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# China Report

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No. 17, 1 September 1984

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# CHINA REPORT RED FLAG

No. 17, 1 September 1984

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

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EMANCIPATE THE MIND, ACTIVELY CARRY OUT REFORMS, AND OPEN UP TO THE WORLD  
STILL MORE

Beijing RED FLAG in Chinese No 17, 1 Sep 84 pp 2-6

[Article by Ren Zhongyi [0117 0112 1136]]

[Text] It is now 5 years since Guangdong Province instituted special policies and flexible measures and launched the special economic zones (SEZ).

In accordance with the stipulations of the central authorities, the special policies consist mainly of three things, namely, opening up to the world still more, further relaxing policies domestically, and delegating more powers to local authorities.

The practice during these 5 years has proved that the central authorities' policy decision was correct, and that the experiment has been a success.

With the institution of special policies, Guangdong's economy is developing at a gradually accelerated pace. From 1978 to 1983, the total industrial and agricultural output value of the province increased at an average rate of 8.8 percent a year, and it has shown a yearly average increase of over 10 percent since 1980. The SEZ's grew at a faster pace. The industrial output value of the Shenzhen Special Economic Zone increased by 1,100 percent and its revenue by 1,000 percent within 5 years. This was indeed a high speed. Commerce, trade services, tourism, and other industries showed particularly rapid increases. In terms of retail sales volume of social products, transaction volume of rural trading markets, and revenues from tourism, the province has been among the best in the country. Although the development of these industries does not find expression directly in the increases in industrial and agricultural output value, it can enliven the social economy as a whole. As far as the enrichment of the life of the masses and the prosperity of society are concerned, whether or not these industries develop correspondingly makes a world of difference. The institution of special policies over the last few years has not only brought about an economic increase but also laid the foundation and conserved strength for further development. The fund earmarked for carrying out technical replacement and transformation of the province in 1983 was 900 percent more than in 1978. The investment in capital construction also showed a significant increase. The imported foreign capital which has

already been put to use totaled \$1,100 million or more. We have used these domestic funds and foreign capital to transform a group of old enterprises, to build some roads, bridges, ports, power plants, and mines which are of great importance and to set up some new technically advanced enterprises. All these construction projects will play an important role in the future economic and social development of Guangdong Province. On the basis of expanded production, the wage income of the staff and workers throughout the province increased by 62.4 percent; the per capita average net income of the peasants was up 104.8 percent; and savings deposits of the urban and rural population registered an increase of 350 percent, or every person had on an average at least 130 yuan of bank savings. Remarkable advances have also been scored in education, and in science and the building of spiritual civilization as a whole.

Leading central comrades came to inspect Guangdong one after another at the beginning of this year. After inspecting the SEZ's, Comrade Deng Xiaoping affirmatively pointed out while writing a few words of appreciation: "The development and experiences of Shenzhen have proved that our policy of setting up special economic zones is correct." Not long after that, he made important remarks on opening up to the world and on work in the special zones. Later, the CPC Central Committee and the State Council held a forum on a number of coastal cities, which put forward views on implementing these remarks, and decided to further open up 14 coastal port cities to the world. This is a far-reaching, important step taken to speed up China's socialist modernization program. Guangdong has more open-door cities than any other coastal province. We must mobilize the cadres and masses of the province to resolutely and successfully implement this decision of the central authorities.

## I

In order to do well in implementing the central authorities' principle on carrying out reforms and opening up to the world, we must further emancipate our minds.

In the course of party rectification, quite a few comrades said: The minds of members of the provincial CPC committee are more emancipated. However, in the course of comparison and examination, the provincial CPC committee still first made self-criticism on the question of inadequately emancipating the mind. The members of the provincial CPC committee have not emancipated their minds to the full. This is a fact. It is not easy for people to liberate themselves from the trammels of outmoded concepts and restrictions which have been followed for years and, moreover, they cannot be cast away in one move. What we can say and do boldly and forcefully today are more often than not things that people dared not think of or do several years ago or even a year ago. This indicates that emancipation of minds has to undergo a certain process.

To make a further step in the drive to open up to the world and to carry out reforms and to open up new prospects in work, emancipation of minds should go ahead of the other things. In discussing the social revolution in the

19th century, Marx said: "Social revolution cannot begin completing its own tasks before doing away with all blind faith in the things of the past." ("Selected Works of Marx and Engels," Vol 1, p 606) Now we can also say that unless we remove the old concepts and restrictions which hinder our drive to carry out reforms and to open up to the world, it will be difficult to achieve these goals.

In order to further emancipate our minds, we must seriously study the central documents and instructions. Comrade Deng Xiaoping pointed out: "In setting up special zones and implementing the open policy, we should be clear that our guideline is not to withdraw, but to open." We must unify our thinking in this guiding ideology--"not to withdraw, but to open." All old concepts, restrictions, and rules that run counter to this guiding ideology must be corrected and subjected to this guiding ideology.

To emancipate the mind, the most fundamental thing is to persist in seeking truth from facts. Emancipation of minds does not mean vain imaginings or boasting and exaggeration. On no account must we repeat the error of "the yield of a piece of farmland hinges on nothing but the boldness of man." Not long ago, Comrade Chen Yun made the following remarks on restructuring the economy: "Emancipate the mind, seek truth from facts, continue to study, and do our work in a down-to-earth manner." These remarks of his are interrelated and form an integral whole. We must strive to fully understand and implement them successfully.

To emancipate our minds, we must be bold in proceeding from reality and creatively implementing the existing regulations and also bold in making appropriate adaptations in the light of changed conditions, but by making appropriate adaptations in the light of changed conditions, we do not mean encouraging the violation of policies in disguised form. In our work, we must implement the existing policy stipulations in a serious, active, and creative way. It is permitted to make adaptations in at least the following three respects: First, we must actively make a success of all things that benefit the country and the people in the light of the various policy stipulations and not use them as barriers to block the road to happiness. Second, policy stipulations themselves are flexible and therefore we must interpret them in a way conducive to developing production and invigorating the economy and implement them in a flexible way and not in an adverse way. Third, if people fail to justify the reforms which really benefit the country and the people with the stipulations of existing documents, they are encouraged to try the reforms experimentally and, while carrying out the experiments, they are also allowed to break through the existing regulations. The agricultural contract system with payment linked to output has also experienced a process of practice first and popularization in the form of "official documents" second. If we act exclusively according to the regulations prescribed in the "official documents" and if we attempt nothing and make no further efforts to go on creating and making breakthroughs, our cause will cease to advance.

## II

The new situation which emerged following the convening of the forum on some coastal cities set new, higher demands on the work of our province. We maintain that in economic development, Guangdong Province must speed up its pace in three aspects.

First, speed up the pace of importing foreign investment and technology and attracting talent.

Over the last few years, we have done some work and made some achievements in this respect. However, generally speaking, we have just made a start. The CPC Central Committee and the State Council demanded that the 14 coastal cities create a new situation in utilizing foreign capital and importing advanced technology and at the same time gave them more powers to examine and approve the utilization of foreign capital and offered investors more preferential treatment. A task of top priority confronting us at present is to help all cadres concerned understand, learn by heart, and be good at using the policies formulated by the CPC Central Committee and the State Council to accelerate the utilization of foreign capital.

Guangdong has three separate special economic zones in Shenzhen, Zhuhai, and Shantou. Hainan Island is carrying out policies similar to those practiced in the SEZ's, namely, promoting the development of the island by opening up to the world. Guangzhou and Zhanjiang are two port cities slated for special open status. In accordance with the stipulations of the CPC Central Committee and the State Council, the urban districts of Zhuhai and Shantou should also follow the policies concerning the 14 port cities in utilizing foreign capital and importing advanced technology. Our province has many favorable conditions including many SEZ's and cities which are to be further opened up to the world. We must give full play to their positive role in importing foreign investment and technology and attracting talent.

The province's cities slated for special open status must concentrate their efforts to utilize foreign investment and import technology on technically transforming old enterprises and should fully use the central preferential policies to transform the existing major enterprises in a planned way within 2 or 3 years and at the same time, to undertake a group of medium-sized and small development projects which play an important role in the four modernizations program. These cities should also open wide to the hinterland areas, and vigorously integrate with cities and localities inside and outside the province and, instead of erecting trade barriers, they should welcome the latter's cooperation, investment, and initiative in conducting an interchange of commodities.

To make the importation of really advanced technology a success, it is necessary to mobilize all departments and localities to find new sources of technology. Not only the SEZ's and cities slated for special open status but also the other cities and localities should pay close attention to the importation of advanced technology. It is entirely possible for the localities outside the SEZ's and open-door cities to acquire considerably advanced

technology. Guangdong's Xinhui County imported foreign technology and equipment and built a polyester fiber plant equal to the world advanced level of the 1980's. This is a convincing example.

In attracting talented and qualified personnel, our province has done some work but it is far from adequate. From now on, we must actively take up this work in various ways. For example, it is advisable to invite experts from overseas to work, to give lectures, and to conduct academic exchanges in the province; it is advisable to send people to Hong Kong or foreign countries to receive training in the technology and management sectors; it is advisable to use organizations in Hong Kong and Macao to supply consultant and information services; it is advisable to import books, periodicals, and other materials of great value from foreign countries and Hong Kong and Macao and to put them to good use; and it is advisable to invite Chinese people of foreign nationality to run universities in the province.

