increases in the national revenue will not exceed 20-30 billion yuan, which means, on the basis of a population of 1 billion, between 20 and 30 yuan per person per year. Expansion in the scale of construction will rely on this as must improvements in the people's standards of living. China's population is large, but its sciences and culture are backward and the country lacks experience for achieving modernization. These factors thus decide the length of socialist construction in China, for it will take a long time of arduous struggle before China becomes a rich and prosperous country. Thus economic construction must be forceful and must progress stably and not rashly or without proper thought, nor should there be attempts to create miracles within a short space of time or produce another great leap forward. As far as individual work units and individual situations are concerned, it may be possible under special conditions to achieve a change in very short time, but this is not the case for the entire nation. We have already organized three great leaps forward, and have we not, every time, suffered setbacks because we exceeded the capabilities of the country in trying to achieve a growth rate too quickly?

The national economy is a complex thing and possesses fixed developmental laws. Each sector of the economy is intimately interlinked and mutually dependent on the others and development must be proportional. No sector can be independent while the others are ignored. The growth rate in each sector of the economy must not only depend on the production capacity that it possesses, but is also conditioned by the intimate links between supply, production, and sales among all the mutually linked sectors of the economy. In the case of both production and construction there must first be detailed research and investigations, detailed preparations, and a gradual setting up of the right conditions. It is not a case of simply doing something if one wants to, or simply doing something when one wants to. Everything requires not only a consideration for quantity, but also a consideration for quality, and a consideration for the consumption of materials, resources, and production costs. We should be cautious in terms of time and not merely think in terms of 1 year, but longer than that so as to avoid a sudden disjuncting in the middle of a program or the possibility of being unable to continue a program. This interrelationship and continuity that exists within the development of the national economy as well as the progressive nature of the changes in production and construction conditions all determine that economic construction must progress in an orderly way and that there can be no man-made or artificial way of thrusting the economy into a leading position. The upsets that we came up against every time in the past, when great leaps forward in production were organized, happened because the objective laws of proportional development and the orderly progression in the national economy were contravened and inevitably punishments were meted.

Why was it so easy for an overanxiousness for quick results to occur in economic construction in China? And why, after suffering the great losses that occurred because of this overanxiousness, was it so easy for relapses of the same old illness to occur? There are three main reasons:

One reason was that our economy was too backward and that there were enormous problems in production, construction, and day-to-day living, all of which demanded our urgent attention, and thus there was always a general feeling that we should speed up efforts to shake off this passivity that existed. It was easy to become rash. Scientific knowledge was insufficient and the complexity of economic construction was viewed too simply. It was easy for premature or rash advances to occur. During the change for the better which developed after overcoming various difficulties, it was easy to become heady and for subjective desires to become exaggerated with the result that unrealistic targets were drawn up and policies were devised which were totally divorced from reality.

Another reason was that we did not carry out a thorough assessment and dissection of the damage caused by an overanxiousness for quick results nor the incorrect ideologies which led to an overanxiousness for quick results. As a result we lacked the ability to teach people to fully understand how to overcome this problem. Naturally there were social reasons for the occurrence of the Great Leap Forward in 1958, and in addition there were at that time many ideologies and theories which ostensibly provided revolutionary encouragement to the people, but which were in actual fact totally incorrect in content. Thus people were steered onto the wrong path. Because these incorrect ideologies were not clarified, they still had a market and role to play.

Another reason is that we lacked a legal system. Without a full and healthy set of economic laws, when a small minority of people were seized by a whim and acted on impulse there was no one to bear the responsibility for the resultant damage. The arbitrary drawing up of irrational output targets, hasty decisions on major projects, the rejection of predetermined policies and state plans for a different set of plans, and so on were all manifestations of a lack of a legal system or a disregard for a legal system.

At the 3d Plenary Session of the 11th CPC Central Committee in December 1978 and in particular at the central authorities' work conference in December 1980, past "leftist" mistakes in guiding ideologies were corrected. These two moments thus represented an enormous turning point for economic construction work in China. From those times on, economic construction basically has proceeded very smoothly. But this does not mean that economic construction should not remain wary of an overanxiousness for quick results. The analysis of our experiences during the past upsets, especially the lessons from the Great Leap Forward in 1958, including the reasons for its inception and development as well as its social, political, and ideological causes, is still extremely significant for us. Historical practice proves that the policy of steady progress is a positive and not a negative policy. Socialist construction is scientific and cannot entertain any subjective arbitrariness. Only if we uphold the principle of seeking

truth from facts, keep our feet planted firmly on the ground, and progress step by step, we can achieve constant victories. China is a vast country with a population of 1 billion people, and a long period of stable advancement requires an enormous amount of hard work and the solving of many difficult problems. We must mobilize the masses and invigorate the people's revolutionary spirit to get them to keep forging ahead. This is indisputable. Practice proves that only by upholding the policy of steady progress can the people's enthusiasm be maintained and can there be any reserve strength. If we exceed realistic capacity and bring up irrational and unrealistic targets and cause repetitiveness and instability, then not only will we be unable to invigorate the people's revolutionary spirit, but the people's enthusiasm will also be severely damaged with the result that the people will lose confidence. The policy of steady progress is in line with China's actual situation and the objective laws of economic development. It is also in line with the aspirations and demands of the people of China. For these reasons the policy is correct and indeed it has already stood the test of practice.

#### Present Problems in the Economy

In keeping with the policy of carrying out further readjustments to the national economy, as outlined at the central authorities' work conference in December 1980, a great deal of work has been done over the last 2 years and many achievements have been made. Production in agriculture and light industry has continued to increase at a fairly fast speed, while heavy industry, after having undergone readjustments has also begun to improve again. Market commodity supplies are fairly abundant and there is a basic balance between finances and credit, while prices are essentially stable and there has been an overall improvement and move toward prosperity throughout the economy. This is both encouraging and pleasing.

Here it should be said that within this process of economic advancement, which in overall terms is positive, there are some problems which are worthy of our attention.

First, since 1982 there has been too great an increase in investments in fixed assets. Investments in fixed assets in 1980 stood at 74.6 billion yuan, of which 55.9 billion yuan was investments in capital construction, making it the highest year in history. Because the scale of investments was too great, the country was unable to bear the burden. In 1981 there was no choice but to carry out further readjustments which involved halting most projects and reducing the total amount of investments in fixed assets to 66.8 billion yuan, of which investments in capital construction were reduced to 44.3 billion yuan. However, in 1982 the total figures for investments in fixed assets leapt up once again, with the figures reaching 84.5 billion yuan and surpassing the 1980 level. Of this total, capital construction investments were 55.5 billion yuan, thus exceeding planning by 11 billion yuan and showing an increase of 25.4 percent over the preceding year. Of the investments in capital construction it was mostly privately raised funds and bank loans which exceeded planning, while investments predicted by the state were carried out more or less according

to planning. In 1983 measures were adopted to restrict investments in fixed assets and planning for total investments in fixed assets set the figure at 74.7 billion yuan, of which 50.7 billion yuan was investments in capital construction, a slight decrease over 1982. However, judging from the situation from January to May, the scale of investments has not actually been effectively restricted and many regions and sectors have added many projects not included in planning, as they did before, and have increased the total investment figures. At present it is very clear that the scale of investments in fixed assets is once again too large. There is a serious shortage of building materials supplies and many projects cannot proceed according to planning, and the rate of utilization of fixed assets has dropped. All of these things are indicative of an excessive scale of investments in fixed assets.

Second, the comeback in heavy industrial production has been too vigorous. In 1981 readjustments meant that heavy industrial production was 4.7 percent lower than in the previous year and the pick-up in heavy industry in 1982 was correct. But increases in investments in fixed assets were too quick and there was not sufficient control over the production of certain machinery products, and as a result in 1982 heavy industry increased by 9.9 percent over 1981 figures. Since the beginning of 1983 this trend has been continuing. From January to April there was a 3.7 percent increase in light industry while there was an 11.7 percent increase in heavy industry. Because heavy industry has increased too quickly, the tightness in energy and raw materials supplies, which had eased slightly, have once again become serious, while transportation has been stretched even further and is clearly insufficient. What we see emerging is a situation in which heavy industry is squeezing out light industry and the market in general.

Third, production increases are quite fast but economic results are low. In 1982 state plans, which outlined reductions in production costs, restoration of losses, and the handing over of profits by state-run enterprises, were not fulfilled and in some cases the quality of some industrial products fell while consumption of materials and resources increased. There has been no improvement in the situation in 1983. This proves that many work units are still one-sidedly pursuing fast increases in production value.

The above few problems illustrate that despite the improvement in the general situation, some old problems and difficulties are gradually returning. Of course, the present problems are nothing like the ones we had in the past. The problems we had in the past were mainly to be found in the overall guiding ideology and in the planning of the entire national economy, while the present ills are mainly restricted to general nonimplementation of the central authorities' policies, insufficient respect for state plans, and a certain loss of control over the development of production construction. However, if these ills are not put right they too will throw the national economy into disarray. The central authorities and the State Council have urged everyone to be aware and take note of the problems which have already occurred and to maintain clarity of mind while unswervingly upholding the principle of seeking truth from facts and the

policy of maintaining steady progress. Problems must be rectified as soon as they appear and in this way we can ensure that economic development does not swerve from the correct path and that the overall good situation continues to develop.

In order to achieve the policy of steady progress and avoid following the same old disastrous road, what principles must be taken note of and come to grips with?

1. Stability must be maintained in the annual speed of production development. The speed of economic development cannot be the same every year and there must be some variation but we must do our utmost to avoid variations of too great a scale. The upsets that we have experienced in the past were primarily the result of high targets. As soon as high targets are drawn up, it is inevitable that large fluctuations are going to occur. Because agricultural production is greatly affected by weather factors there are large variations between production output and speed in bumper harvest years and poor years. This is inevitable. However, the conditions affecting industrial production cannot change enormously, except for large changes in supplies of agricultural raw materials due to the quality of each year's harvests. There should not be enormous and sudden increases in production from one year to the next. It is absolutely vital that production enterprises be asked to adopt a positive attitude and to make use of all potential, to increase production of commodities in short supply and great demand, and to strive for greater quality and cut down on consumption. But we cannot put pressure on enterprises' production targets and yet demand that they achieve high speeds of production increase. This is because enterprises not only have to organize production for that year, but they also have to prepare for the following year, and putting pressure on production targets often means that normal production rules are destroyed. Putting pressure on production targets also often forces the enterprise to ignore marketability and to simply carry out blind production, leading to overstocking and waste. In addition, production in every work unit is determined by supplies of energy and raw materials as well as conditions relating to transportation and so on, and so to demand a large-scale increase in production without taking into account internal economization will inevitably lead to the destruction of a balance between supply and demand throughout the entire economy, and also the destruction of the proportional development of each sector of the national economy. This illustrates another problem, namely the serious drawbacks in the present production value targets that are used. These targets include the amount of materials and resources consumed. The greater the consumption of materials and resources, the greater the production value. Total production value is calculated using the factory as the basic unit, and the proportion of repetitive calculating is enormous. A commodity manufactured by an enterprise always counts as production value, regardless of its quality and marketability. Production value cannot reflect the quality of products, the variety of products that exists, or the extent to which products correspond to social demands. The state has already specified that assessments of the condition of an enterprise's production should be done on the basis of indices for quantity, quality, variety, and consumption of materials and resources and

that standards for assessment should not be centered around production value. However, on the basis of present planning methods, calculations of the speed of economic growth in the entire society still resort to production value. In order to pursue greater speeds, everyone pays special attention to overall production value and it is often easy to ignore other indices. History has also taught us this. As soon as speed is stressed, production value is pressurized, and as soon as production value is pressurized, problems appear. In view of the fact that there is still insufficient firmness in emphasizing economic results and the management systems have still not been perfected, it is especially unwise to stress speedy increases in production value. Thus it should be made very clear to everyone that high production value is not necessarily a good thing.

2. Stability must be maintained in the annual increases in investments in capital construction. Investments in capital construction and production growth are mutually restrictive and mutually promotive. High production targets will inevitably demand greater capital construction, and the greater the scale of capital construction, the more heavy industrial production will grow excessively. When dislocations and lack of support cause industrial production to speed up in an unhealthy way, the same will happen to capital construction. Past experiences tell us that the danger to economic construction caused by this turn of events in capital construction is very serious. Since industrial production cannot rise suddenly and state financial revenues which are mainly made up of industrial profit taxes, cannot rise suddenly either, this means that investments in capital construction should not rise by enormous amounts from one year to another. Experience proves that a suitable annual speed of increase in capital construction is on the whole equal to the annual speed of increase in the national revenue. If these limits are exceeded then accumulation squeezes consumption and capital construction squeezes production and maintenance. Thus whenever there is a sudden rise in annual investments, the cause should be sought in planning or in a loss of control and immediate and effective measures should be implemented so that it can be arrested and corrected as soon as possible. In other words, in order to ensure stable progress in the economy, we must ensure stable increases in capital construction investments, which means we must not deny increases and yet we must not permit excessive increases. In 1982 capital construction investments increased quickly. For the next few years, planning organization must reduce the excessive speeds of 1982 and restore correct growth in capital construction investments. As far as the internal structure of investments is concerned, more general construction should be suppressed and key construction projects should be emphasized.