In importing foreign investment and technology and attracting talents, we must make full use of the favorable conditions of being adjacent to Hong Kong and Macao but our work must not be confined exclusively to this point. On the one hand, we must attach importance to Hong Kong and Macao and on the other, we must face the world and broaden our vision still more so that the scope of our cooperation and contracts with countries of the rest of the world can be expanded gradually.

Second, speed up the pace of reform.

Opening up to the world and carrying out reforms are interrelated, each promoting the other. The government work report delivered by Premier Zhao Ziyang at the Second Session of the Sixth NPC pointed out: "In our future economic work we should pay special attention to two major issues: restructuring the economy and opening to the outside world," and also formulated numerous reform policies and measures. We must seriously study and implement them.

As far as the superstructure and leading organs are concerned, one of the important aspects of the reforms instituted there is to simplify administrative procedures and delegate powers to lower levels. Comrade Deng Xiaoping pointed out: "Our leading organs at various levels have taken charge of many matters which they should not and cannot handle or which they cannot manage effectively. All these matters can in fact be handled smoothly by the lower levels, by enterprises, nonproductive institutions, and social service units themselves, strictly according to the procedure of democratic centralism and under the guidance laid down by certain rules and regulations. However, when all these matters are covered by party and government leading organs, and the departments directly under the central authorities, all of them become knotty problems. Nobody is so versatile as to be able to handle alone all these arduous and unfamiliar tasks. And all the current phenomena derived from our particular bureaucracy can be attributed to this general origin." These remarks are quite penetrating and profound. The fact that the provincial authorities failed to carry out reforms in certain

areas successfully or met with repeated setbacks in the course of reform can be attributed to this general origin of trouble. In conducting reforms at present, we must get rid of this general origin of trouble. Now, since the leading organs have taken charge of many matters which they should not handle, in carrying out reforms, they are urged to further delegate powers to lower levels, to simplify administrative procedures, and to help the people become industrious. Leading organs should better take care of fewer less important matters and concentrate their energies on important issues, on matters concerning rules and regulations, investigations and study, and examination and supervision, and on coordination and service work. The provincial authorities must delegate powers not only to the SEZ's and port cities slated for special open status but also to the other major cities. While necessary major powers are centralized, it is necessary to delegate to lower levels the power to use personnel, to manage financial affairs and matters relating to goods and materials, and to examine and approve. Delegating powers to lower levels does not mean washing one's hands of the business. All provincial departments must help the SEZ's and various cities and localities rather than erect barriers and must serve, take care of, and support them in their development instead of binding them hand and foot. The aim of delegating powers to lower levels is to develop the economy in a livelier way and to do so, it is necessary to strengthen management, microscopic guidance, and ideological and political work, and to ensure that the more the economy is operated, the livelier it will become and that there are controls but not rigidity and liveliness but not chaos.

The central issue in the reform of enterprises is to do away with the malpractice of everybody eating from "the same big pot" and to better arouse the initiative of staff and workers. At present we must concentrate energy and efforts on the second step of the reform of replacing profit delivery with tax payments, take a further step to perfect the economic responsibility system practiced in the internal departments of enterprises, and extend the decisionmaking powers of enterprises in 10 areas, such as the marketing of products, pricing, personnel administration, and wages. In addition, it is still necessary to properly introduce the following three systems. They are first, the factory director (manager) responsibility system, under which mandated by the state, the factory director (manager) assumes full responsibility for directing the production, management, and operation of his enterprise; second, the system of staff and workers congresses, under which all questions concerning the important policy decisions of enterprises and the rights and interests of their staff and workers must be submitted to the staff and workers congresses for examination and approval, thus reflecting the status of staff and workers as the masters of the country and the enterprises as well; and third, the system which ensures that the party committees of enterprises play a guaranteeing and supervisory role. The party committee of an enterprise must concentrate its energy mainly on the party's ideological education, organization building, ideological and political work, and mass work and ensure the implementation of the party line, principles, and policies. These tasks of the party committee are not easy and it is also not easy to complete them really effectively. If the party committee fails to manage these matters effectively, doing a good job of the whole work of an enterprise will be out of the question. The fact

that the party committee of an enterprise no longer directs the production, management, and operation of the enterprise definitely does not mean encouraging enterprises to depart from the party leadership. Mandated by the state, a factory director directs production. This fact implies in itself the leadership of the party. If the party committee of an enterprise manages the party work effectively and performs its functions as a guarantor and a supervisor well, this will in fact mean a better reflection of the leadership of the party.

In the reform of the province's building industry, at present, the main effort should be directed at vigorously instituting a system of investment responsibility and a system of public bidding. In the reform of commercial circulation, the main focus should be on meeting the needs for developing commodity production and bringing about four changes: The circulation of farm produce and sideline products should be changed from the practice of unified or fixed state purchases into that of further free purchase and marketing; supply and marketing cooperatives should be changed from being "run by the government" to being "run by the people"; as for wholesale commerce, the practice of multilevel allocation and transfer of commodities should be changed into a pattern under which trade centers are set up so as to establish direct links between the producer and the seller of more and more goods produced over and above the plan or not covered by it; and the situation of state-run commercial enterprises eating from the "same big pot" should be changed into the practice of an economic responsibility system and a contract system. The emphasis in the reform of foreign trade should be on perfecting the economic responsibility system of foreign trade enterprises, separating the functions of the government from those of the enterprise, promoting export trade through agents, and actively developing the combination of foreign trade with the increased production of enterprises and the introduction of new technology.

After studying the current reform tasks, the provincial CPC committee held: We must preserve all successful experiences gained in conducting reforms in recent years, improve what is imperfect, and avoid repeated ups and downs in reforms. Leading organs must sum up, learn from, and derive knowledge and wisdom from the various successful reform experiences and good reform methods of grassroots units and enterprises. They should oppose, as a matter of course, all dishonest practices that violate party discipline and state laws but should seriously study matters which they have not yet understood fully for the time being rather than arbitrarily branding them as dishonest practices.

Third, speed up the pace of infrastructural construction such as energy and communications.

Backward transport facilities have become a serious problem hindering our drive to further open up to the world and to develop the economy. The fact that some places in the province have been inaccessible and backward for quite some time can be attributed mainly to their extremely poor transport facilities. Only when the transport conditions of a place are improved can its economy and culture develop rapidly. In solving the transport problems

of the province, it is necessary for the state, the collective, and the individual to make concerted efforts to undertake simultaneously the construction of water, land, and air transport projects both large and medium-sized and small. So far as railway and aviation industries are concerned, aside from striving to speed up the construction of projects using new investments, we must further tap the potentials of operation and management, the responsibility system, and technical transformation. While grasping the transformation and construction of main highways, the provincial authorities should also mobilize all localities and local people to take part in such transformation and construction undertakings. With long coastlines and numerous lakes and rivers, the province has favorable conditions in developing the shipping industry. We must vigorously develop the state-run shipping enterprises and at the same time, encourage the collective units and local people to engage in water transport and more and more households to specialize in this trade, actively dredge the waterways, and have all big and small rivers open to navigation so that vessels can sail directly from mountainous flatlands, from the countryside to the cities, and from Guangdong's ports to various key ports all over the country. All this will be conducive to invigorating the economy and opening up to the world.

Energy shortage has seriously handicapped Guangdong's economic development. In order to meet the needs of further opening up to the world, we must speed up energy construction. Apart from vigorously supporting the construction of key state development projects such as nuclear power stations, we must encourage all cities, localities, and large-sized enterprises to set up their own power stations. Guangdong is rich in water and electricity resources. This is also one of its strong points. From now on, the province must strive to set up medium-sized and small hydropower stations with a generating capacity of 200,000 kilowatt-hours a year and to benefit from them year after year.

We must further advance Guangdong's economy through our efforts to speed up our pace in the above-mentioned three respects, and before 1990, we must strive to import an additional several billion U.S. dollars of foreign investment, a group of technologies with a domestically and internationally advanced level, and to set up a number of new enterprises so as to technically transform the province's major key enterprises extensively and remarkably raise their economic results, and also strive to attain the objective of quadrupling the total output value of the province's industrial and agricultural production 2 or 3 years ahead of this time (namely, in 1987 or 1988).

### III

In order to do a good job in the two major issues of opening to the outside world and carrying out reforms, it is imperative to earnestly strengthen and improve the party's leadership. The provincial party committee put forward that the leadership of party committees at all levels throughout the province must pay attention to strategic problems and problems which affect the overall situation and creatively carry out their work. It is necessary to strengthen overall leadership over work in all aspects, but not to

substitute the party for the government. Stress must be laid on grasping work in implementing the party's line, principles and policies, doing a good job in building the party ideologically and organizationally (including party rectification), grasping firmly ideological and political work and mass work, skillfully giving play to the role of government organizations, social mass organizations, and economic organizations, and promoting and coordinating their work. Under the new situation of socialist modernization, party committees must be good at discussing concrete questions relating to work and must also pay attention to discussing matters from the angle of principles, stressing ideological aspects landing on a higher plane. In order to widen the scope of our thinking and deepen our understanding, it is sometimes necessary to hold special meetings to discuss some questions from the angle of principles. In April and May 1981, the standing committee of our provincial party committee met for more than 1 week to discuss the question of eliminating "leftist" influence. That was a meeting for discussing matters from the angle of principles. Outwardly, the meeting did not seem to have solved any concrete problems, but in reality, it played an important part in straightening out the leadership's ideology.