Today it often happens that investments and projects are constantly added after annual plans have been decided. This is extremely incorrect. It proves that planning lacks severity and respect. In the case of capital construction investments, unless the situation is absolutely unavoidable, there can be no additions to plans already implemented. Such investments must be held until the following year. If this is not done some work units would be easily encouraged to exclude from planning investments in important projects, thus forcing the authorities to add them into planning during implementation.

There is another corrupt practice in capital construction and that is the way in which things are done without regard for construction order. In order to hurry things up and get going quickly, preconstruction preparation work is often not done. Problems arise during construction, forcing the program to stop while the matter is investigated and while designs are altered, with the result that schedules are extended. This means that the cost of the project increases and in some cases it means scrapping the project. Some people think that doing things according to construction order results in losing time, and that the larger a project, the faster it must be tackled. Practice told us long ago that tackling projects according to construction order is a scientific way of tackling things, and while this way of doing things may appear slow, as long as plans are accurate and preconstruction preparations have been done properly, then construction itself will be fast and the aftereffects of investments much better. If things are done without regard to construction order, it means that things are in actual fact being done according to subjective will and the only result can be chaos.

3. Stability must be maintained in annual increases in the national revenue. An important policy in socialist construction is the constant improving of standards of living on the basis of production development. For quite a long time in the past there were no great improvements in the people's standards of living and thus was inevitable that in the last few years the people's standards of living should improve considerably. However, in the future, improvements in the people's standards of living must become the norm. Increases in peasant incomes must mainly depend on increases in agricultural production. If agricultural production increases quickly, then there will be more increases in peasant incomes, while if agricultural production increases slowly, then increases in peasant incomes will be less. Increases in workers' incomes depend on the quality of management in enterprise production and also on the amount of state financial revenue. Since industrial production may only rise steadily, new increases in enterprise income must guarantee the state the largest proportion and thus, in overall terms, workers' incomes may only rise at a steady speed as well and they may not exceed rises in labor productivity. We must not allow investments in capital construction to get out of control, nor must we allow consumer funds to get out of control. Excessive emphasis on improving the people's standards of living will mean that the proportion of the national revenue used as funds for construction will be too small and this will result in a loss of material guarantees for continued improvements in the people's standards of living, thus damaging the overall and long-term interests of the people.

4. We should emphasize a comprehensive balance, especially a balance between finances, credit, goods and materials, and foreign exchange. The balance in market supply and demand can be included within the balance of goods and materials. The inability for economic construction to progress steadily in the past was to a very great extent caused by the wanton transgression or rejection of the principle of balance. Production targets were set arbitrarily high and the same applied to the scale of construction. There was no thorough and comprehensive balance carried out between all the

various factors, there was no balance carried out between supplies, production, and marketing, there was no comprehensive balance carried out between the entire country and society, and there was no cautious comprehensive balance carried out between that year and following years. This lack of balanced attention meant that things often got out of proportion and that things conflicted with each other and progress and continuity became difficult. Many things from one point of view required speedy attention and yet from an overall viewpoint these same things did not require such speedy attention. Hence in overall terms the principle of maintaining a comprehensive balance should be used as an important strategic policy and an important principle for drawing up plans. This is the case for the whole country and it also applies for each sector and each region.

5. We should emphasize unified understanding and strict discipline in finances and economics. In order to ensure steady progress in the economy and to avoid committing past mistakes again, the party Central Committee and the State Council drew up a series of regulations. Since 1982 these regulations have been reiterated many times. The reason that they have been reiterated is that they have not been fully implemented in many regions and sectors. One of the reasons for this is that there is as yet no unified and overall understanding and appreciation of the situation and the regulations and another reason is that discipline in finance and economics is slack. The policies and principles of the central authorities cannot ensure strict enforcement of all laws. In order to improve the situation we must first strengthen ideological and political work to ensure that everyone thoroughly understands and grasps the correct ideology for economic construction. We must steadfastly implement the open-door policy and the policy of domestic invigoration and we must continue to implement the accurate policies and measures for enlivening the economy that we have been adopting over the last few years. At the same time we must uphold the principle of "the planned economy as central and market adjustments as auxiliary" and we must also uphold the concept "coordinating the whole nation as pieces in a chess game" and correctly handle partial and overall relations as well as centralized and decentralized relations. We cannot talk about downward transferal and decentralization without talking about necessary centralization. We cannot talk about partial invigoration without talking about national unity. We must step up economic surveillance and strict discipline in finances and economics. Whatever the central authorities authorize must be implemented throughout the country. We cannot allow individuals simply to act as they see fit. Behavior which contravenes the state's regulations must be handled and punished in accordance with those regulations and the law.

Thirty years of practice has made us appreciate the necessity for steady progress. The party Central Committee and the State Council have already made steady progress a guiding policy for long-term construction in China. As long as we remain resolute, with our feet firmly on the ground, and as long as we keep to conventional ways of doing things, then we will definitely be able to achieve solid successes and win great victories for modernized construction.

## RATIONALLY DISTRIBUTE NATIONAL INCOME

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[Article by Gui Shiyong [2710 0013 1661]]

[Text] In his government work report to the First Session of the Sixth NPC, Premier Zhao Ziyang pointed out that in the current economic construction, one problem in urgent need of solution concerns how to distribute the national income rationally, and how to ensure relatively big annual increases in the state's financial income. A profound understanding of the importance and urgency of this problem, and the serious implementation of the central policy measures adopted to solve it, are of great significance to the consolidation and development of our present fine economic situation, and to the creation of a good basis for future economic revitalization.

### I

The rational distribution of the national income is a fundamental question in the socialist planned economy. The national income represents value newly created by the material production sector within a certain period of time, that is the part left over after consumption of goods and materials has been deducted from the gross social output value, or the net output value; it is the source through which production is expanded and the people's lives are improved. Within a specific period of time, the amount by which the national economy can be increased is decided by the development of social production and the enhancement of economic results. At the same time, how the national income is distributed and utilized under its fixed conditions, can exercise an important influence over the direction and extent of economic development. If distribution is rational, it promotes the harmonious development of the national economy, and the achievement of fine economic results; if it is not, it can affect and even damage the proportionate relations of the economy, and cause great waste and loss. The distribution of the national income, including initial distribution carried out in the material production sector, and redistribution through finance, credit, price, labor charges, and so on, is an extremely complex process. It touches on the relationship between the interests of the state, the collective, and the individual, and between those of different strata of people; it touches on the relations between all the links in

social production and all the sectors of the national economy. The establishment of the socialist public ownership system eliminated the phenomenon of exploitation of man by man, and created the possibility of unified planning with due consideration for all factors, the correct handling of all aspects, and the rational distribution of the national income according to the demands of objective laws. But turning this possibility satisfactorily into a reality requires scientific planning and administration, and, on the basis of the concrete conditions obtaining in each period, the adoption of administrative and economic measures to adjust the distribution relations of the national economy, bringing them into line with the objective demands of economic and social development.

At present, a marked problem in the distribution of the national income is that the financial income amassed by the state is too small, and funds are too scattered. From 1979 to 1982, our gross social output value increased by 33.6 percent, and the national income by 23.7 percent, but the domestic financial income dropped by 3.3 percent, and the proportion of state financial income within the national income dropped from 31.9 percent in 1979 to 24.5 percent in 1982. With the implementation over the past few years of policies of adjustment, restructuring, reform, and upgrading, a large part of the newly added national income has been used to increase the income of peasants and workers, and a comparable amount has been used to expand funds possessed by enterprises themselves; this was necessary. For this reason, the proportion of financial income within the national income was bound to drop. But right now, the extent of the drop is too great. At the same time as state financial funds are decreasing, extrabudgetary funds are increasing greatly; from 34.7 billion yuan in 1979 to 65 billion yuan in 1982. Moreover, consumption funds have grown too fast. These conditions in national income distribution have brought a whole series of contradictions and difficulties to economic life.

First, key construction funds have not been guaranteed as they should have been. In 1982, state investment within the budget was 27.7 billion yuan, amounting to only 49.8 percent of total investment compared to 56.8 percent the previous year. The 12th CPC National Congress defined agriculture, energy resources, transport and communications, science, and education as strategic key points but apart from investment in transport and communications, the proportion of which rose slightly, the proportion of investment in all the other areas has fallen since 1981. Many of the key construction projects which should be or already are under way, are unable to be launched or to progress at the rate required by the state plans due to insufficient funds.

Second, due to the dispersion of funds, localities, departments, and enterprises have used the funds at their disposal to expand capital construction, and the total scale of capital construction over the whole country has vastly exceeded state plans, and risen steeply. In 1982, investment in capital construction over the whole country reached 55.5 billion yuan, exceeding plans by 11 billion yuan, of which self-funded investment exceeded by 5.2 billion yuan, and domestic loans by 3.7 billion yuan; added together, these two figures made up 81 percent of the

excess-of-budget investment. Most of these funds were invested in ordinary processing industries and in nonproduction construction. Increase in capital construction investment was too rash, meaning that the supply of the means of production, which was beginning to relax, tightened up again; if this is not controlled, it will affect the stable and harmonious development of the entire national economy.

Third, the construction of so many small, technologically backward enterprises has caused a blind increase in many obsolete heavy industrial products. In 1982, heavy industrial production increased by 9.9 percent over the previous year, greatly exceeding the 5.7 percent increase rate in light industry. Since the beginning of this year, the gap between the growth rates of light and heavy industry has been widening further. Though heavy industrial production has, through restructuring, ceased falling and begun rising, and is generally normal, there are certain irrational factors within it. The most obvious of these is that with the construction of a large number of technologically backward processing industries, many heavy industrial products which should long ago have become obsolete have been produced again in large quantities. This will not only seriously hinder the technical progress of social production, but is bound to squeeze out agriculture and light industry with regard to energy resources, transport and communications, and the supply of raw materials.

Fourth, control over the increase of consumption funds has to an extent been lost. On the one hand, due to lack of funds, wage restructuring has been impossible to carry out, and on the other hand, the reckless issuing of bonuses, welfare subsidies, and all sorts of material things has become serious. In 1982, bonuses for staff and workers and above-quota piecework wages over the whole country totaled 10.9 billion yuan, a 19.8 percent increase over the previous year, and way in excess of production increase and labor productivity. This situation does not help to overcome the already existing problem of egalitarianism in the distribution system, and, added to factors like the irrational price system, creates irrational differences between labor remunerations in different units. It also violates the principle of distribution according to labor. If control is not regained over consumption funds, the stability of markets and prices may be affected.

To sum up the above, the present serious dispersal of funds in the distribution in the national economy has already affected the healthy development of the economy in many aspects, and is unbeneficial to the preparation of conditions for the future revitalization of the economy. Now, the contradiction has been clearly revealed. We must increase our understanding, unify our thinking, and put onto the agenda the highly important and pressing tasks of rational distribution of the national income and of overcoming the situation of overdispersed funds.

## II

One important aspect of the rational distribution of the national income and of raising the proportion of financial income within the national income

is the correct handling of the proportionate relations between consumption and accumulation.

Through distribution and redistribution, the national income is ultimately used for accumulation and consumption funds. The individual consumption funds of workers in the material production sector are formed basically from the initial distribution of the national income, and most of them do not come from financial redistribution; while the consumption funds and social consumption funds of laborers within the nonproductive sector generally come from financial redistribution, though their proportion to the whole of consumption funds is small. Unlike consumption funds, accumulation funds, apart from some individual and collective accumulation, are formed in large part from financial redistribution. Therefore, the ratio between consumption and accumulation, along with accumulation distributed between the state, the collective, and the individual, are intimately connected with the proportion of financial income within the total national income. All things being equal, the more funds spent on consumption, the less funds will be accumulated by the state treasury; and the more funds used for accumulation, and the higher the proportion of state accumulation within accumulation funds, the greater will be the increase in funds accumulated by the state treasury.

In the past, due to the influence of "leftist" guiding ideology, the accumulation rate was for a long time too high. Following the 3d Plenary Session of the 11th CPC Central Committee, we implemented a series of important measures, including the raising of purchasing prices for agricultural and sideline products, the expansion of urban employment, the raising of workers' wages, and the introduction of a bonus system, and hence fairly swiftly raised the level of consumption of urban and rural people. At the same time, the proportion of nonproductive accumulation within accumulation funds was raised, and construction actively expanded in those sectors directly connected with the people's lives, such as housing and urban public utilities. The relatively great increase in peasants' and workers' incomes speeded up the growth of consumption funds, and the excessively high accumulation rate hence began to drop, falling from 36.5 percent in 1978 to 29 percent in 1982. During this process, some measures were a little excessive, and, added to lax administration, meant that the growth of consumption funds was a little fast, but generally speaking it was necessary and rational, and effected a fundamental turn in the serious disproportion between consumption and accumulation.

The present task is to stabilize the proportion between consumption and accumulation on this new basis, and to bring accumulation and consumption funds onto the road of normal increase. On the one hand, we must control the increase in accumulation funds, at the same time readjusting the internal structure of accumulation, and appropriately raising the proportion accumulated by the state. On the other hand, we must also control the increase in consumption funds, adapting it to the development of production. A few years ago, in order to lower the accumulation rate, it was necessary to make consumption funds increase faster than the national income, and to use most or even all of the newly added income for

consumption. But this practice was only carried out for a short time under special conditions, and must not and cannot be continued over a long period. If consumption increase is for a long time higher than the development of production and the rate of increase of the national income, it is bound to cause an excessive decrease in accumulation funds, which will affect necessary production construction, and therefore weaken the material basis for the continued increase in consumption; this will create a disproportion in the economy from another aspect. Ours is still a developing socialist country; on the one hand, we face the formidable task of production construction and improving the people's lives, and on the other, the state's strength is limited, and after deducting from each year's newly increased national income the funds for satisfying the needs of the newly increased population, there is not much left to expand construction and to improve the people's lives. Starting from these basic national conditions, in handling the important question of the relation between construction and the people's lives, we can neither freeze living standards in order to expand construction, nor cut necessary construction funds in order to increase consumption. The only correct method consists in upholding the policy of "eating first, then carrying out construction," and on the basis of developing production and enhancing results, effecting the stable increase of both consumption and accumulation, so that construction and life are harmonious, promote each other, and develop together.

On the basis of this principle and of present conditions, for a certain time to come, the increase in peasant incomes must rely largely on the development of agricultural production, and on cutting production costs, and can no longer overly rely on raising the state purchasing prices of agricultural and sideline products, cutting state purchasing quotas, or expanding the scope of negotiated prices. The amount by which the state purchasing prices of agricultural products is raised signifies the ratio between industry and agriculture and between consumption and accumulation in national income distribution. This is a great factor in the entire economic situation, and must be planned as a whole, according to needs and possibilities, and on the basis of overall balance. At present, the production level and economic results of our industry are relatively low, and if we are to improve this situation markedly, we must do a lot of hard work over a substantial length of time. If we overreach the limits of possible increase in industrial productivity, and do not take into account how much the economy is able to support, and, following the relatively big readjustment of a few years ago, continue to increase the state purchasing prices for agricultural products, then industrial production costs will grow, price subsidies will be expanded, and accumulation funds decreased. Reflected in the financial sphere, some will decrease financial income, and some will expand financial subsidies. This is unbeneficial to the stable development of the entire economy. In the past few years, the increase in the state purchasing prices of agricultural and sideline products has meant that the state's financial burden from subsidies has increased from 9.4 billion yuan in 1978 to 32 billion yuan in 1982, or 30.4 percent of that year's financial income. If this is not brought under control, it will greatly increase, and it will be difficult for the

state's finances to bear it. We must also realize that if industrial efficiency is not raised accordingly, if state purchasing prices for agricultural products continue to rise, there will not be enough industrial products to exchange for agricultural products. Therefore, for a certain period of time to come, state purchasing prices for agricultural products should be maintained at present levels, and not raised.

In order to stabilize the relations between consumption and accumulation, the increase in the average wages, bonuses, and welfare benefits should from now on be lower than the increase in enterprise profits and the rise in labor productivity. If we want to increase income, we must make efforts to increase labor productivity and to cut costs, and must not recklessly issue bonuses and subsidies regardless of real increases in production and profits. Only in this way can we accumulate the necessary funds at the same time as improving workers' lives, and only in this way can we maintain a balance between supply and demand in the market and the stability of market prices. It must be realized that our country is still in the pioneering stage, and if we are to improve fundamentally the backward face of our economy and culture and bring a more prosperous life to the people, we must go through a long period of hard work and bitter struggle. We must start with this fact, combine present with long-term interests, and plan as a whole the relations between construction and life, and between consumption and accumulation.

### III

The rational distribution of the national income, and the appropriate raising of the proportion of financial income in the national income, further requires the correct handling of the distribution of funds between the state and the enterprise.

For a long time in the past, finances were subject to unified revenue and expenditure, and enterprises lacked the necessary reserve financial strength. In the last few years, the introduction of the system of retaining profits and the broadening of enterprise autonomy have played a positive role in bringing into play the initiative of enterprises, and in enlivening and developing the economy. But under present conditions, the amount of financial strength to be given to enterprises must be decided on the basis of the overall national balance, by differentiating between the conditions obtaining in different enterprises. Their size and use must be of benefit to, and not a hindrance to, the concerted development of the entire economy. At present, our country's financial capacity is limited, and the construction tasks undertaken by the state, for which a large part of our energy resources, transport, and so on must be used, are very heavy; the price structure is highly irrational, and cannot be changed overnight, so we cannot but to a large extent limit the use of the economic lever to guide enterprises to use their funds rationally; there still exist many problems in the organizational structure of enterprises, many enterprise setups are to a great extent blind, and in need of reorganizing and combining. Under these conditions, enterprises cannot be given too much financial strength, otherwise our limited funds will become too dispersed, and there will not be

enough to use in areas of urgent national need, and this will in turn affect the proportionate, fruitful development of the national economy. We must pay great attention to the role of banks in the accumulation and utilization of funds, but funds for capital construction must primarily be amassed and supplied through the state's finances, otherwise opportunities may be missed. From the point of view of the problems existing in current economic life, the amount of profits retained by enterprises is generally on the high side, and should be properly readjusted.

Naturally, when readjusting the distribution of funds between the state and the enterprises, we cannot again tread the old path of unified revenue and expenditure, but present conditions dictate that in the distribution of the newly increased net income from enterprises, we must ensure that the state gets the bigger share, that is, primarily through profits tax and a rational ratio between after-tax profits retained and those handed over to the state, the greater part of the enterprises' newly increased net income should be concentrated in state finances. Will this practice affect the initiative of enterprises? We would say not. On the basis of a defined and rational ratio between profit rate and the amount of profits retained by enterprises, when enterprises increase their output, their income increases, the boat rises with the water, the state gets more, so the enterprise gets more; this helps encourage the enterprise to produce more and hence earn more, and to improve economic results. As to practices of eating up the state's income, and sacrificing public interests to partial ones, they must be brought under control but these controls are in themselves important conditions for bringing into play the initiative of enterprises. In the reform of our economic system, we must on the one hand give enterprises a certain degree of financial power, and increase their vitality, and on the other hand clearly define their tasks, pressurize them, and push them to constantly improve their management, raise their technical standards, and at the same time as contributing to the state, win the benefits they deserve. Stressing rights but not responsibilities, the enlivening of enterprises but not the concentration of funds, the prosperity of the enterprise but not that of the state, and seeing the economic reform in terms of enterprises fighting for power and benefits with the state, reflects a misunderstanding of socialist economic reform, and is incorrect. We must resolutely curb indiscriminate and reckless expenditure, tax evasion, covert price increases, increasing the proportion of profits retained, cutting back the amount of income handed over to the state, and other illegal practices, rectify and tighten up financial discipline, and, on the basis of taking into consideration the interests of the state, the enterprises, and the individual, allow profits retained and used by enterprises to increase but ensure that the state's financial income increases even more.

At the same time as handling correctly the relations between state and enterprise distribution, we must also handle correctly the financial distribution between the center and the localities, and appropriately raise the proportion of central financial income within the total national financial income. In the past, too much financial strength was concentrated at the center, and this was unbeneficial to bringing into play the

initiative of the localities. With the introduction over the past few years of the financial system of "eating from separate kitchens," local financial strength has increased. The current problem is that the finances concentrated in the hands of state are seriously insufficient to meet the needs of its expenditure, and each year it shows a deficit. If this situation remains unchanged, it will be unbeneficial to the concentration of funds to ensure key capital construction. Ours is a vast country, and conditions vary widely from place to place; moreover, local situations are changing rapidly, and if the localities are not given reserve financial strength, and if everything is managed by the state, economic construction cannot possibly be successful. However, ours is also a poor country, and only the proper amassment of financial and material strength can enable us to do the important things which have a bearing on the state's future, and to gradually effect a fundamental improvement in the technical level and economic results of the national economy. If, on the contrary, strength is overly dispersed, and used to run small, fragmentary affairs, the development of the national economy will lack the mainstay, reserve strength, the four modernizations will come to nothing, and the country will have no hope. The ability to concentrate the strength of the whole country, and to solve national economic problems in urgent need of solution, is an important reflection of the superiority of the socialist planned economy. Our reform should bring this superiority into full play, not weaken it; otherwise, we will not progress, but regress. Therefore, in our country, the localities should not have no financial power, but must not have too much. The size of the financial power of localities must be decided on the premise of ensuring that the state is able to concentrate the necessary funds to carry out key construction projects and to cover other vital expenses. On this question, we must advocate the idea that "the whole country is one big chessboard," take the whole situation into account, and firmly establish the concept of partial interests serving overall interests.

#### IV

The rational distribution of the national income also requires the proper distribution of the funds concentrated, and great efforts toward the utilization results of these funds.

The primary aim of centralized funds is strengthening key construction under the condition of controlling the overall scale of capital construction. If we want to ensure stable economic growth in the eighties, and the formation of a good basis for economic revitalization in the nineties, then we must, while working hard to promote the technical transformation of enterprises, maintain the necessary scale of capital construction. In our country, with the constant growth in production, investment in capital construction will show some annual increase: This is necessary and normal. But excessive growth overnight is very often harmful. A great upward movement in disregard of the national strength is bound to be followed by a great fall, and the losses caused by such huge fluctuations are highly serious. We must draw lessons from history, seriously study the limits of rational increase in capital construction investment under the present conditions, and correctly decide upon the total scale of capital construction. At the same time we

must readjust the distribution structure of investments and concentrate our forces on strengthening energy resources and transport and on other key construction. Now, and for some time to come, the tight situation in energy and transport will be factors seriously restricting our economic development. If we do not grasp these areas of construction, though other construction projects may be built, they will be unable to function due to lack of energy resources or transport and communications facilities. The proportion of investment in nonproductive construction within total investment must also be appropriate; if it is allowed to be too high for a long time, it will weaken productive construction, and affect the normal process of expanded reproduction. At present, though investment in capital construction has increased quite a lot, investment in key capital construction does not meet the demands of the plan; this distribution trend goes against the demands of economic development. We must cut back heavily on construction of ordinary processing industries, appropriately lower the proportion of nonproductive construction, and in this way facilitate the ensuring of the necessary funds for construction of key energy and transportation projects.

Of course, key capital construction also requires a lot of strength. Key energy and transportation projects require a lot of investment and time, and we cannot launch too many at once; we must take into consideration the financial and material possibilities, differentiate between projects on the basis of importance and urgency, stagger peak investment periods, look behind and ahead, and plan in an overall manner. If it is relatively easy to readjust the situation if too many small projects have been launched, then the launching of too many backbone construction projects can create long-term burdens for the state, and have serious consequences. Under conditions of a set total scale of capital construction, if the burden of key construction is too heavy, it can squeeze out projects which produce fast returns on investment, and reduce economic results, affecting stable economic growth in the short term, and ultimately affecting the smooth development of key construction projects themselves. There is involved here a question of the correct handling of relations between short- and long-term economic development. As far as this question is concerned, we must first ensure a certain speed and stability in short-term economic growth, and on this premise organize construction to form a basis for long-term economic development; only in this way can we effect genuine sustained economic development. At the same time, all sectors of the national economy are linked to each other and are mutually conditional. The strengthening of the energy, transport, and other sectors will naturally bring along the development of other sectors, but their development also needs the cooperation and support of these other sectors. Therefore, in the distribution of funds, we must pay special attention to key areas, but also take care of ordinary areas, and achieve a correct ratio between investment in each department and each industry.