In order to properly implement the spirit of the forum held by some coastal cities, party committees at various levels in our province are earnestly grasping the following things: The first thing is to grasp the work of seeking unity in understanding so that the guidelines of the Central Committee's instructions on opening further to the outside world and accelerating reforms can be understood by each cadre and by the masses and so that all our thinking can be brought in line with the policy decisions of the party Central Committee. The second thing is to grasp the building of leading bodies and to quicken the steps in making leading bodies at various levels more revolutionary, younger in average age, better educated, and more professionally competent. The third thing is to grasp overall planning. Viewing the whole province, Guangzhou should be regarded as the center, the special economic zones as the windows, small and medium-sized cities as backbones, and the Zhu Jiang delta as a region where the economy and culture should develop faster than other localities. Great efforts should be made in helping mountain regions in their development and construction in order to promote harmonious economic development throughout the province. The fourth thing is to grasp the building of the socialist spiritual civilization. Simultaneously grasping the building of the two civilizations is the policy adopted at the 12th CPC National Congress. We have realized that while vigorously grasping economic construction, we must pay great attention to the building of socialist spiritual civilization. We must make use of the favorable conditions created by opening further to the outside world to promote the building of schools, scientific institutes, hospitals, broadcasting, television, and cultural and physical culture facilities. If possible, we must have more modern and advanced equipment. Our policy for the cultural field must keep in line with the policy of economically opening to the outside world. On the one hand, we must pay great attention to, and resolutely resist the corrosive influence of the decadent capitalist ideology and resolutely crack down upon various criminal activities, including economic crimes such as smuggling and selling contraband goods. On the

other hand, we must also see and make full use of the positive influence on the building of the socialist spiritual civilization brought about by the policy of opening to the outside world, consciously absorb the achievements of foreign advanced science and technology and fine culture, learn from what is good in the culture of various nations in the world, in particular, obtain in good time the world's latest economic and technological information, and bring about changes in some people who for a long time have been out of touch with reality and ignorant and ill-informed. In short, we must persist in opposing pollution but not everything foreign.

Guangdong has very bright prospects for its development. Party organizations at all levels and all the people in Guangdong are unswervingly implementing the line, principles, and policies formulated by the Central Committee, further emancipating their minds, actively carrying out reforms, persisting in opening further to the outside world, and constantly creating new situations in the socialist modernization of our province.

CSO: 4004/2

CONSTANTLY STRIVE TO REINVIGORATE CHINA--IN CELEBRATION OF THE 35TH  
ANNIVERSARY OF THE BIRTH OF NEW CHINA

Beijing RED FLAG in Chinese No 17, 1 Sep 84 pp 7-9

[Article by Hu Juewen [5170 0628 2429]]

[Text] The truth contained in many things in the world can be discerned only through comparison. For example, new China is better than old China. Socialism is better than capitalism, and the CPC is better than the KMT. This is not an echo of other people's views, but a fundamental truth which I have clearly discerned after comparing things that happened during most of my life.

I was born in 1895, namely, the second year of the Sino-Japanese War of 1894-1895. I lived in the old society for 54 years--more than half a century. At that time, China was oppressed by the three big mountains. Our country was weak and our people were poor. To seek the path for saving the nation and rescuing the people, many revolutionaries of the older generation and people with lofty ideals advanced wave upon wave. In my youth I was already nurtured in the spirit of patriotism. When I was young, I naively believed that to make our country rich and our troops powerful, we should, first of all, have industry, and that the engineering industry was the foundation of industry. Therefore, I applied for an entrance examination at Beijing's higher industrial school, and studied at the department of mechanical engineering. After my graduation I was determined to run industry throughout my life, and follow the path of "saving the nation through industry," rather than securing an official position.

What was the result? I painstakingly built up many factories and enterprises. However, it was by no means easy for them to survive in the crevices of the three big mountains! Let me cite some casual examples. After the victory of the war of resistance against Japan in 1945 and the pullout of the Japanese aggressor troops, a large quantity of American goods were shipped to China and sold at low prices. Some of our factories which were moved to Sichuan and experienced hardship in order to make contributions to the 8-year war of resistance against Japan, and some other local industries run by national capitalists were already beset with difficulties. It was hard for them to hold out. However, the KMT authorities went so far as to cancel all the orders which they had placed

with privately owned factories. In such a way, these factories were compelled to close. They were even unable to pay workers' wages and severance fees. Under such circumstances, factories which were moved to Sichuan submitted a joint letter to the KMT Executive Yuan, demanding that it retract the order. More than 300 factory owners went into the streets and demonstrated. Six fellow members and I, as their representatives, held talks with the authorities and argued strongly on just grounds. The answer from the authorities was: "What is the use of developing industry? What is the use of such scrap copper and iron? If you want to get good things, you can get them from the United States." This example sufficiently showed how the KMT government disregarded national industry. Through my experience over a score of years I clearly realized that due to the KMT policy of exercising autocracy and dictatorship at home, and a foreign policy of surrendering and attaching itself to the imperialists, China could only become a colony and semicolony of the imperialists, and the Chinese people could only become slaves of the foreign powers. This was the fate of China. The so-called "saving the country through industry" was nothing but an impractical illusion.

I was originally a person who was reluctant to get involved in politics. However, dark political reality compelled me to conscientiously think things out for myself: What was the way out for China? Around the time of the victory of the war of resistance against Japan, Huang Yanpei, Zhang Naiqi, Shi Fuliang, Yang Weiyu and I met very often to discuss the issues of establishing political organizations in the industrial and commercial circles. In those days I was fortunate enough to meet Comrade Zhou Enlai, Comrade Dong Biwu, Comrade Wang Ruofei, and Chairman Mao, and to listen to their reports on the clear and penetrating analysis of the internal and external situation. I greatly admired those communists who were boundlessly loyal to the nation, and was deeply moved by their foresight and sagacity, and their amiable and easy manner. Enlightened and helped by the party, we eventually established the China Democratic National Construction Association after repeated discussions. I gradually discarded the illusion of "saving the country through industry," and took an active part in political struggle during the period of democratic revolution. Through the practice of struggle, I gradually increased my esteem and respect for the CPC and trusted it all the more. I was determined to work together with the CPC to follow the path of truly saving the nation and rescuing the people.

In mid-May 1945, to evade pursuit and capture by KMT spies, I used an assumed name of "Mr Ni" to hide at my old friend Zhou Zhongqing's home. He was chairman of the Foundry Trade Association. After living there for less than 10 days, I greeted the liberation of Shanghai. In September the same year, as a representative of the China Democratic National Construction Association, I went to Beijing to attend the first CPPCC conference to discuss and adopt the "common program," and elect the central people's government. On 1 October, I attended the founding ceremony of the People's Republic. I saw with my own eyes how Chairman Mao personally hoisted the first five-starred red flag. I heard Chairman Mao solemnly announce: "From this date, the Chinese people have stood up." At that time, words could hardly describe how excited, thrilled and proud I was.

Shortly after the founding of the People's Republic, Yu Huancheng and I led a visiting group composed by more than 40 persons of Shanghai's industrial and commercial circles to inspect industry in the northeast. We inspected the northeastern industrial bases such as Shenyang, Anshan, Fushun and others. We learned a lot through the trip. I saw how people in the liberated areas in the northeast, under the leadership of the CPC, rapidly healed the wounds of war, revived the economy, and brought about prosperous industry and commerce. The foul atmosphere of the old society completely dissipated. I profoundly felt that the old and new societies were two different worlds. I had more confidence in the future. Not long after that, we waged a struggle to resist U.S. aggression and aid Korea, and to protect our homes and defend our motherland. I was a deputy chief of the general delegation sent to Korea to convey greetings and appreciation, and chief of the group from east China. We crossed the Yalu River to convey greetings and appreciation to our most beloved persons. In those war-ridden forward positions I personally witnessed how our volunteers bravely and skillfully fought the enemy. This provided me with education on patriotism and internationalism. I profoundly felt that it was an honor and proud for us to be Chinese.