The rational distribution of funds is intimately linked with increasing the utilization results of these funds. A correct investment structure is an important condition of improving utilization results; and conversely, if returns on investment are increased, the same funds can exercise a greater

function, and this will relax the contradictions in distribution of funds, and benefit the better allocation of funds to all the different sectors. At present, there is serious waste in capital construction, and many key construction projects are "bottomless investment pits, and marathon construction schedules"; and some construction projects, for all sorts of reasons, cannot produce to capacity even after completion. If this situation remains unchanged, we cannot even begin to talk about carrying out scientific planning and administration in capital construction, and even if we amass more funds we will still not be able to effect the development of energy resources and transportation. Therefore, we must shorten construction periods, lower construction costs, increase returns on investment, and grasp this as a task of equal importance to the amassment of funds. As to key construction projects, we must, as in the case of the 156 construction projects of the "First 5-Year Plan," be meticulous in our planning, design, and construction, ensure quality, and complete investment and construction on time. We must conduct serious feasibility studies for each project, and resolutely put a stop to the phenomenon of throwing ourselves into construction without doing the necessary technical and economic analysis or preparatory work. We must do proper survey and design work, and strictly carry out the rule that without planning you cannot begin to design, and without design, you cannot begin to build. Once the plan is complete, funds, materials, equipment, designs, construction capacity, coordinated sets of equipment, and other aspects must be decided upon, and care must be taken to plan overall the main and subsidiary projects and the nonproductive projects. We must carry out in capital construction an economic responsibility system, a strict economic calculation system, a final accounting system, and a checking and acceptance system, put an end to waste, and resolutely put a stop to demanding expenses from construction units, and to embezzlement of funds. In conclusion, we must have a high sense of responsibility toward the state and the people, manage and use funds well, and work hard to gain the best economic results.

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## STRIVE TO IMPROVE AND DEVELOP THE SOCIALIST RELATIONS OF NATIONALITIES

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[Article by Zhou Hui [0719 1920] and Be He [1580 6378]]

[Text] The formation and development of the relations of nationalities are restricted and affected by social production, social system, and other conditions. Under different historical conditions, they have different natures, contents and forms of expression. Since the founding of new China, a fundamental change has taken place in the relations of nationalities in our country. After abolishing the system of national oppression and eliminating the exploiting classes and systems, the relations between various nationalities in our country were basically changed into the socialist relations of nationalities characterized by equality, unity, and mutual assistance among the laboring people of all nationalities. These are the newest and the most advanced relations of nationalities since the beginning of history. However, since the estrangement and the de facto inequality between various nationalities left over from the old society have not yet been completely eliminated, we must continue to do painstaking and meticulous work in the political, economic, ideological, and cultural fields so that these new-style relations of nationalities can be continuously perfected and developed.

Nei Monggol was the first nationality autonomous region in our country. The period from the late 1940's to the mid-1950's has been likened to a "golden age" in the history of nationality relations in this region, during which the people of all nationalities, under the guidance of the party's correct line, were as dear to each other as brothers, and their relations were harmonious. Later, due to the influence of "leftist" guiding ideology, and especially due to sabotage by the Lin Biao and Jiang Qing counterrevolutionary cliques during the 10 years of internal disorder, the relations of nationalities were seriously damaged. Since the 3d Plenary Session of the 11th CPC Central Committee, the regional CPC committee has resolutely implemented the party's line, policies, and principles, as well as a series of important policy decisions made by the CPC Central Committee on nationality problems and important directives on the work in Nei Monggol. A gratifying situation, or another "golden age," has appeared in this region, in which the political situation is characterized by stability and unity, economic work has achieved a fundamental turn for the better, the living standard

of the people has been greatly improved, and the nationality relations have been enhanced day by day. After reviewing the past history, we would like to take the study and research of how to perfect and develop the socialist relations of nationalities as our motivation in offering some humble opinions on correctly recognizing and handling some nationality issues.

1. It is necessary to have a full understanding of the protracted nature of the nationality problems and avoid overhastiness in solving them.

Nationalities are formed and developed in the long course of history. They have a nature of stability. Being social and historical phenomena, the nationalities have to experience a very long historical period from their emergence and development to their withering away. In particular, the elimination of the language differences between various nationalities and the formation of a common language, and the elimination of the differences in psychological diathesis between various nationalities and the formation of a common psychological diathesis will take a rather long period of time, even after the proletarian revolution succeeds all over the world. One of the expressions of "leftist" ideology on the question of nationality is that it does not recognize the long-term existence of the differences between nationalities and is overhasty in eliminating them within a short period of time regardless of the objective conditions. In 1958, when the "communist wind" was encouraged, there was also a stream of nationality "harmonious wind," which attempted to obliterate the characteristics of nationalities and to abolish the party's special policies for nationality areas. As a result, instead of eliminating the differences between nationalities, unity between them was injured and economic and cultural development in these areas was hampered. During the "Great Cultural Revolution," the Lin Biao and Jiang Qing counterrevolutionary cliques willfully trampled upon the party's policies toward nationalities. They completely denied the objective existence of nationalities and the nationality problem. This, however, did not result in the elimination of the differences between nationalities, but in whetting the mentality of mistrust among nationalities and causing new misunderstandings among them. Once a rift is created, great and repeated efforts are needed in order to fill it. This is a profound lesson for us. The only thing we can do is to endeavor to create conditions for gradually reducing the differences between nationalities in accordance with the objective laws governing the emergence, development, and withering away of nationalities, rather than being overhasty in eliminating these differences.

In a multinational socialist country, apart from the differences between nationalities, another fundamental reason for the long-term existence of the nationality problem is the de facto inequality between various nationalities in the economic, cultural, and other fields, which has been left over from the old society. The elimination of this inequality will take a very long historical period of time. Of course, the establishment of the socialist system has provided the elimination of this inequality with the best social and political conditions. However, it still cannot be fulfilled by one generation or several generations, and, still less can it be done in 1 or 2 days. The fundamental way to solve this problem is, first of all, to

promote economic and cultural development in minority-nationality areas and to attain the common prosperity of various nationalities. This is the general guiding ideology for strengthening equality and unity between various nationalities, and the basic stand of our party in policy toward nationalities.

Marxism holds that the nationality problem is a part of the general problem of the proletarian revolution. The solution of the nationality problem must be subordinated to the fulfillment of the general revolutionary task in a specific period of time. In the present historical period, the solution of the nationality problem must be subordinated to the implementation of the socialist modernization program. Otherwise, the common prosperity of various nationalities cannot be achieved. However, the building of modernization in each specific region cannot be carried out in isolation. It can only be developed through continuously exchanging materials, energy, and information with other regions. A specific nationality or a specific region can attain prosperity more rapidly only when it develops economic and cultural contacts with other nationalities and other regions. Nei Monggol is backward in economic and cultural affairs, but rich in natural resources. In addition to relying on its own efforts under the unified leadership and with the assistance of the central authorities, it must also unite and cooperate with the advanced areas and import advanced technology and funds so that its superiority in natural resources can be displayed with the assistance of various forms of financial and technological aid extended by other areas, and that its latent superiority can be changed in real economic results. Last year, this region signed more than 70 agreements with more than 10 provinces and cities, by which the latter agreed to provide an investment of more than 100 million yuan to Nei Monggol besides exchanging technology and materials with it. This sum was almost equal to the total investment of the state in the capital construction of this region in the same year. This cooperation has not only promoted the mutual economic development of Nei Monggol region and fraternal provinces and cities, but has also strengthened contacts and unity between various nationalities. In the socialist period, all nationalities are more inseparable from, and more interdependent with each other than in any other historical period. This will inevitably promote the growth of the common factors of all nationalities. This natural historical course and trend of social development must be welcomed. In all fields of our work, we must pay full attention to the characteristics of the nationalities, but never regard them as absolute and eternal. Otherwise, development and prosperity cannot be attained.

The protracted nature of the nationality problem is also shown in the fact that the remnant ideas of capitalism, or even of feudalism, which remain in the consciousness of the people, both in a big nationality and in a small one, cannot be completely eliminated within a short period of time. On the question of nationality, long-term efforts and struggles are still necessary in order to get the remnants of capitalism and feudalism out of man's consciousness.

Since the nationality problems will continue to exist for a long time to come, we must avoid overhastiness in handling the relations of nationalities. Otherwise, it will become more difficult for us to achieve our aim. It is necessary to solve the nationality problems in order of importance and urgency. Some problems must be solved over a rather long period of time, but some urgent ones that can be solved at present must be solved at an appropriate time. As to those that need to be solved, while conditions for this are still not ripe, we must actively create conditions so that they can be solved step by step. Provided we implement these principles in practice and deal with various problems concerning the relations of nationalities in a positive and cautious manner, we will surely have the initiative in promoting the progress of and the unity between various nationalities in light of concrete conditions.

2. It is necessary to realize the complexity of the contradictions between nationalities and comprehend and understand these contradictions from all aspects and from a historical point of view, so that they can be solved fairly and reasonably. We must not take a one-sided approach toward them and solve them in an oversimplified way.

The existence of the problems concerning the relations of nationalities may have causes in history or in present-day life. These problems may arise in the economic and political fields or in the ideological and cultural fields, including spoken and written languages, religious beliefs, and customs and habits. They are very complicated. We must also realize that due to the sabotage of the 10 years of internal disorder and the mistakes in our work resulting from "leftist" influences, the complexity of the relations of nationalities has become more marked. In handling these relations, we must take the above-mentioned factors into consideration and do painstaking and meticulous work.

In dealing with the complicated problems concerning the relations of nationalities which have causes in history, we must adhere to the viewpoint of historical materialism and make appropriate analyses and appraisals according to the objective facts and the historical conditions. We must grasp the main stream of historical development. In dealing with historical problems, we must adhere to the principle of dealing with them in a general rather than a detailed way. We must take the whole situation into account, unite, and look forward, rather than quibble over some historical issues and affect the present unity of nationalities. All viewpoints that sum up the history of the relations of nationalities in our country as a mere history of "conquering and being conquered" according to the "law of the jungle," that deny historical facts that the people of all nationalities, who have either lived together in certain areas or lived in compact communities, have been on intimate terms with each other and have contacted and cooperated with each other, and that only see the people of different nationalities resorting to arms to the neglect of their relations of interdependence, are biased views of historical materialism, which are harmful to the unity between various nationalities. As to viewpoints that impose the modern concept of "sovereignty" on China's national history with regard to the relations of nationalities, that regard "quarrels between

brothers at home" as relations of "committing invasion and being invaded" between sovereign countries, and that regard all nationality entities other than the Han nationality as foreign countries, they are all incorrect approaches toward the relations of nationalities in Chinese history. We must adhere to the following principles: China has always been a multi-national country throughout history. The Chinese nation is a community and a general term for all nationalities in China. Our great motherland was founded by the common efforts of the people of various nationalities in our country. All nationalities have made great contributions to the development of history and the unification of the motherland.

In dealing with various problems in present-day life, it is necessary to deal with each case on its merits so that it can be solved reasonably and appropriately. While observing the objective existence of the nationality problems, we must not relate everything to the relations of nationalities without making concrete analyses. Instead, we must solve the problems in accordance with their natures. Those that concern a certain person must not be related to other people. Oversimplification must be avoided in dealing with complicated matters. At the same time, simple matters must not be complicated either. It is not correct to attribute the wounds created during the 10 years of internal disorder to a certain nationality. They were results of the sabotage by the Lin Biao and Jiang Qing counter-revolutionary cliques, who made use of the "leftist" errors committed by our party. It is necessary to expose and criticize their crimes through redressing the frame-ups, false charges, and wrong sentences, and sum up our common experiences and lessons. As to the problems concerning the relations of nationalities that have arisen due to mistakes in our work, they must be solved through rectifying the "leftist" mistakes and formulating correct policies and principles. For example, during the period from 1958 to the "Great Cultural Revolution," the policy of "taking grain as the key link" was one-sidedly stressed and the wrong slogan "the herdsmen will not eat the grains they do not deserve" was put forward in Nei Monggol. As a result, the grasslands and forests were indiscriminately reclaimed and felled, relations between agriculture and animal husbandry were sabotaged, and the contradictions among various nationalities sharpened. In view of this, we have formulated in light of reality a policy for the economic construction in this region, namely, "giving priority to forestry and animal husbandry and developing a diversified economy." We have readjusted the setup of agricultural production in a reasonable way, and put forward a series of concrete laws and decrees on protecting pasturelands and fixing the rights to use and manage the grasslands. Thus, the contradictions between agriculture and animal husbandry have been soothed and relations between nationalities have been improved.

In dealing with the relations of nationalities, we often have to solve some contradictions, such as the contradictions between the common interests of all nationalities and the specific interests of certain minority nationalities and the contradictions between the consistency of socialism and the diverse nationality forms. To solve these contradictions, it is necessary to look at things dialectically. We must not just see the identity of things to the neglect of differences, or vice versa. The

intrinsic dialectical law of things is that there are differences in an identity and that identity exists in differences. In practice, we must endeavor to apply the law of the unity of opposites in correctly handling the dialectical relations between the general and specific character of things so that the contradictions can be solved in an appropriate way. To exploit natural resources in border areas is a good thing that conforms to the common interests of all nationalities. However, the specific interests of the minority nationalities must also be taken into appropriate account. It is necessary to unify the interests of the two and give each its due. The construction of socialist modernization is a common goal of all nationalities, but modernization can have different characteristics in different nationality areas. In the past, as a result of copying the slogans of "taking grain as the key link" in agriculture and "taking steel as the key link" in industry, our region followed a path of "grain-sand-poverty," and there was dislocation of the national economy. Over the past few years, in light of the realities in Nei Monggol, we have found a new path for our agriculture, that is, "forestry (grass)-animal husbandry-grain (diversified economy)." In industry, the development of light and textile industries and energy industry has been emphasized. The economic structure has been readjusted in a rational way, and unified state planning has been related to the characteristics of various nationalities and the superior features in various localities. In the cultural field to explore and bequeath the good cultural heritage of various nationalities, which are bright and colorful with distinctive nationality styles, and to develop diverse forms of nationality culture will enrich the cultural treasury of the motherland and contribute to the building of socialist spiritual civilization. Socialist identity does not exclude diverse nationality forms. On the contrary, it is reflected by none other than such diverse forms. Diverse nationality forms are by no means an abnormal phenomenon. They are vivid expressions of the superiority of the socialist system.

Practice shows that the socialist relations of nationalities can only be continuously improved and developed when we have a full understanding of the complexity of the nationality problems, study and solve these problems dialectically, in an all-round way, from a historical point of view, and in light of the specific characteristics of various nationalities and areas, and realistically study the new situation and solve the new contradictions. Things will develop in the opposite direction if we mechanically copy the experiences of others, adopt a uniform method in doing things, and deal with nationality problems in a one-sided and oversimplified way, in disregard of the complexity of these problems and without consideration for the realities.

3. It is necessary to take a clear-cut stand in criticizing all the unhealthy tendencies in dealing with the relations of nationalities, especially erroneous words and deeds that affect the unity between nationalities, no matter from which nationality they have come. We must never make concessions to these unhealthy tendencies.

In the past, in dealing with erroneous words and deeds and unhealthy ideological trends which jeopardized the unity and relations between various

nationalities, we committed some "leftist" mistakes. But there were also some lessons drawn from the right. To wage political or mass movements to struggle against unhealthy tendencies, such as local nationalism and Han chauvinism, will not help the improvement of the relations of nationalities but will only intensify the contradictions among nationalities. However, if we make endless concessions to some unhealthy tendencies and let them spread unchecked, we will also suffer harmful consequences. The correct method is to adhere to the policy of giving guidance through education and carrying out painstaking ideological and political work. We must adopt the Marxist viewpoint on nationality, take a clear-cut stand, and carry out just and forceful criticism against the erroneous ideas.

It is necessary to frequently and repeatedly educate the cadres and masses of Han nationality so that they can take an attitude of equality toward minority nationalities. Lenin pointed out: "Nothing holds up the development and strengthening of proletarian class solidarity as much as national injustice, for 'offended' nationalities are not sensitive to anything as much as the feeling of equality and, (if only through negligence or jest?), the violation of this equality by their proletarian comrades." ("Collected Works of Lenin," Vol 36, p 362) It is necessary to fully respect the autonomy of minority nationalities as well as their written and spoken languages and customs and habits. It is necessary to listen attentively to their opinions. It is also necessary to educate the cadres and masses of the minority nationalities so that they can overcome nationality prejudices, have more faith in other nationalities, and be willing to accept aid from fraternal nationalities. All communists, especially leading cadres at all levels, no matter what nationalities they come from, must adhere to the principle of party spirit and place the interests of the party and all nationalities above everything else. They must apply Marxist world outlook and methods in observing and handling nationality problems and play an exemplary role in strengthening the unity between nationalities. All nationalities must acquire the firm concept that "no nationality can succeed without the others." In its important instructions on work in Nei Monggol, the CPC Central Committee pointed out that the Han cadres in Nei Monggol must acquire a correct idea, that is, without the minority nationality cadres, the work in various fields in Nei Monggol cannot be done well; and that the minority-nationality cadres in this region must also acquire a correct idea, and that is, without the Han cadres, the work in various fields in Nei Monggol cannot be done well either. This correct viewpoint is a scientific summation of the experiences in developing the new-style fraternal relations of nationalities since the founding of the state. It is also a guiding ideology for the future in strengthening unity between nationalities and in doing a good job in nationality work. In this connection, it is also an important task to take active measures to train and bring up a contingent of nationality cadres, who are loyal to the party's line, maintain close ties with the masses, have modern scientific and cultural knowledge, and are professionally competent, and to boldly promote outstanding young and middle-aged cadres to leading posts at various levels. It is necessary to frequently carry out education among cadres of all nationalities in Marxist nationality theory and the party's policies toward nationalities, so that they can firmly

establish the proletarian concept of nationalities and correctly implement the party's policies toward nationalities. This is not only a question of ensuring that the minority nationalities can exercise autonomy, but is also a strategic measure for maintaining equality among nationalities, strengthening their unity, promoting their common prosperity, and continuously developing the new-style relations of nationalities.

While handling the contradictions among the people in solving nationality problems, we must never relax our vigilance against a small number of bad elements who have ulterior motives and are hostile to the socialist system, and the "three categories of people" who came into being during the "Great Cultural Revolution." It is necessary to thoroughly expose and resolutely crack down on all their sabotaging activities launched under the signboard of "nationality," such as sabotaging the unity between various nationalities, encouraging the trend of deviating from the central leadership, and obstructing the reunification of the motherland.

The great Chinese nation has acquired an indestructible cohesive force in its long-term historical development. In the struggles against their common enemy and in their common labor to develop their rich and beautiful motherland, the people of all nationalities have been closely united like brothers and have been depending on each other for survival. In the new historical period, all nationalities throughout the country are working together to build our modern, highly civilized, and highly democratic socialist country. There will certainly be more frequent and close contacts and cooperation between various nationalities. The socialist relations of nationalities will surely be further developed. We are convinced that a rich and civilized Nei Monggol Autonomous Region, in which all nationalities are equal, united and cooperating with each other, will certainly appear in the northern territory of our motherland.

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THE HISTORICAL ROAD TO REUNIFICATION OF THE MOTHERLAND--IN COMMEMORATION OF  
THE 60TH ANNIVERSARY OF THE THIRD CPC NATIONAL CONGRESS

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[Editorial]

[Text] The Third CPC National Congress held in Guangzhou in June 1923, was recorded as the first cooperation between our party and the KMT in history.

In the early 1920's, China was a semicolonial and semifeudal society in which warlords fought one another and the people lived in dire poverty. On the basis of making an analysis of China's social contradictions and making clear the nature of the Chinese revolution, the newly set up CPC put forward the proposal of cooperating with the Chinese KMT which was led by Dr Sun Yat-sen, forming a united front, and jointly fulfilling the anti-imperialism and antifeudalism mission of the democratic revolution. Proceeding from the interest of the overall situation of the Chinese revolution, Dr Sun Yat-sen warmly welcomed cooperation with the CPC. Therefore, the Third CPC National Congress made the decision of cooperating with the KMT. According to this decision, CPC members joined the KMT in their own capacity and the CPC maintained its political, ideological, and organizational independence. Before and after this congress, many CPC members, including Comrades Li Dazhao, Mao Zedong, Qu Qiubai, and Zhou Enlai, joined the KMT and helped Dr Sun Yat-sen in reorganizing the KMT. In January 1924, Dr Sun Yat-sen convened and presided over the First KMT National Congress and made a famous declaration. In this declaration, Dr Sun Yat-sen put forward the three major policies of uniting with Russia, uniting with the CPC, and assisting the peasants and workers, and gave new explanations of the three people's principles, developing them into new three people's principles basically identical with our party's political program for the stage of the Chinese democratic revolution. With the participation of CPC members, the reorganized KMT virtually became an alliance of workers, peasants, the petty bourgeoisie, and the national bourgeoisie in the democratic revolution. Henceforth, KMT-CPC cooperation was formally set up, which enhanced the development of the Chinese revolution. In addition to the efforts of CPC members, the emergence of this historical situation was closely related with Dr Sun Yat-sen's active cooperation. In recalling this part of history today, we cannot but deeply cherish Dr Sun Yat-sen and

other revolutionary predecessors such as Liao Zhongkai, Soong Ching Ling, and He Xiangning, who contributed immensely to the KMT-CPC cooperation.

Dr Sun Yat-sen was a great patriot and was also a great forerunner of the Chinese democratic revolution. Following the Opium Wars, the Taiping Heavenly Kingdom Revolution, the reform movement of 1898, and the Yihetuan movement, he organized the Xingzhonghui [Society for the Revival of China] and Tongmenghui [the China Revolutionary League] to deliver the people from an abyss of misery and to prop up the country which was in peril. He led the modern bourgeois democratic revolutionary movement. This revolution was more vivid and dramatic than the previous patriotic movements and eventually put an end to the feudal anarchy which had lasted for more than 2,000 years. After the revolution of 1911, he initiated the "second revolution," the struggle against Yuan [Shikai], and the two movements to defend the constitution, including the Northern Expedition organized in 1922. Although he suffered setbacks and failed on many occasions during this period, Dr Sun Yat-sen did not lose heart or feel dejected. He persisted in seeking the truth in order to save the country and the people. He finally saw the dawning of truth in the Russian October Revolution and the May 4th Movement and saw new hopes and strength in CPC members. "Keeping abreast with the current of the world," he realized that past failures were caused by incorrect methods of revolution and that from then on he must "take Russia as" his "teacher," and arouse the people to carry out thorough anti-imperialism and antifeudalism struggle in cooperation with CPC members. As Comrade Mao Zedong said: "Sun Yat-sen, in the depths of despair, came across the October Revolution and the CPC. He welcomed the October Revolution, welcomed Russia's help to the Chinese, and welcomed cooperation with the CPC." ("Selected Works of Mao Zedong," Vol 4, p 1408) Dr Sun Yat-sen's revolutionary spirit of constantly summing up experience, keeping abreast with the progress of time, resolutely cooperating with CPC members, and daring to seek truth has set an example for generations to come.

Dr Sun Yat-sen's cooperation with CPC members was sincere and based on equality. He personally "officiated" in the admission of Li Dazhao and other CPC members into the KMT and invited CPC members to help him in drafting the declaration of the first national congress, the party program, and the party constitution and in reorganizing the KMT. He trusted CPC members and gave them a free hand in helping expand organizations, train the army, and unfold mass movements. While he was alive, the KMT-CPC cooperation was set up entirely on an equal basis. He did not ask CPC members to give up their belief in communism, nor did CPC members ask him to give up his belief in the three people's principles. He once said to Li Dazhao: You may feel free to remain a CPC member "while helping me as a member of our party." On several occasions, he said that communism is a good friend of the three people's principles, communism "wants to thoroughly solve" China's social problems, CPC members are "real revolutionary comrades" and "real allies," and KMT members must not oppose CPC members. He severely reprimanded those who obstructed and jeopardized the reorganization of the KMT and the KMT-CPC cooperation and ordered them to make self-criticism and even expelled some of them from his party. Because Dr Sun Yat-sen put the

interests of the country and the nation before other things, had the courage and farsightedness of a revolutionary, and adopted a sincere and equal attitude in cooperating with CPC members, the first KMT-CPC cooperation was smoothly put into effect.

Revolutionaries of the other generation who followed Dr Sun Yat-sen, such as Liao Zhongkai, Soong Ching Ling, and He Xiangning, also made tremendous efforts in effecting the first KMT-CPC cooperation. They were always capable assistants of Dr Sun Yat-sen in reorganizing the KMT and effecting KMT-CPC cooperation. They spared no effort in assisting Dr Sun Yat-sen to formulate and implement the three revolutionary policies of uniting with Russia, uniting with the CPC, and assisting peasants and workers. They sincerely cooperated with CPC members and pushed forward the mighty worker and peasant movements. After the death of Dr Sun Yat-sen, they dauntlessly carried out the revolutionary work left by Dr Sun Yat-sen and continued to uphold cooperation with CPC members. For the sake of seeking national independence and making our motherland stronger and more prosperous, they dedicated themselves heart and soul. Their brilliant images will forever live in the hearts of the Chinese people!