During the past 35 years following the birth of new China, the thing which left the deepest impression upon me was the great victory of socialist transformation of capitalist industry and commerce, which was personally led by Chairman Mao Zedong and Premier Zhou Enlai. The policy of reforming through peaceful means and buying out the national bourgeoisie is a Marxist policy. Through the methods of assigning processing tasks, placing orders for goods in a planned way, the purchasing by the state of the output of capitalist enterprises and state distribution of all finished products of a capitalist firm, assigning the work of distributing and acting as commission agents, joint state-private ownership, and joint state-private ownership in all trades and services, the party and government guided us step by step to advance along the socialist road. While transforming the enterprises, they adopted a policy of unity, criticism and education toward the broad masses of industrialists and businessmen so that we could succeed in turning ourselves from exploiters into laborers who could earn their living. In November 1955, when Chairman Mao met all members of the 2d Executive Committee of the First Congress of All-China Federation of Industry and Commerce, he earnestly told us: "You should understand the law of development of society so that you can master your fate." This teaching pointed out a bright path for us to work together with the working class and all laboring people to realize socialism, and encouraged us to take part in a mass campaign of joint state-private ownership in all trades and services. We drew precious experience from this great social change, namely, we should believe in Marxism-Leninism-Mao Zedong Thought, have firm faith in the party leadership, and follow the socialist road. Under the guidance of this basic experience, we not only overcame our proneness to waver and relapse, but also experienced all sorts of severe trials together with the entire party and people of the whole country in the subsequent political storms, and in the 10 years of internal disorder in particular. In June 1979, in his speech delivered at the Second Session of the Fifth CPPCC, Comrade Deng Xiaoping solemnly announced that fundamental changes had taken

place in the class situation in our society. In the industrial and commercial circles, those who had labor capability already became laborers who could earn their living in the socialist society. He also pointed out: "The success of socialist transformation of capitalist industry and commerce was one of the most brilliant victories in the socialist history of China and the world." All comrades in the industrial and commercial circles were elated and inspired by his speech. After entering the new period, the broad masses of members of the China Democratic National Construction Association and All-China Federation of Industry and Commerce have followed the program of action of "persistently following the party and working wholeheartedly for the four modernizations." Inspired by the revolutionary spirit that "old oxen, knowing well that setting sun will not last long, press forward at high speed without being whipped," we have given full play to our special skill in production and management, provided economic consultative service and special industrial and commercial training, and served the four modernizations enthusiastically and actively. We are encouraged and praised by the party and government for all this. We feel that the present period is a period in which we can fully concentrate our efforts to serve the construction of our country, and have considerable ease of mind. Our present-day success should be attributed to the leadership of the CPC. We should never forget the education and help provided by the party over the past 30 years or so, as well as those proletarian revolutionaries whom we are profoundly indebted to and miss because they expended all their energies in order to give us a new life.

Over the past 35 years since the founding of the People's Republic, we have made great achievements on all fronts. In the meantime, we also followed a tortuous course, or even suffered losses. However, by relying on its own strength, the great glorious and correct CPC has overcome and corrected its mistakes one after another to put socialist revolution and construction of our country on the right course. What is most gratifying is that the 3d Plenary Session of the 11th CPC Central Committee reestablished the Marxist-Leninist line, and shifted the work focus of the whole country to socialist modernization. An unprecedentedly favorable situation has occurred in industry, agriculture and commerce because of the conscientious efforts exerted by the party and government to implement various kinds of policies, the guiding principle of readjusting, restructuring, consolidating and improving, the policy of opening up to foreign countries and revitalizing the domestic economy, and steady progress of the reform of economic system. While building a high level of material civilization, we follow the guiding principle of exerting great efforts to build a high level of socialist spiritual civilization, carry out the struggle of cracking down on economic criminals and other criminal activities, and oppose and resist spiritual pollution. Due to the profound development of party rectification, the party work style and general mood of society have been markedly improved. Due to implementation of the guiding principle of independence and initiative and the five principles of peaceful coexistence, we have scored brilliant success in our foreign policy. We have friends all over the world. Looking around, we find that present-day China is entirely different from the past! The great changes which have taken place in a short period of 6 years have convincingly shown that "without the Communist Party, there

would be no new China," and that "only socialism can save China." This is truly an irrefutable truth!

On the occasion of celebrating the 35th anniversary of the founding of the People's Republic, looking ahead, I am fully confident that under the leadership of the CPC, as long as people of various nationalities and people in various strata exert their joint efforts, our motherland will advance by leaps and bounds. There is no doubt that our socialist motherland has a very bright future. Although I am 89 years old this year, I am in good health and have ease of mind. I have an "ambition" of living to be 106, namely, living to the year 2000. I want to see with my own eyes our still more magnificent socialist motherland which has attained the objective of quadrupling the gross annual output value of industrial and agricultural production.

CSO: 4004/2

## A TOUR OF MY HOMETOWN ON THE VAST TIANSHAN

Beijing RED FLAG in Chinese No 17, 1 Sep 84 pp 10-14

[Article by Burhan Shahidi [0545 1422 3352]]

[Text] I left my hometown Xinjiang, and have been working in Beijing for almost 30 years. In the past, I often had time to go back and inspect work there. But during the "Great Cultural Revolution," although I stayed in Xinjiang, I was cut off from the outside world. After the downfall of the "gang of four," I returned to work in Beijing again. After that, as I was old and weak, I did not have a chance to go back to my hometown for a long time. However, I always paid attention to the development and changes in my hometown, where I once lived and worked. Every time I read documents and newspapers, listened to broadcasts, and watched television programs, I paid particular interest to the news about Xinjiang. Every blade of grass and every leaf of the trees in my hometown touched my heart. From my family letters and talks with those comrades coming from my hometown, I learned that since the 3d Plenary Session of the 11th CPC Central Committee, especially over the past 2 years or so, great achievements have been made, and there has been a new development, in various fields of work in Xinjiang. I was so pleased that I wished to go back again and have a look with my own eyes.

Last autumn, my long-cherished desire was realized. I went back to my hometown with my wife Laxida on the occasion of commemorating the 40th anniversary of the death of Chen Tanqiu, Mao Zemin, Du Zhongyuan, Lin Jilu, and other martyrs. Besides attending the commemorative activities, I also paid a visit to Shihezi and Turpan. There I not only listened to the reports of some regional leading comrades and the responsible comrades of some departments on the situation and their work, met with old and new friends, and contacted workers, peasants, herdsmen, and intellectuals of various nationalities, but also saw with my own eyes the changes of Xinjiang. I could feel the pulse of development. Gladly, I found that great changes have really taken place in this region: Everywhere we could see many new buildings, new roads, new factories, new cottages, and newly planted green trees. The car traveled quickly along the highway. I watched attentively the scenes on both sides of the car. During the long journey, the comrades who were with me often advised me to close my eyes and take a rest. How could they understand that the new look of my long-lost hometown had inspired me so

much that I had no need to rest! When they asked me whether I felt tired or not as I was getting out of the car, I myself also marvelled that I did not feel tired at all!

Maybe all old people like to recall the past. While visiting those places, I also recalled something about their past. I am very familiar with the past of Xinjiang. It was poor and backward and was cut off from the outside world. It was only after the liberation, when class oppression and nationality oppression were eliminated and the productive force was emancipated, that a situation of prosperity began to appear in this region. Since the 3d Plenary Session of the 11th CPC Central Committee, Xinjiang has shaken off the yoke of "leftist" ideas and achieved a new and great progress in its construction, which has long been expected by the people. Although compared with the world's advanced levels and the achievements of other fraternal provinces, municipalities, and autonomous regions in our country, Xinjiang's achievements might be very small, in view of the fact that it was backward in the past and the construction of many projects has been carried out on a "zero" basis, these achievements are really very great.

Being situated in the center of the European-Asian continent, Xinjiang is one of the best-known dry areas in the world. The area of this region is more than 1.6 million square kilometers, about one-sixth of China's total area, and this makes Xinjiang one of the largest provinces and regions in China. With the boundaries of this region, there are three mountain ranges--the Altayshan, Tianshan, and Kunlunshan--and two basins--the Tarim Basin and the Junggar Basin. Between the mountainous areas and the basins, there are plots of oases cultivated through hard labor by our ancestors who lived there for thousands of years.

People of various nationalities have lived in Xinjiang since ancient times. At present, more than 10 nationalities, including the Uygur, Han, Kazak, Monggol, Hui, Kirgiz, Ozbek, Xibe, Tajik, Manchu, Tatar, and Daur, are all masters of this western border region. A fine tradition of close unity has been shaped among the people of various nationalities, who have worked, fought, and lived together for a long time. Despite some past setbacks, the unity of the country and the unity and cooperation between the laboring people of all nationalities have always been the mainstreams of the historical development.

Since liberation, in accordance with the Marxist-Leninist principle on nationality problems and in light of China's actual conditions, our party has implemented the policy of regional autonomy in the regions where minority nationalities live in compact communities. In Xinjiang, the Xinjiang Uygur Autonomous Region; the Ili Kazak Autonomous Prefecture, the Changji Hui Autonomous Prefecture, the Bortala Monggol Autonomous Prefecture, the Bayingolin Monggol Autonomous Prefecture, and the Kizilsu Kirgiz Autonomous Prefecture; as well as six autonomous counties including the Qapqal Xibe Autonomous County and Taxkorgan Tajik Autonomous County, and several autonomous townships have been established one after another, enabling the minority nationalities to act as masters of their own houses.

Being nurtured and educated by the party, Xinjiang's nationality cadres are growing up rapidly. From 1955 when the autonomous region was established to 1983, the number of nationality cadres increased from 46,756 to 181,860, an increase of about 300 percent, of which the number of professional cadres increased from 2,472 to 108,555, which was an increase of about 43 fold over 1955. After the recent restructuring of the leading bodies, the current situation of minority nationality cadres, who are in charge of leadership work in party and government departments at various levels, is as follows: They make up 43.4 percent of the leading cadres in various departments, committees, and bureaus of the autonomous region, among whom those who act as directors of the 36 government departments and bureaus make up 63.87 percent of the total number of directors; they constitute 40.52 percent in the leading bodies of the CPC committees, and 59.67 percent in the leading bodies of government departments at various levels; and in the counties and communes chiefly inhabited by minority nationalities, almost all the chief party and government leaders are local nationality people.

The implementation of the policies on regional autonomy and nationality has strengthened the unity between the laboring people of various nationalities and promoted the vigorous development of socialist economic construction.

Among various economic undertakings, agriculture and animal husbandry occupy an important position in Xinjiang. Some unearthed materials show that even in the prehistoric period, there was already woolen fabric and wheat grain in this region. This shows that Xinjiang's agricultural and animal husbandry production has a very long history. However, due to the oppression of the ruling classes in past ages and the inconvenience in communications, its production was always in a backward situation. In those days, before the liberation, the per mu grain yield only reached several tens of jin.

After liberation, through the democratic reform and the socialist transformation, the trammels which obstructed the development of productive forces were smashed and a rapid development was achieved in agricultural production. With the support of the state, the level of mechanization was also raised year after year. Over the past few years, further efforts have been made to smash the yoke of the "leftist" influences which have hampered the initiative of the people for a long time. The system of contracted responsibilities with payment linked to output has been adopted, and the policy of letting some of the peasants become rich before others has been implemented. As a result, the initiative of the broad masses of peasants and herdsmen has been mobilized and brought into play and production has been vigorously promoted.

In 1983, inspiring achievements were made in Xinjiang's agricultural and animal husbandry production. The total grain output exceeded 9 billion jin, which was the highest in history, and reached some 670 jin for each person. Thus, Xinjiang became self-sufficient in this field. The total cotton output reached 3.14 million dan, and the amount of livestock reached 30.23 million. Compared with 1955, when the autonomous region was established, the total agricultural and husbandry output value increased by 286 percent, at an average annual rate of 4.95 percent; compared with 1978, the year in

which the 3d Plenary Session of the 11th CPC Central Committee was held, it increased by 52.9 percent, at an average annual rate of 8.86 percent. As a result of the correct policies and redoubled enthusiasm of the people, production was rapidly promoted.

When we are talking about the development of agriculture and animal husbandry in Xinjiang, we must also mention the great contributions the Xinjiang Production and Construction Corps has made in various fields of the economic construction, especially in agricultural production. This corps is China's largest agricultural and reclamation unit, which was established at an earlier period. On both the north and south sides of the Tianshan, there are agricultural regimental farms and industrial and sideline production bases of this corps. The Shihezi reclamation area is one of its most important agricultural reclamation areas. Previously, it was only a small, unknown village surrounded by a vast wasteland. Later the famous 359 Brigade [of the Red Army], which had rendered meritorious service in the great production movement in Yanan during the war of resistance against Japan, was transferred to this village to engage in agricultural and reclamation work there while defending the border area. Owing to their assiduous labor over the past 30 years and more, the scene of desolation has completely disappeared. Instead, there are green fields and forests everywhere and a criss-cross network of irrigation channels and broad roads. There are row upon row of new buildings and row upon row of sugar refineries, wineries, woolen mills, and cotton mills. There is also an agricultural institute, a medical college, a television station, and hospitals. It has really become a new town in the desert. I was so glad to see all this that I could not sleep at night. Then I wrote a poem:

Looking at today's Shihezi, a garden city,  
A poem full of fervor has come out of my heart.  
Without the wise leadership of the party,  
How could the desert be turned into a green land?

The development of the Shihezi reclamation area and the entire Xinjiang Production and Construction Corps embodies the assiduous labor of our long-tested PLA soldiers, the youths of various nationalities who have come to assist the construction of border areas, and local peasants and herdsmen. It also embodies the great care and painstaking efforts of the late Premier Zhou Enlai and Comrade Peng Dehuai, as well as other leading comrades who are still alive, including Xi Zhongxun, Wang Zhen, and Wang Enmao. People will never forget the historical contributions of these pioneers when seeing this great development in construction.

Over the past 2 years or so, the peasants and herdsmen of various nationalities have had greater enthusiasm in production and a broader vision and greater target. Being in a border area, they are following closely the needs of the markets in other fraternal provinces as well as the international market, and are preparing to promote the sale of some marketable agricultural and sideline products in other domestic markets and the international market. Commodity production has been greatly developed. The one-sided and simple idea of "taking grain as the key link" has been

discarded, and the people there have made great efforts to suit their measures to local conditions and to develop strong points and overcome weak points so that men and material can be best used. Many people have got rich through assiduous labor. There have emerged quite a few "households receiving an income of over 10,000 yuan," and even more households receiving some 3,000 to 5,000 yuan a year. The material life of the people has been greatly improved. To renovate old houses or build new ones and to buy more high-grade commodities such as recorders and television sets have become their common desire. Many young people have begun to ride motorcycles. In Turpan, I met the children of my old friend Aizeziahong, who has already died, and they all spoke highly of the party's policies. Now they have bought a truck and a motorcycle. They also said that they wish to take a trip to Beijing, because it is the capital of our great motherland.

The minority nationality people have a profound feeling toward our party. Just after liberation, a man called Kuerban Tulumu in Hetian was so happy to be freed from oppression that he wanted to ride a donkey to Beijing to see Chairman Mao. When the party and government learned this, they sent an airplane there to get him to Beijing. I can still clearly remember the moving scene of Chairman Mao shaking hands with him. Now the peasants have also been freed from the backward economy and are getting on quite well. They are willing to go to see Beijing at their own expense. What a great change!

It is also obvious for all to see that this region has made great achievements in its industrial and communications construction. Before liberation, Xinjiang had hardly any modern industry. Most daily industrial products were imported from the Soviet Union. In Uygur language, the terms for kerosene, gasoline, cement, matches, textile, and other industrial products are all words borrowed from Russian. This shows that these words were imported at the same time as the products. They are almost the same as the "foreign oil," "foreign powder," and "foreign fire" [respectively referring to kerosene, cement, and matches] in the Chinese language.

Today, with the support of the people throughout the country, a series of modern industrial enterprises have been established in Xinjiang, including iron and steel, machinery, coal, electric power, petroleum, chemical, cement, nonferrous metals, textile, paper-making, sugar-refining, and hides processing industrial enterprises. The total industrial output value of 1983 increased by nearly 13 fold over 1955, at an average annual rate of 9.85 percent; or increased by 60.8 percent over 1978, at an average annual rate of 9.95 percent. At present, being self-sufficient, many industrial products have also been exported to other provinces and regions, and some of them have been exported to other countries and have a good reputation in the international market. This is an honor for all comrades in Xinjiang.

The achievements made on the communications front are also noticeable. Although in the past it was not as difficult to get to Xinjiang as to get to Sichuan, people felt it was a hard trip as it was so desolate, far away, and secluded and the transport was backward. In the past it would take

3 to 5 months to transport goods from China's inland areas to Xinjiang by means of camels, and this could not be done in the daytime when it was hot. It really was a hard journey. The people in Xinjiang had longed for a railway since the later period of the Qing Dynasty. However, they were disappointed because some 50 years had already passed, but even the Longhai railway had not yet been completed! After liberation, the western section of the Longhai railway was soon completed, and this was followed by the completion of the construction of the Lanzhou-Xinjiang railway later. Thus, China's first traversing communications artery was successfully built. In the mid-1960's, for the first time, a train fully loaded with all kinds of materials arrived in Urumqi after running through the vast desert and Tianshan. Now the Turpan-Korla section of the southern Xinjiang railway has already been put to use. The successful construction of railways has closely linked Xinjiang, a remote and isolated border area, with the other parts of the motherland and has initiated a change in the closed-door situation in this region. It has also provided necessary conditions for a vigorous development in various fields of Xinjiang's construction.

Besides the railways, there is a network of highways linking up all parts of the region. At present, the highways reach all counties and communes in Xinjiang. The more than 20,000 km of highways are the main communication lines in this region. There are also scheduled flights between Urumqi and various central cities in northern and southern Xinjiang as well as between Urumqi and Beijing, Shanghai, Lanzhou, and Xian. The contact between this border region and other inland provinces and regions has thus been strengthened. At present, it takes little more than 3 hours to fly from Beijing, Shanghai and other cities to Urumqi, even quicker than is described by the Chinese saying, "starting at dawn and arriving at dusk!"

The development of education and cultural undertakings in Xinjiang has also aroused wide attention among the people.