There was KMT-CPC cooperation on two occasions in Chinese history. During the period of the first KMT-CPC cooperation, the two parties made concerted efforts to wipe out reactionary forces in Guangdong, consolidated and built revolutionary bases, built the powerful national revolutionary army, unfolded and led revolutionary mass movements in a deep-going way, and launched the Northern Expedition. Consequently, an unprecedented favorable situation appeared in the Chinese revolution. During the period of the second KMT-CPC cooperation, the Chinese people carried out the arduous war of resistance against Japanese aggression for 8 years and finally defeated the Japanese imperialists and recovered Taiwan, which had been ceded 50 years before. The wheel of history again carried the Chinese revolution to a brand-new stage.

We can benefit from past events. Since history has proved that KMT-CPC cooperation is conducive to the interests of the country and the nation, why can we not effect a third KMT-CPC cooperation in the great undertaking of jointly reunifying the motherland? The CPC has already put forward to the KMT authorities in Taiwan the proposal of a third KMT-CPC cooperation. On New Year's Day 1979, the NPC Standing Committee published a "Message to Taiwan Compatriots," which solemnly announced the major policies for achieving the motherland's reunification. On the eve of the National Day in 1981, NPC Chairman Ye Jianguang delivered a speech and put forward the nine principles for holding KMT-CPC talks on an equal basis and for effecting a third cooperation. In a meeting to mark the 70th anniversary of the revolution of 1911 in the same year, Comrade Hu Yaobang, in the capacity of a responsible member of the CPC, invited Mr Chiang Ching-kuo, Hsieh Tung-min, and Sun Yun-hsuan to visit the motherland and their native towns and to discuss the major issue of cooperation. In July last year, NPC Vice Chairman Liao Chengzhi, out of friendship for former fellow students and comrades-in-arms, wrote a letter to Mr Chiang Ching-kuo, advising him to think carefully, think again, and think a third time about

the question of effecting a third KMT-CPC cooperation and to put the interests of the country and the nation before all other things.

After our party's proposal was made public, it was warmly welcomed by people on both sides of the strait. In the past few years, personalities of various circles in Taiwan, compatriots in Hong Kong and Macao, and Overseas Chinese have shown great patriotic fervor for the reunification of the motherland by peaceful means and have made many good suggestions. In the "Opening Speech at the First Session of the Sixth CPC National Committee," Comrade Deng Yingchao solemnly stated: "We respect history and reality. We take full account of the aspirations of the people of all nationalities in Taiwan and of the plight of the Taiwan authorities. We have taken into consideration the future as well as the present. After the reunification of the country, the CPC and the KMT will practice sustained cooperation and a long coexistence, supervising each other. After the reunification of the country, Taiwan, as a special administrative zone, can practice a system different from that on the mainland, with the two supplementing and assisting each other." "With precondition of reunification, it will be easy to discuss any problem, and fair and reasonable solutions will eventually be found." Our party pays attention to both the fundamental interests of the country, the nation, and people of the whole country and those of the Taiwan authorities, Mr Chiang Ching-kuo himself, and other personages in Taiwan. This has manifested the open and broad-minded political attitude of CPC members. The CPC always puts the interests of the country and the nation before everything else. After the first KMT-CPC cooperation broke up, the Japanese imperialists took advantage of the opportunity and invaded China. When the nation's existence was in peril, our party again helped to bring about cooperation with the KMT for the second time in order to resist the Japanese aggression and to save the country. This opened up a new situation in the Chinese people's struggle against Japanese aggression. Today, in order to fulfill the major undertaking of reunifying the motherland, the CPC sincerely hopes to effect cooperation with the KMT for a third time and to realize the strong desire of the people on both sides of the strait for discussion of state affairs in unity.

At present, the people of our country are faced with three major tasks: Stepping up socialist modernization; realizing the reunification of the motherland; and opposing hegemony and safeguarding world peace. Realizing reunification of the motherland by peaceful means is the common desire of the people of all nationalities throughout the country and is the glorious historical task of the people of this generation. Each member of the Chinese nation who loves his own nation and country should spare no effort in making proposals for realizing the motherland's reunification. Since ancient times, seeking unity and opposing splits has been the tradition of the Chinese nation. For several thousand years in the past, unity has been the mainstream and splits temporary. Unity is the inevitable and irresistible trend in the development of history. In the past several thousand years, preserving national unity and fervently loving our country have become fine virtues of our nation. Anyone who gains merit in promoting unity is honored in the annals of history, to be esteemed by all generations; and

anyone who causes splits and sabotages unity is bound to be spurned by the people and discredited for all time. In particular, today, Taiwan and the mainland have been split for as long as 33 years, causing tremendous pain to the people on both sides of the strait. In so many families, fathers and mothers are unable to see their sons and daughters, husbands and wives cannot meet, and brothers and sisters cannot see each other. Who among men is devoid of feeling? For such a long time flesh has been separated from bone, all communications have been broken, and people do not know whether their dear ones are dead or alive. This goes against people's wishes. Unity is the common desire of the people on both sides of the strait. Statistics collected on one occasion among the masses of people in Taiwan shows that most young people and college students there favor unity and hold that "reunification of the motherland is more important than any personal possession." Before he died in Taiwan, Yu Yu-jen, a senior KMT statesman, recited the poem "Looking at the Bright Moon Above, I Think of My Home Village" and asked "to be buried on a high mountain so that he could see his home village." He was eager to see the reunification of the motherland. It can thus be seen that the people favor reunification. What reasons have we for not holding talks at an earlier date, effecting cooperation, realizing reunification, and putting an end to this unfortunate situation? Only with unity can we maintain stability at home, safeguard territorial integrity and sovereignty, concentrate the will and strength of the whole country on realizing the modernization program, make the Chinese nation advance with big strides among other nations of the world, and make greater contributions to mankind.

The achievement of the reunification of our great motherland is purely an internal affair of China and can only be solved through consultations between the Chinese people on both sides of the strait; foreigners have no right to interfere. Although certain foreigners today declare that they recognize [chengren] only one China, in their bones they still cling to the imperialist stand, pursue the policy of "two Chinas" or "one China and one Taiwan," and even conspire to create "Taiwan independence," for no other purpose than to attempt to continue to treat Taiwan as an "unsinkable aircraft carrier." Modern Chinese history tells us that imperialism was the source of chaos in creating splits in China. Forty years of experience of Mr Sun Yat-sen affirmed that imperialism was the source of calamity and chaos in China and that only by eliminating imperialist influence in China "can China be reunified in peace and live in long tranquility." How can patriotic Chinese today forget the tragic lessons of the past, give easy credence to the cunning words and insinuating countenance of foreigners, delay the time of reunification, and go against the interests of the country and the nation!

Today, it is patriotic to agree to the reunification of the motherland. Only if the people on both sides of the strait join hands and effect reunification of the motherland can they properly preserve the independence, freedom, prosperity, and strength of the Chinese nation, and free the people of Taiwan from being isolated overseas and from suffering the pain of being controlled, so that they can spend a free, happy, and rich life. This is what the people of Taiwan yearn for. The people of Taiwan have a

glorious tradition of patriotism. As early as the end of the Ming Dynasty and the beginning of the Qing Dynasty, the people of Taiwan assisted national hero Zheng Chenggong in recovering Taiwan from the hands of the aggressors. After China was defeated in the Sino-Japanese war of 1894-1895, Japanese aggressors occupied Taiwan, but the people of Taiwan staged one struggle after another to oppose them. During the revolution of 1911, the people of Taiwan, under the leadership of Luo Fusheng, member of the Tongmenghui, again staged a large-scale struggle against Japanese aggression. Later, China eventually recovered Taiwan. However, Taiwan was split from the mainland not long after. The people on the mainland, as well as those in Taiwan, cannot agree to letting this situation continue. Today, the climate, geography, and popular support are all favorable for putting into effect a third cooperation between the CPC and the KMT and completing reunification. The stand of upholding one China and opposing "Taiwan independence" is the common basis for cooperation between the two sides; the demand of the people of the whole country and the Overseas Chinese compatriots for common consultations on national affairs and achievement of reunification is the motive force for cooperation between the two sides; the reunification scheme put forward by our party is fair and reasonable and smooths the path for cooperation; the leaders of both sides know each other, so it is easier for them to talk to each other. Everything is ready, and we only await the east wind. Its arrival depends on the common effort of people on both sides of the strait.

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## GRASP THE STUDY OF IMPORTANT DOCUMENTS TIGHTLY AND PROPERLY

Beijing RED FLAG in Chinese No 12, 16 Jun 83 pp 37-38

[Commentator's article]

[Text] Today, many regions and work units are carrying out extensive preparations in accordance with the CPC Central Committee Propaganda Department's plans for studying the documents of the 12th CPC National Congress and there have been successive study sessions begun among cadres to deal with the three theoretical political books and the important documents to appear since the 3d Plenary Session of the 11th CPC Central Committee. Judging from the situation in Shandong, Jilin, Anhui, Guangdong, Guangxi, and Guizhou, the vast majority of cadres have done their studying and there is a general feeling among them that this period of study has been deeply educational for them and that their understanding of the documents of the 12th CPC National Congress has been significantly increased, with the result that the ideological line has been further corrected, faith in the CPC Central Committee has been increased, and conviction in our undertaking has been improved, while in addition there has been deeper understanding of the principles of reform and thus the promoters of progress have become more determined to carry out steadfast and sober reform. However, there are still quite a number of regions where study plans have not been implemented and indeed in some cases absolutely nothing has been done. At present, in order to ensure that our study of the documents of the 12th CPC National Congress is intensified, it is important that we stress the need to get to grips firmly and properly with studying the three theoretical political books and the important documents to emerge since the 3d Plenary Session of the 11th CPC Central Committee, and the key to carrying out this study well is to increase the cadres', especially the leading cadres', appreciation of the significance of such study.

The important documents to emerge since the 3d Plenary Session of the 11th CPC Central Committee have recorded the struggling progress of our party in achieving historic and great changes. The documents also assimilate the rich experiences of our party in guiding socialist construction and, in addition, the documents together reflect our party's appreciation and understanding of the rules and laws of socialist modernized construction. The articles and speeches of Comrade Deng Xiaoping have brought up and

clarified many of the party's and the state's important theoretical and practical questions and they are a shining example of integrating Marxism-Leninism with China's present situation and of guiding China's four modernizations program in its incessant victories. The works which Comrade Chen Yun wrote during the period after the founding of the new China integrate and sum up China's historic experiences in economic construction during the early years of the new China and these works provide a systematic clarification of the party's principles and policies in developing the economy. Today, these works are still of important guiding significance. The fundamental spirit of these documents and writings reflects a foundation in reality, the trait of taking our own road and of constructing socialism with Chinese characteristics. Thus, these documents represent a vivid compass for us today which we should respect as we carry out socialist modernized construction. To study these forceful Marxist teachings well is extremely important for us in terms of strengthening ideological construction throughout the entire party, in ensuring that the party's appreciation and understanding of the principles and policies of the 3d Plenary Session of the 11th CPC Central Committee becomes increasingly unified, and in working hard to open up new situations in every area of work.

Some comrades have asked, as they have already studied most of these documents, whether they should study them again now. This is a question of what kinds of demands should be made on studying important documents. As far as studying important documents is concerned we should not be satisfied by getting a merely superficial understanding of the topic and we should not feel that one reading is sufficient and that merely knowing what the document is about will do. Instead, we should get deeply to grips with the substance of the document and with its inherent spirit so that we may be adept at applying what it has taught us about all areas of our work. The test of good or bad study is to see whether one is politically in line with the central authorities after studying a document and to see whether one is steadfastly upholding and implementing the central authorities' principles and policies. One should also look to see whether one's work is good or bad and whether one's achievements are great or small. Today we are in the middle of opening up a new period of socialist modernized construction and the comrades of every battlefield and every sector must truly open up this new situation by first of all breaking down all kinds of old ideological frameworks. Today the party has completed its task of restoring order out of chaos in terms of guiding ideology but many departments and work units, especially the leaders in these units and departments, have still not carried out a thorough summarization of their past work and they have still not sought the crux of the obstacles hindering their own development. They have still not thoroughly eradicated "leftist" ideological influences or rightist obstructions nor have they destroyed the fetters of old frameworks. They have still not industriously studied the constant stream of new situations and new problems emerging nor have they sought solutions to these problems. They have still not steadfastly clarified what should be reformed and how these things should be reformed. For all these things must be done before one's own work will meet the demands of the party and the people and before one may constantly advance oneself. In order to do

all these things one must studiously and systematically study these important documents. Of course it is true that some documents have been seen before but there is a big difference between systematic study and piecemeal study and there is a big difference between present study and past study and there can also be very big differences in the depth to which one links ideology and work reality. The marvelous achievements that the party and the state have achieved in every area of work since the 3d Plenary Session of the 11th CPC Central Committee are already clear to everyone and are very convincing, and conditions for studying them are very favorable. To study these documents once again today, by carrying out an all-round and systematic review of the party's policies and principles since the 3d Plenary Session of the 11th CPC Central Committee and by increasing one's understanding of the historical experiences we have gained since the founding of new China, is of great help in understanding how today's major changes came about, how the party's policies and principles have developed and improved, and how, through this, the four modernizations program has seen a new situation develop for it. In this way confidence in the four modernizations program will be increased and faith in the accuracy and fighting spirit of the party's policies and principles in struggling to achieve the glorious targets set out in the 12th CPC National Congress will be strengthened. In conclusion, no matter whether we are reviewing and assessing the past, guiding the present, or looking to the future, we must in the course of our day-to-day work, summarize and assess the documents of the 12th CPC National Congress and repeatedly and studiously study these important documents.