Thanks to the concern of the party and the government and the support of the people throughout the country, there were already 13 universities and colleges in this region in 1983, having some 4,274 teachers and 16,191 students, including 57 percent of minority nationality students. There are also 14,714 students studying at the regional broadcasting and television universities, sparetime universities, workers' universities, and correspondence universities--very close to the number of students studying at regular universities. In this connection, I would like to take Xinjiang University, with which I am more familiar, as an example of the profound changes in Xinjiang's higher education. Xinjiang University, which grew out of the Xinjiang College established in 1935, is now one of China's key universities. It has followed a rough and bumpy road over the past half century. When it was just established, there were only two departments and a special course in the school. In 1941, after the war of resistance against Japan broke out, owing to the efforts of a number of outstanding cadres and progressive personages sent by the CPC, the scale of this college was expanded and it became a college with five departments, three special courses, and an attached secondary school. Later it was almost destroyed by the local warlord Sheng Shicai and the KMT reactionaries. In

1946, I became chancellor of this college. I tried hard to keep it going by painstaking efforts in the following 3 years, but there were only 379 students in 1949 when Xinjiang was peacefully liberated. After liberation, the party and the government attached great importance to running this reborn college well. It then became a university. Now, it has 4,547 students, including 60.68 percent of minority nationality students, studying 22 specialties in its 11 departments, covering three fields of liberal arts, science and engineering, and law. It has 11 research offices and 1,040 teachers of various nationalities. It has been entrusted with the task of training postgraduate students studying for the master's degree. When I saw these great changes, I was greatly touched, and all sorts of feelings welled up in my mind.

There has also been a gratifying development in secondary and primary education. In 1983, Xinjiang already had 101 technical secondary schools, in which there were 24,881 students, including 58.6 percent of minority nationality students, and 10,605 secondary and primary schools, in which there were 2,828,733 students, including 44.73 percent of minority nationality students. Over the past year or so, nationality secondary and primary schools have been rapidly developed. From 1980 to 1983, the number of nationality secondary schools increased from 604 to 808, and that of nationality primary schools increased from 4,524 to 5,009. Some 291 boarding schools had been established in pastoral areas by 1983.

Xinjiang's scientific research units in various fields have developed step by step from scratch--from a few to many. Being nurtured by the party, scientific and technical cadres of all nationalities have been growing up rapidly and are playing an increasing role in the economic and cultural construction in this region. Some research fellows of various nationalities have also taken part in the state's key scientific researches and the projects to solve difficult technical problems, and many of their achievements are among the most advanced in China. In the early postliberation period, there were only 48 small-scale and roughly equipped health units in the whole of Xinjiang, but now there are already 3,229 health units in this region, having 63,113 sickbeds and 86,624 medical workers. Great importance has been attached to the traditional medical science of the Uygur nationality by the leading bodies at various levels, and nationality hospitals have been established in many localities to better serve the patients of various nationalities. A rapid development has also been achieved in broadcast and television work. Besides the television stations in Urumqi and various central cities in both northern and southern Xinjiang, which have already been established, the construction of 65 television recording and relay stations and 140 (?step) relay stations [cha zhuan tai 1567 6567 0669] was also being conducted or completed in 1983. The regional television station uses a channel to transmit Uygur programs. In other fields, such as literature and art, journalism, publication, and sports, rapid development has also been achieved.

Xinjiang's achievements on various fronts over the past 35 years are all brilliant achievements made under the party's policies on nationalities. In April 1979, after the 3d Plenary Session of the 11th CPC Central

Committee, the CPC Central Committee reiterated at a meeting the basic theory and basic policies on nationality work, which were seriously violated and distorted during the 10 years of internal disorder, and discussed nationality work in the new historical period. In his opening speech at the Second Session of the Fifth CPPCC, Comrade Deng Xiaoping expounded the socialist relations between various nationalities in our country and urged the unity of the people of all nationalities throughout the country to promote the socialist modernization drive. At the 12th CPC National Congress, Comrade Hu Yaobang further emphasized the importance of nationality work. He clearly pointed out: "Unity, equality, and common prosperity among the nationalities are of vital importance to the destiny of China as a multi-nationality country." Under the correct leadership of the CPC Central Committee and through their great efforts in the past several years, the regional CPC committee and government have set to rights things which have been thrown into disorder and have made great achievements in nationality work. For example, they have forcefully commended the advanced people and deeds in promoting the unity between nationalities and publicized the idea that neither the Han nationality nor the minority nationalities can separate from each other. As a result, in the past few years, the relations among various nationalities became the best since liberation. During my stay in Xinjiang, I could feel everywhere the joyful atmosphere of the unity and harmonious relations among various nationalities.

With the shifting of the emphasis of the party's work as a whole, the center of gravity of nationality work has also been shifted to the field of serving the socialist modernization construction. In China, due to historical reasons, the economic and cultural development in the areas inhabited by Han nationality people is generally quicker than that in nationality areas. Although Xinjiang has achieved a rapid development in the economic and cultural fields since liberation, it is still backward in these fields in comparison with other areas. Socialism requires common development and common prosperity among all nationalities. We must work hard to create conditions for gradually eliminating this inequality among nationalities. This is a historical task for our party's nationality work in the entire stage of socialist development.

In order to accelerate the economic and cultural development in nationality areas, the party and government have already adopted a series of effective measures. The state authorities have decided that Jiangsu Province and Shanghai municipality should support Xinjiang's construction in "corresponding fields." This is a fixed form of economic cooperation between Han nationality areas and minority nationality areas warmly welcomed by the people of all nationalities. Last year, before I went back to Urumqi, a meeting on economic and technical cooperation held there had just been concluded. At the meeting, in addition to the original 126 items for Xinjiang's cooperation with 6 provinces and municipalities, some 279 items for its economic and technical cooperation with 19 provinces, municipalities, and autonomous regions were further decided through negotiation, and 8 agreements on exchange of materials were also signed with 7 provinces, municipalities, and autonomous regions. According to these agreements, many engineers and technicians have come to Xinjiang over the past year to

offer their guidance in work and to spread advanced technology, and many professional cadres of various nationalities have gone from Xinjiang to various inland areas to study modern techniques and management experiences.

It can be expected that the support given by China's inland areas to the border areas "in corresponding fields" will surely enable both sides to learn from each other and promote each other and will surely bring about a more rapid development of China's economy and culture. Meanwhile, it will certainly help to raise the level of material and cultural life of the people of various minority nationalities in border areas in the course of economic development. I hope I can live longer and will be able to tour my hometown again so that I can taste the fruit of the great unity between nationalities resulting from the support from various inland areas. During the "Great Cultural Revolution," when I was shut up in a small room, I wrote some science fiction, imagining that my hometown had become as beautiful as heaven. I wrote the story to make my life in jail seem less dull and also to express my love for my hometown. That was mere imagination. However, under the leadership of the party, with the help of the people throughout the country, and through the assiduous labor of the people of all nationalities in Xinjiang, the day will come soon when imagination becomes reality! After my Xinjiang trip, I am more confident of this.

CSO: 4004/2

## BE A HEALTHY CELL OF THE BODY OF THE PARTY

Beijing RED FLAG in Chinese No 17, 1 Sep 84 pp 15-17

[Article by Zhou Chao [0719 6389]]

[Text] October the first of this year marks the 35th anniversary of the founding of the PRC. In greeting this glorious festival, like the people throughout the country, I am filled with joy. At the same time, I also think of the responsibility which a veteran party member and fighter should discharge to the party and the motherland. All communists, be they young or old, working or in retirement, must consistently be the healthy cells of the body of the party, willingly work for the cause of the party with all their hearts and might, and strive hard to add luster to the image of the party.

Like ordinary people, in the process of life, all communists have to undergo the process of being young, middle-aged, and old, but they must distinguish themselves from ordinary people in one thing, that is, that the dedication of their lives to the struggle for communism will never change and their aspirations to serve the people are unshakable till death. I joined the New Fourth Army at the age of 16 and was admitted into the party at 20 and I have worked for more than 40 years under the leadership of the party in the course of the revolution. In February 1980, I was listed in the ranks of retired veteran cadres as required by natural laws. Confronted with this turning point in my life, I was excited and found it hard to remain calm. On the one hand, realizing that organizing veteran comrades to retire showed the great concern of the party and the people for us all, I felt very much indebted and on the other hand, I was repeatedly pondering one new task, namely, how should we spend our remaining years and how should we maintain our revolutionary integrity in our later years? In my opinion, as cadres, we are justified in retiring but as party members, we must be "on the job" all our lives. When spending their remaining years, communists must always keep themselves busy, do their best, however little it may be, and fight to their last breath for the party and the people. At the age of nearly 60, although I cannot keep on working at a leading post, I am still well and so I should return what the people have given me--the practical experience gained over four decades--giving thanks to the people without the slightest reservation, and continue to serve the people and to make contributions for socialist modernization through new ways and means.

It was precisely at this time that my elder brother came from my native place to visit me. He informed me of the relatively poor medical conditions in the rural areas, and the county CPC committee also wrote a letter to me expressing the hope that I could lend a hand in homeland construction. I then made up my mind to practice medicine on a voluntary basis. In this way I could repay the kindness given to me by the motherland with my labor. I used to be in a surgical department. In order to treat common and frequently occurring diseases in the rural areas, I made the best use of my time in studying internal medicine, orthopedics, and dentistry and went to localities at my own expense to study gynecology and gather some folk prescriptions with secret and proved recipes. After making preparations for some time, equipped with medical apparatus and instruments and some medicine which I bought myself, I returned to the hometown from which I had long been absent, in October 1980. Since then I have treated nearly 6,000 patients, rescued over 30 critically ill patients, and performed more than 100 operations on patients one after another. The masses of people called me a man who "sends charcoal in snowy weather" and thanked me for my service in many ways. I asked them not to do so and told them that, as a party member and the son of the people, doing good for the people was just my duty. After I retired, I found a new post in the rural areas where I could serve the people. This has enabled me--this small cell of the body of the party--to continue to maintain revolutionary vitality. As a rural doctor, although my life in the rural areas over the last few years was more difficult than the life I once led in the home for retired cadres in the city, and my work there even harder than that in the military hospital in which I once served, I was still leading a very rich and happy life.

The line and various principles and policies of the party represent the fundamental interests of the broad masses of people, provide a basis for party members to ponder problems, and serve as standards for their conduct. To be a healthy cell of the body of the party, one must unswervingly and enthusiastically propagate the party line, principles, and policies and wage a resolute struggle against all statements and actions that infringe upon the interests of the party. Let me draw an analogy in medical terms. Like red blood cells, we must toil day and night and ceaselessly carry nutrition to the body of the party and like white blood cells, we must boldly wipe out "poisonous germs" so as to keep the party physically and mentally healthy. This is the most essential political quality which a party member should have. In this aspect there is no limitation on one's post or difference according to one's age. The more advanced one's party standing is, the more one should take the lead in maintaining unity with the CPC Central Committee.

When I returned home to practice medicine in 1980, the system of contracted responsibilities with payment linked to output was introduced in the areas where Jiangsu Province's Gaochun County and Anhui Province had a common boundary. The introduction of the responsibility system mobilized the peasants' enthusiasm, boosted production, and improved the living standards of the masses. In the face of this scene of activity, I was so excited that frequently I could not sleep at night. In order to deepen my understanding of the party policy on the rural economy and to help some cadres

and people dispel their worries about the policy, I restudied the communique of the 3d Plenary Session of the 11th CPC Central Committee and related central documents and speeches by central leading comrades and visited and conducted a serious social survey in the more than 30 production brigades in the 10 communes of the 3 counties in Jiangsu and Anhui Provinces by making use of the favorable conditions for getting in touch with the masses, conditions which resulted from my practice as a doctor. A lot of facts made me realize that--the line, principles, and policies worked out since the 3d Plenary Session of the 11th CPC Central Committee tallied with China's national condition and were a beacon leading the people in taking the broad road of happiness. Although the development of the responsibility system is not uniform at present, I firmly believe: Its brilliance will illuminate every corner of the motherland. I told the villagers what I found in my survey and encouraged them to smash the trammels of "leftist" ideology, to resolutely listen to the party, and to boldly embark on the road to prosperity. I also criticized the erroneous statements and actions that violated the four basic principles and ran counter to the party line, principles, and policies and carried out painstaking explanation work among the cadres and people who had some confused ideas about that question, so as to eliminate the influence of rumors and slanders. At that time, with good intentions, a friend tried to dissuade me, saying: The situation is complicated! It is enough for you just to see and take care of your patients. Don't attend to too many things otherwise you will invite trouble yourself. I thought: As a doctor, my job is to treat diseases but above everything else, I am a communist and therefore I should discharge my responsibility as a party member, maintain links with the masses, and do publicity work among them. If communists do not take an interest in the important affairs that have a bearing on the fundamental interests of the party and the people, can this not be considered dereliction of duty? Apart from spreading propaganda among the masses, I sent my investigation materials to the central leading comrades so that they could be used as reference by the CPC Central Committee while considering major national policies. Pretty soon, I received a letter in reply from the bureau in charge of people's letters and visits of the general office of the CPC Central Committee, which warmly encouraged and supported me. Some people asked me: At such an advanced age, what are you seeking in attending to so many matters? I said: I seek nothing but to be a qualified party member who is at one with the party.

As far as veteran comrades are concerned, to maintain their integrity in their later years and be healthy cells of the body of the party, they must, as I see it, respect and conduct themselves with dignity, encourage healthy trends, and on no account must they slacken their efforts to set high demands on themselves just because they have performed meritorious service or because they have reached old age. What a party member says and does has an impact on the image and prestige of the party. Over the last few years, the prestige of our party has been seriously impaired by the unhealthy tendencies existing in the party. In the face of this situation, we should take the lead in checking the unhealthy tendencies and clearing away the dust accumulated in the body of the party with actual deeds rather than just moaning and groaning, being indifferent, and following the winds

and waves. As for veteran party members who have been educated by the party for many years, they should shoulder greater responsibility. It is precisely out of this consideration that I have always set as strict demands on myself since I retired as I did when I was working. During the days when I practiced medicine in my hometown, I neither asked for any reward or present or special treatment nor used my position and influence in favor of my relatives and friends; stressed frugality in my daily life and spent some 900 yuan in succession on my patients; when making my rounds, I was always dressed in military uniform so as to let people know that I was a PLA veteran fighter and what I conveyed was the concern of the party for the masses of people. I have been rewarded with the most precious thing in the world--the people's sincere trust and love and esteem for the party--for what I did for the people, however little it might be. One peasant whom I treated came to thank me with some presents after he recovered his health. I persuaded him to take his presents back home. Later on, he composed a song entitled "Ode to Spring" and sang it everywhere. Of the lines of the song, two read: "The communists are working for the common people. The common people are grateful to the Communist Party." All the members of the family of an old woman who I rescued from being critically ill wanted to give a banquet in my honor. I said: As a communist, I am obliged to do good for the masses and not to profit at the expense of others, and as a PLA veteran fighter, I must take the lead in observing the Three Main Rules of Discipline and the Eight Points for Attention. From then on, all her family members worked hard in production and became better off through hard work. Every autumn they sold the best selected grain to the state to express their gratitude to the party and the PLA. I was immensely pleased with the achievements they had made. In a report I delivered to the army and the people in the capital of the country on my work and ideological progress and problems after I retired, I said: "There is no greater happiness in one's later years than that of continuing to serve the people and there is no greater joy in one's later years than that of continuing to win honor for the party." These remarks are indeed words from the bottom of my heart and are derived from my personal understanding.

A central leading comrade pointed out: As far as veteran comrades are concerned, retirement means the beginning of a new stage for them to "join the revolutionary ranks" rather than the end of their revolutionary career. In this new revolutionary stage, I have made a step forward but I still fall far short of what the party expects of me. "Knowing well that the sun is about to set, a cow forges ahead without the use of the whip." From now on, I am determined to continue to take the road pointed out by the CPC Central Committee and always be a healthy cell active in the body of the party, and when I die, I shall visit Marx with the certificate of a qualified communist.

CSO: 4004/2

## ELIMINATING THE 'PRACTICE OF BEING JEALOUS'

Beijing RED FLAG in Chinese No 17, 1 Sep 84 p 17

[Article by Li Wenyong [2621 2429 0645] in the column "Abstracts of Articles From Various Areas' Party Committee Journals"; originally published in issue No 5 of 1984 of SHIJIAN [PRACTICE] magazine--slightly amended by RED FLAG]

[Text] The practice of being jealous must be eliminated, because it hinders the growth of talents.

A saying goes: "People will shoot the bird that is in the lead," and people have a lingering fear upon hearing this. This is because birds are similar to men. That is, no matter whether birds are flying or at rest, there will always be a "hero" that will lead a flock of birds or stand sentry for their safety and happiness. But it is none other than this leading bird that will suffer the most or will even be shot. And after all it will not be killed by its own kind!

We are men, who are beyond comparison with birds to compare. We should protect and respect outstanding intellectuals. But the fact is that outstanding talents are also like leading birds because they have suffered spiritually. A man by the name of Qi Kang of the Three Kingdoms period in the history of China said: "A tree that stands tall in the forest will naturally be destroyed by the wind; a mound that protrudes from the shore will be washed away by the current; and outstanding talents will become subjects of jealousy." In the Tang Dynasty, Han Yu said: "Those who have done good works will probably be abused, and those with high morality will consequently be slandered." More than 10,000 years have passed since then, but why has the practice of being jealous not been eliminated? Things will be difficult for us as long as this practice still exists. If you spend your days doing nothing but playing poker or mahjong, no one will blame you. But when you have scored certain achievements, someone will naturally pinpoint your shortcomings and mistakes. And before you made the achievements, nobody ever criticized these shortcomings and mistakes, which were once regarded as advantages. In fact, this is a manifestation of jealousy, shown by exaggerating others' shortcomings and mistakes. It can be seen that jealousy is so powerful that it can move you to disregard your own morality in order to slander others, and even to leave no stone unturned until a person is dismissed from office.