At present our work responsibilities are heavy and the amount that we should study is large and thus some comrades fear that they will not be able to complete their study. This is a question of correct handling and rational organization. In this new historic period, the content of social political life is very rich indeed and thus, inevitably, the Marxist theories and the party's principles and policies which reflect this realization are also very rich in content and hence this puts even greater study demands on our cadres. Although the amount and content of what is to be studied is great, the general spirit is constant and everything complements everything else and there is mutual emphasis laid on all things. For example, one of the most important parts of the documents of the 12th CPC National Congress is the emphasis on the question of knowledge and intellectuals. The book "Selected Documents on the Question of Intellectuals," published and edited recently by the CPC Central Committee Organization Department and the Central Documents Research Office is another work which cadres should include in their study. This is not an "extra burden." By studying this book well and by continuing to implement further the party's policies concerning intellectuals we shall have implemented the spirit of the 12th CPC National Congress even better. In studying the three theoretical political books and the important documents to appear since the 3d Plenary Session of the 11th CPC Central Committee, we should concentrate on studying the articles and speeches of Deng Xiaoping and, on the basis of grasping the overall spirit, we should get to grips with key points and carry out intense research and study, getting a good grasp of problems one by one. We should avoid formalism and instead produce results through true

study. All levels of the party's propaganda department should, on the basis of the demands of the documents of the 12th CPC National Congress, skilled at summarizing present central work, carrying out unified planning with due consideration to all concerned, and carrying out realistic organization of cadres' studies. At the same time, every comrade is required to improve his or her study consciousness and to understand fully that good study of the documents is a guarantee for doing good work in every area and that studying the documents is an intrinsic part of study responsibilities and work responsibilities and that we cannot shirk our study because we are too busy in our work or because we have too much to do. We should step up independent study and think of ways of getting people to study more, study better, and study faster and not merely to wait for the next study session before studying again. On the 100th anniversary of the death of Karl Marx, Comrade Hu Yaobang said: "In this new period of history, and in the face of our tasks for socialist modernized construction, the party has once again brought up the call for repeated study." Cadres at all levels of leadership should take the lead in answering this call and they should use their day-to-day behavior to guide and promote a constantly increasing and developing tide of study of theory, study of specialist subjects, and study of the arts, and thus catalyze the development of a new situation in the four modernizations construction program.

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## HOW TO UNDERSTAND THE VITAL SIGNIFICANCE OF THE STUDY OF COMRADE CHEN YUN'S WRITINGS

Beijing RED FLAG in Chinese No 12, 16 Jun 83 pp 39-43

[Article by Wang Jue [3769 3778] and Yang Rongshen [2799 2837 4800]]

[Text] Many comrades have gained a deeper understanding of the significance of studying Comrade Chen Yun's writings in the later period; but still a number of other comrades do not really understand the significance of the study. The following are our views on some general questions that have been put forth during the study of the writings.

### I. The Main Contents of the Writings Have Recorded Experiences in Guiding Actual Work--How Should We Understand the Theoretical Significance of These Experiences?

The works of Comrade Chen Yun were not written as theoretical writings; they were written to expound the party's principles and policies. It is true that the main contents of these writings recorded the practical experiences and guiding ideology in economic work during that period, but we must, at the same time, understand that these experiences and guiding ideology reflected the needs of objective economic law with profound theoretical nature. Comrade Mao Zedong said: "There is only one kind of true theory in the world; theory that is drawn from objective reality and then verified by objective reality." ("Selected Works of Mao Zedong," Vol 3, p 775) Comrade Chen Yun's writings were based on the guidance of Marxism-Leninism and they represented a good example for solving economic problems according to the principles and policies that are based on objective conditions and objective law. These writings have served to enrich and develop Marxist-Leninist theory.

For example, these writings have inherited and developed Marxist-Leninist theory of the change of revolution. According to Marxist-Leninist theory of the change of revolution, socialism has emerged as the antithesis to capitalism, and the change of capitalism to socialism represents a period of revolutionary change. The writings have expounded this basic theory; they have also developed this theory from the point of economy by integrating with the national conditions of our country. These expositions mainly include: First, prior to the realization of the change from new

democracy to socialism, it is imperative, first of all, to realize the change from a semicolonial and semifeudal economy to the new democratic economy. From 1949 to 1952, measures were taken to confiscate bureaucratic capitalist enterprises. We also completed agrarian reform in liberated areas, unified finance and economy, stabilized market price, and transformed capitalist industry and commerce. These economic transformations were termed by Comrade Chen Yun as "replacing the old economic path with the new economic path and this means a change from imperialist, feudal, and bureaucratic capitalist economy to new democratic economy." ("Carry Out Well the Work of the Federation of Industry and Commerce") It is only following the completion of this change that the change from the new democracy to socialism can be realized. Second, during the period of this change, the revolution was closely integrated with construction. The writings analyzed the dialectical relations between the revolution and construction. They pointed out that such measures as agrarian reform, suppressing of counterrevolutionaries and bandits, and the war to resist the U.S. aggression and aid Korea represented "preparations for economic construction"; if we do not carry out massive economic construction, "there will be no guarantee for the victory of the Chinese revolution." It is none other than this guiding ideology of closely integrating the revolution with construction that has guaranteed, and not undermined, the rapid development of social productivity during this complicated and profound revolutionary change. Third, during the period of this revolutionary change, we strengthened the worker-peasant alliance on the basis of the socialist transformation of agriculture. In the process of carrying out socialist transformation of capitalist industry and commerce, we persisted in our alliance with the bourgeoisie; we thus combined these two aspects to enable them to promote each other. Fourth, we integrated the transformation of capitalist private ownership with the transformation of capitalist enterprises. That is to say, measures were taken in the process of changing the relations of production to guarantee that productivity would be able to develop rationally. Fifth, we combined the transformation of enterprises with the transformation of employers so as to transform capitalists from exploiters to laborers who earn their living on their own labor. The writings profoundly analyzed all these aspects. They pointed out that in realizing the revolutionary change, the bourgeoisie, as a class, should be eliminated but the capitalists could be reformed and employed; that the majority of industrialists and merchants have acquired technology and professional experiences and this "national heritage" is highly valuable; that to absorb capitalists in work is worthwhile, with little burden and more advantages, and that not to employ them means understanding no politics. These explanations of Comrade Chen Yun have enriched and developed Marxist-Leninist theory and the policy of peaceful redemption.

Furthermore, planned economy represents a characteristic feature of socialist economy. Prior to the victory of the socialist revolution in a country, Marx and Engels pointed out that socialist economy would develop proportionately and in a planned way. Since the founding of the PRC, we have followed this Marxist theory, realized planned economy, and accumulated experiences in this aspect. The writings have summed up and reflected these experiences and consequently developed the theory of planned economy. These

achievements are mainly shown in the following: 1) State planning represents a weapon in the struggle between public and private sectors. During the period of the change from new democracy to socialism it is necessary to make arrangements for various economic elements as an organic part of the whole social production and there are naturally contradictions between capitalist blindness and socialist planning. The state resorted to various administrative and economic measures to include capitalist economy into state planning, and limit capitalist blindness and the seeking of hefty profits. These measures represented a typical example in the use of the law of proportionate development in the process of realizing socialist transformation. 2) Define proportionate relations according to the national conditions. The writings pointed out: "The law of proportionate development must be observed; but during different periods in various countries or even within a country, the proportions among various production departments may be different. A country must define the proportion of its planning according to its economic situations at that time. It is hard to tell the exact proportions. Therefore, the only way is to see whether they are balanced; proportionate means balanced, balance basically means in proportion." ("Some Explanations About the First 5-Year Plan") These explanations show that under different economic conditions, the same economic law may be concretely demonstrated differently. Therefore, this point is very important for the study and use of economic law. 3) Keep a tight balance. The writings pointed out that in such a big country as ours with a backward economy, the execution of large-scale construction is naturally followed by tight balance in planning, but "this tightness is not in such an extent as to undermine the balance." That is, the proportionate relations among various national economic departments must not be seriously out of balance, nor can the mutual contacts among the various departments be seriously disjointed; otherwise, we will violate the law of proportionate development and fail to carry out reproduction smoothly. To keep a tight balance represents a valuable experience gained by Comrade Chen Yun in using the law of proportionate development. 4) It is imperative to implement planned management and display the role of regulation by market mechanism before we are able to develop socialist economy proportionately and harmoniously and activate economy. The writings have summed up and reflected the experiences in these aspects and in the 8th CPC National Congress and following the 3d Plenary Session of the 11th CPC Central Committee, Comrade Chen Yun made more explicit explanations in these aspects. He put forth the principle that socialist economy must implement planned economy as the main and regulation by market mechanism as the supplement. This theory has enriched and developed Marxist theory of planned economy.

In addition, the expositions made by the writings about promoting the production and exchange of socialist commodities and about stabilizing price under the premise of carrying out economic construction also represent the application of Marxist economic theory.

Therefore, the study of these writings will help us understand the principles and policies that were guiding economic work at that time and the experiences of actual work, and through this study, we will be able to understand

Marxist theory. Therefore, to study these writings has very important theoretical significance.

## II. The Writings Were Written on the Basis of Problems at That Time. How Should We Understand the Practical Significance of These Writings?

Although Comrade Chen Yun's writings, written during a period following the founding of the PRC, were aimed at solving related problems that cropped up at that time, the basic experiences summed up by these writings have profoundly exposed the inner relations of the socialist economic movement in China with their guiding ideology of integrating Marxist theory with reality of the country. Therefore, these writings are of important practical significance for the current socialist construction in the country.

For example, during the national economic rehabilitation period, the party and government completed the work of unifying finance and economy. They concentrated financial and material power and educated the broad masses of cadres to proceed from the whole interest in handling economic problems. As a result, market price was soon stabilized to guarantee the rehabilitation of key sectors such as water conservancy and transportation facilities. These works represented a very successful experience. Comrade Chen Yun has explicitly analyzed the necessity of unifying financial and economic work and the importance of guaranteeing key construction projects by concentrating financial power and material power. He said that China "has very limited cash and goods and materials that can be used expediently. If such little expedient power is not put in the hands of the central people's government and instead is distributed among local governments at various levels across the country, the result will be that this meager power will be lost.... Just like in a battle, if we disperse our reserve force, we will be battered or fail to win complete victory." ("Why It Is Necessary To Unify Financial and Economic Work") "In our effort to make progress on the basis of backward and poor economy, it is imperative to concentrate and unifiedly use material power and financial power.... As long as we are able to concentrate our strength and use it where it is required, we will be able to complete several important works." ("Financial and Economic Staff Must Raise Their Consciousness") Therefore, the comrades who are responsible for financial and economic work "must regard their work from the point of the whole nation," and "understand the principle of the part obeying the whole and intermediate interest obeying long-range interest, foster the idea of giving consideration to the whole, and avoid partial concept and departmentalism." (Ibid.) To unify financial and economic work will cause inconveniences and difficulties to localities, but "these difficulties are much smaller in sphere and extent when they are compared with the difficulties that are caused by the situation in which the management of finance and economy across the country continues to be disunified and finance and price continue to be in chaotic condition." ("Unify Financial and Economic Work") Therefore, it is necessary to uphold the principle of giving priority to the whole public first and then to small groups of the public and correctly handle the relations between the whole and the part. These words were spoken three decades ago and yet are still very cordial when we read them today.

The situation in China today is very different from what it was in the early days of the founding of the PRC. But the viewpoint of concentrating financial power and material power and the experiences in resolving problems are particularly important for us today in carrying out economic construction. In order to materialize the strategic goals put forth by the 12th CPC National Congress, we must spare no effort to carry out well the construction of key projects and concentrate our strength in promoting the industries of energy, transportation, and raw materials so as to guarantee that the various aspects will develop correspondingly. But enormous funds are required for key construction projects and this situation seriously contradicts our financial strength. One of the important reasons for the emergence of this contradiction is that our financial power is too dispersed. In addition, enterprise retention and local financial revenues have been increased and the profits handed over to higher departments have been decreased while some places have infringed upon the interest of the state, evaded taxes, and retained profits that should be handed over to higher departments. As a result, while there is no guarantee for state key construction projects, the construction projects of localities are repetitious and have been carried out blindly. The state will not be able to concentrate the necessary funds and the goals of promoting economy will come to nothing unless these problems are resolved. Therefore, in order to correctly resolve these problems it is imperative to follow the guiding ideology put forth by Comrade Chen Yun so that we will be able to concentrate our effort in the whole situation, overcome the concept of partiality and departmentalism, conscientiously implement the principle of partial situation being subordinate to the whole situation, and intermediate interest being subordinate to long-range interest, and correctly handle the relations among the central government, localities, enterprises, and individuals.

The writings have also expounded the historical necessity of the socialist system set up in our country. This point has important significance for us in forming strong confidence in our effort to build socialism. As socialist construction in China has experienced serious setbacks, the superiority of the socialist system has not been persistently and fully demonstrated. Therefore, some people have become doubtful; they hold that we have undertaken socialism too early and, therefore, suggest it is better to implement new democracy for a long period; other people hold that we have made a mess of socialism and suggest it is better to implement capitalism. The study of Comrade Chen Yun's writings will help those inside and outside the party clarify such wrong understandings that have existed for many years.

The writings pointed out that the semicolonial and semifeudal economy of China can only be changed into a new democratic economy and cannot be developed into a capitalist economy. They also pointed out that this situation is determined by the era and characteristic features of the Chinese revolution. The victory of the new democratic revolution in China was followed by the confiscation of bureaucratic capital and on this basis we can only build a socialist state economy. The party and people will in no way hand over the result of the revolution to the bourgeoisie for developing capitalism. But we cannot confiscate national capital and soon turn

individual economy into collective economy. Therefore, the only way is to form a new democratic economy with state economy as the guiding economy and with the existence of various economies. During the stage of the new democracy, the state requires that capitalist industry and commerce that are in the interest of the national economy and people's livelihood must make certain progress; but their development will no doubt give rise to some aspects that are not in the interest of the national economy and people's livelihood, and under this condition there cannot but emerge the struggle between restriction and antirestriction. Through cracking down on profiteering activities, readjustment of industry and commerce, the launching of "five-anti's" movement and workers' supervision over production and unified purchases and sales and other measures, the state has been able to gradually lead the capitalist industry and commerce that were developing lopsidedly and merely seeking profit onto the road of socialist transformation. The change from new democracy to socialism represents a natural outcome of the movement of the contradiction between production relations and productivity and this situation represents an objective necessity that is independent of people's will. The development of history has proved that only socialism is in a position to save China. Any doubt about the necessity of building a socialist system in China is groundless and the views that regard our socialism as too early and nothing but a mess are all the more wrong.

Comrade Chen Yun also put forth a number of important views. For example, it is primarily important to develop agriculture; the expansion of the purchase of agricultural and sideline products are vital for advocating economy; use economic levers to serve planned economy; in having relations with capitalists there should be "contacts but no degeneration"; and technicians and management staff are "national treasures." All these views are of important and practical significance for us today in carrying out economic construction. We must also understand that the writings of Comrade Chen Yun have proceeded from actual conditions in China and correctly analyzed the problems that have cropped up in our socialist revolution and construction. Therefore, the study of these writings also has important and practical guiding significance for us today in deepening our understanding of the documents of the 12th CPC National Congress and of building socialism with Chinese characteristics.

III. The Writings Mainly Deal With Economic Work. How Should We Understand the General Significance of These Works to the Broad Masses of Cadres That Are Responsible for Various Other Work?

Most of the writings are about economic work. Is it necessary for the comrades that are responsible for other work to study these writings? The answer is yes, because following the basic completion of socialist transformation, the key work of the party and state cannot but be shifted to the socialist modernization program with economic construction as the center. After experiencing many tortuous paths, the 3d Plenary Session of the 11th CPC Central Committee at last realized the change of key work. Since then, our various work, such as the party's work, political and legal work, and cultural and educational work must be carried out around the center of

economic construction and must serve this construction. Therefore, it is demanded that the comrades in various trades must be familiar with economic situations and acquaint themselves with the experiences and guiding ideology of economic construction. More importantly, in discussing economic problems, these writings have resorted to Marxist material dialectics and, therefore, these works have a general guiding significance for the comrades who are responsible for various work in grasping the correct ideological method. This significance includes:

1. Uphold the principle of proceeding from reality. This is a Marxist principle that has always been followed by Comrade Chen Yun. In the early days that followed the founding of the PRC, Comrade Chen Yun pointed out that what we have received was a ragged old China, with agricultural economy in a dominant position. In carrying out construction in such a big country as ours and in modernizing industry, it is still a primary important work for us to develop agriculture because without the development of agriculture it would be difficult to develop industry. But in developing agriculture we must proceed from our specific conditions; "grain crops and cotton must be grown in the places that are suitable for them." Even today, such analysis still accords with our national condition. As another example, capitalist industry in China was mainly light industry, with a very big proportion of textile industry. Raw materials for textile industry mainly came from rural areas where textiles were also mainly marketed. Through unified purchasing, the raw materials were in the hands of the state. This situation made it possible for the state to resort to the method of the state providing raw materials to private textile mills for processing while the method of ordering goods was used for other private industry. As we proceeded from reality, capitalist industry was smoothly led onto the path of socialist transformation. One of the reasons Comrade Chen Yun was able to correctly put forth and analyze problems is that he followed the principle of materialism that stresses the importance of practice.

2. Grasp the principal contradiction. Comrade Mao Zedong said: "If there exists a complicated process with more than two contradictions in the study of a process, we must spare no effort to find out the principal contradiction, and when we have grasped this contradiction, all problems can be easily resolved." ("Selected Works of Mao Zedong," Vol 1, p 297) In guiding economic work, Comrade Chen Yun has used this method skillfully. He stressed the importance of grasping key points in carrying out work. "If we fail to grasp key points, it will be like sailing in a wide ocean without orientation." ("Main Points of Financial and Economic Work in 1951") The situation in our finance and economy was very difficult in the early days following the founding of the PRC, as there were numerous problems and the situation was complicated. But as we grasped principal contradictions, all problems were smoothly resolved. Comrade Chen Yun said that we have done numerous work in 1950, but there were only two key points. One was unification and the other was readjustment, and the whole country was put in order by relying on these two aspects. The victory won in unifying finance and economy and readjusting industry and commerce created a good beginning for the formation of a new democratic economic order and transforming the national economy. This situation serves as a good example in grasping principal contradiction through materialist dialectics.

3. Understand in an overall way, and through comparison and repetition. In studying and defining a policy, Comrade Chen Yun would try his best to understand the related situations in an overall way so as to avoid lopsidedness. He would use 90 percent of his time for study and investigations, put forth various schemes and compare them and make final decision after repetitious considerations. In the early days of national liberation, Comrade Chen Yun compared such measures as issuing currency, increasing tax, and issuing bonds in his effort to balance financial revenues and expenditures. He pointed out that to issue currency will give rise to inflation. He said that it is true that to increase tax will add more burdens, but with this method, "price will be stable and economy will gradually develop and, therefore, it is a method for making progress." ("Two Items of News From CAIJING XUNBAO [economic 10-day periodical]") It is a burden for the people to buy bonds, but compared with the losses caused by issuing more currency and currency devaluation, the burden is relatively small. Comrade Chen Yun was of the opinion that "issuing bonds is better than issuing more currency." ("Issuing Bonds To Supplement Financial Deficit") A more outstanding example concerns the working out of the policy of state monopoly for purchase and marketing of grain. China began massive and planned economic construction in 1953, which was followed by an acute contradiction between grain supply and demand. In order to solve grain problems, Comrade Chen Yun worked out eight tentative plans. He compared the advantages and disadvantages of these plans, repeatedly considered them, and finally suggested to the central government that the method of state monopoly for purchase and marketing of grain be implemented. He said: "It is a long-range grandeur plan and we will continue to take this road as long as there is no tremendous increases in agricultural production." ("Implement State Unified Purchasing and Marketing of Grain") Understanding things in an overall way, and through comparison and repetition represent a vivid demonstration of Comrade Chen Yun's effort in resorting to materialist dialectics.

In our view, the above-mentioned three aspects of the understanding of the great significance of deepening the study of Comrade Chen Yun's writings will help us to raise our consciousness in study.

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## A RANDOM TALK ON 'ARROGANCE'

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[Article by Zhou Biqing [0719 4310 2532]]

[Text] The word "jiaoao" [7524 0277] in Chinese has two meanings: As a commendatory term, it is linked to honor, and expresses a sort of inspiring sense of pride. For instance, when a citizen of the PRC witnesses the daily development of the socialist cause of his motherland, and its constantly increasing international influence, he feels this kind of pride for being a child of the Chinese race; when a CPC member thinks of his party's glorious history and its great mission, he feels proud to be a member of it; when a PLA soldier sees the way the army loves the people, the people support the army, and the army and people struggle together in unity, he feels proud to be a soldier of the people; and so on. Everybody experiences this kind of pride; it is entirely beneficial, and can often act as a spiritual force urging people on to struggle for further advance. A little more of this sort of pride means a little more national self-respect and social responsibility. But in its perjorative sense, the word is often used to mean complacency, expressing a sort of blind self-importance, and a feeling that one is always right. Looking back at the outstanding figures of history, many of them, when they have reached a position of great renown and influence, have thrown all caution to the winds, and have fallen into the mire of arrogance and foolhardiness, or have become intoxicated with their success and lost their strength of will, even to the point of being utterly discredited. In the history of our party, the lessons learned from setbacks suffered by our cause as a result of arrogance are even more bitter and unforgettable. This sort of arrogance is a hindrance to revolutionary struggle and a stumbling block on our individual roads to progress, and is naturally seen as a prelude to regression and defeat. We must do everything possible to avoid this kind of arrogance; we must be modest and prudent at all times, and especially when things are going smoothly and achievements are being made in the four modernizations and other tasks, we must be even more careful not to become puffed up with pride.

However, in real life, people's understanding and use of the term "jiaoao" is by no means identical, and some even use it as a weapon. For instance, when some vigorous young cadres, having been promoted to leading posts, work

hard to change old habits and practices, and show great courage in their attempts to create a new situation, before the "three fires" have burned out, people often begin to "criticize" them, saying "so-and-so has become arrogant." With the implementation of the party's policy on intellectuals, and propaganda concerning the advanced deeds of science and technology workers such as Jiang Zhuying and Luo Jianfu, intellectuals have begun to feel proud and elated, and have begun to fight vigorously in their posts for the four modernizations, but some, as soon as they begin to air their views, are condemned as having become "very cocky." People who like to talk this way have become accustomed to using their own yardsticks to determine the criteria for right and wrong, and instead of giving fair and wholehearted support to new people of the younger generation, they side with the old and suppress the new, show envy for those of ability, panic that others will surpass them, and as soon as they run into someone "better qualified" than themselves, and when there are no grounds for criticism, they label these people "arrogant," creating an atmosphere among public opinion of "common censure." This incorrect practice causes a lot of harm to people, and is entirely incompatible with the present wave of emancipating the mind, arousing the spirit, and working hard to create a new situation in the four modernizations construction.

"Modesty makes people progress, and arrogance causes them to fall behind." This should become the motto we live by and teach to others. But there are objective criteria for what is modest and prudent, and what is arrogant and complacent. Only those people who are complacent about their occasional success, and who rest on their laurels, unconcerned about advancing further, have put on the cloak of arrogance, and need the criticism and help of their comrades, so that they can abandon the cloak and go into battle lightly dressed. But those people who, in order to avoid criticism for being arrogant, are unwilling to use their brains in work, do not dare to discard the old and create the new, and do not take an independent stand on rights and wrongs, but instead follow others blindly, should not be praised for their "modesty." Genuine modesty is like honesty, tolerance, and sincerity; it is a reflection of seeking truth from facts and respecting science, not of laying no stress on principle, joining in the fun on occasion, and taking care not to offend anybody.

Criticism and self-criticism are some of the fine traditions of our party. The full development of these traditions will help the fundamental turn for the better in the party style. But criticism must be carried out by seeking truth from facts and paying attention to form. Prompt, pertinent criticism based on seeking truth from facts enables us to "learn from past mistakes to avoid future ones, and cure the sickness to save the patient," but irresponsible censure based on subjective assumptions can only dampen a comrade's initiative, and damage unity within the revolutionary ranks.

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