A European saying goes: "The greatest misery for those who are jealous of others is others' happiness and their own misfortune." This saying makes me understand that those who are jealous of others' achievements have linked "others' happiness" with "their own misery." And there is another aspect to this question in our society today. In our society, others have attained their happiness through their own hard work, and not by illegal deeds, such as stealing or robbing or corrupting or bullying. Why can you not gain happiness through your hard work and wisdom? Those who like to enjoy their lives more than others but are lazy will term those who are diligent in their study and work as "fools" and ridicule them; and when others have made achievements in their work and study, they will become envious and "shift" misfortunes onto others. But by doing so, their "joys" are built on the "miseries" of others and of the state. Therefore, broadly speaking, to attack with "jealousy" those who have made achievements is in fact to attack the cause of the country, and this practice will spoil not only individuals.

In addition, if those who are jealous are just ordinary members of the masses, it will not be so fearful. It is jealous leaders and persons of distinction that are to be feared. When the masses are jealous of able and virtuous persons, they will label them as people who "ignore their work" or who "have ability but no political integrity." But when leaders and persons of distinction are jealous, they will censure them as "inexperienced" and "immature." If this unhealthy practice continues there will be no room for talents to emerge, and even if talented persons are able to come to the fore, usually they will soon be belittled.

Before the practice of being jealous can be eliminated, it is imperative for leaders and people of distinction to take the lead in "respecting the talented" and "training others to surpass themselves," to educate the masses to get rid of the unhealthy practice of "being jealous of persons of talent," to treat correctly capable persons and encourage them to make progress, and to support healthy practice in overcoming evil practice. In this way, talented persons will emerge in various sectors across the country.

CSO: 4004/2

## DIVIDING ONE INTO TWO AND THOROUGHLY NEGATING THE 'GREAT CULTURAL REVOLUTION'

Beijing RED FLAG in Chinese No 17, 1 Sep 84 pp 18-21

[Article by Zhai Sishi [5049 1835 1395]]

[Text] Thoroughly negating the "Great Cultural Revolution" is of great significance to the success of party rectification. Without thoroughly negating the "Great Cultural Revolution" the various tasks of party rectification cannot be fulfilled successfully. However, there are some people who ask: "Did the 'Great Cultural Revolution' have no advantages at all?" They hold that thoroughly negating the "Great Cultural Revolution" is not in keeping with the concept of "one dividing into two." Provided that there are other motives, this argument can only be regarded as a muddled idea.

Does thoroughly negating the "Great Cultural Revolution" really violate the concept of one dividing into two? No. If we have a correct understanding of one dividing into two, we shall not and will never draw this conclusion. As everybody knows, one dividing into two is a concise and popular exposition of the law governing contradictions, namely, the law of unity of opposites. Widely prevalent as a result of emphasis and publicity by Comrade Mao Zedong, it has become a widely used term in dialectics. However, with regard to Comrade Mao Zedong's exposition of one dividing into two, we should have an accurate and comprehensive understanding of it. Under no circumstances should we quote it out of context.

Comrade Mao Zedong mentioned one dividing into two on numerous occasions but he expounded this viewpoint quite concentratedly and elaborately in his speech at the Moscow meeting of representatives of communist and workers' parties in 1957. In this speech Comrade Mao Zedong pointed out:

"Any kind of world, and of course class society in particular, teems with contradictions. Some say that there are contradictions to be 'found' in socialist society, but I think this is the wrong way of putting it. The point is not that there are contradictions to be found, but that it teems with contradictions. There is no place where contradictions do not exist, nor is there any person who cannot be analyzed. To think that he cannot is being metaphysical. You see, an atom is a complex of unities of opposites. There is a unity of the two opposites the nucleus and the electrons. In a nucleus there is again a unity of opposites, the protons and the neutrons.

Speaking of the proton, there are protons and antiprotons, and as for the neutron, there are neutrons and antineutrons. In short, the unity of opposites is present everywhere. The concept of the unity of opposites, dialectics, must be widely propagated. I say dialectics should move from the small circle of philosophers to the broad masses of the people.... As a matter of fact, the secretaries of our party branches understand dialectics, for when they prepare reports to branch meetings, they usually write down two items in their notebooks, first the achievements, and second the shortcomings. One divides into two--this is a universal phenomenon, and this is dialectics."

From this exposition by Comrade Mao Zedong we can see that what he referred to as "one dividing into two" is contradictions, that is, the unity of opposites. Contradictions, or unities of opposites, are a common phenomenon. Therefore, one dividing into two is also a common phenomenon. Everything divides into two and there is no exception to this. Moreover, the forms of one dividing into two do not have a fixed pattern; they are varied. Undoubtedly, distinguishing between merits and demerits, as referred to by Comrade Mao Zedong, is also one dividing into two, but it is only a specific form of one dividing into two and not the only or the universal form. Also, Comrade Mao Zedong never said, on this or any other occasion, that one dividing into two refers to the distinction between merits and demerits. If we equate the distinction between merits and demerits with one dividing into two or say that one dividing into two refers to the distinction between merits and demerits, and apply it as a pattern indiscriminately, this is in violation of dialectics, and is not in keeping with the original intention of Comrade Mao Zedong. The application of one dividing into two in distinguishing between merits and demerits, between right and wrong, or between advantages and disadvantages, is not suitable for analyzing all targets. Generally speaking, it is suitable for analyzing only a person and his work, but not suitable for analyzing all persons and work. For example, the enemy can undoubtedly be analyzed using the concept of one dividing into two. We can analyze all their aspects but we should not analyze their merits and demerits. With regard to this point, in the above-mentioned speech, Comrade Mao Zedong explicitly pointed out that in this sense, "there is only one aspect to the enemy's nature, not two." Even with regard to our comrades and the revolutionary work, we do not make a distinction only between merits and demerits and between achievements and errors. In fact, the forms and aspects of analyzing a person or thing are varied, such as a person's ability and political integrity, his expertise and breadth of knowledge, his ideological development today and yesterday, and so on. One dividing into two is very rich in content; it should not be simplified. At the same time, we know that under definite conditions and in a definite scope, a shortcoming is a shortcoming and an error is an error. If we still want to find merits in a demerit and to discern something correct in an error, we are not applying the dialectics of one dividing into two but sophistry, which denies or obscures the demarcation line between one thing and another. Making a concrete analysis of concrete problems constitutes the living soul of Marxist dialectics. When the nature of a thing is different, the method of analyzing the contradictions is also different. Even the same thing can also be analyzed from different

angles or sides or using different methods. Everything depends on time, place, and condition. We should never forget this in understanding and applying the concept of one dividing into two. Once it is divorced from concrete analysis of concrete problems, one dividing into two will turn to its opposite, that is, it will turn from dialectics to metaphysics.

Historically, there were also people who regarded or summed up dialectics only as differentiating good from bad aspects. Pierre Joseph Proudhon, a French petit-bourgeois thinker, held that there are two aspects, good and bad, in every economic category, and that the good and bad aspects, together with the benefit and harm, form the inherent contradictions of every economic category. Marx repudiated Proudhon's view by pointing out: "Mechanically differentiating good from bad aspects" and "summing up the entire process of a dialectical movement as a simple comparison of the good and the bad" constitute a "lowering" and "renunciation" of dialectics. ("Selected Works of Marx and Engels," Vol 1, pp 108-112) Marx said: Contradictions are "the source of all dialectics." ("Complete Works of Marx and Engels," Vol 23, p 654) Lenin said: "There are two sides to all things in the world." ("Complete Works of Lenin," Vol 6, p 111) The "contradictions" and "two sides" referred to by Marx and Lenin do not simply mean the distinction between the good and the bad and should never be applied mechanically with a fixed pattern or formula. Some comrades hold that thoroughly negating the "Great Cultural Revolution" is not in keeping with the concept of "one dividing into two" because they have gained a one-sided and narrow understanding of one dividing into two. In their view, the concept of one dividing into two is used to distinguish between merits and demerits and between good and bad aspects. Failure to overcome this narrow view will make it impossible to have a comprehensive and correct understanding of one dividing into two and will also prevent us from thoroughly negating the "Great Cultural Revolution."

"Did the 'Great Cultural Revolution' have no advantages at all?" With regard to this question, either in light of reality or in accordance with dialectics (including one dividing into two), we must categorically reply: No, it had no advantages at all, nothing whatsoever that should be affirmed. The so-called "theory of continuing revolution under the dictatorship of the proletariat," with carrying out "all-round class struggle," "seizing political power in an all-round way," and exercising "all-round dictatorship" as its kernel, not only violated Marxism but also failed to tally with the actual situation in China. And the "Great Cultural Revolution" carried out under the guidance of this theory, including the various methods it adopted, was erroneous and its consequences were extremely serious. Politically, it confused friend with foe and undermined socialist democracy and legality, with the result that more than 100 million people were attacked, persecuted, or implicated. Economically, "stopping production to make revolution" incurred a loss of 500 billion yuan in national revenue. Ideologically, the confusing of right and wrong, honor and disgrace, truth and falsehood, and the good and the bad seriously corrupted party work style and popular morals. Culturally, it negated science, destroyed education, and trampled on civilization. In short, the "Great Cultural Revolution" was out-and-out destruction and a colossal calamity.

With regard to this destruction and calamity, if we still want to talk about its advantages and achievements, does this not reflect gross ideological confusion? The "Resolution on Certain Questions in the History of Our Party Since the Founding of the PRC" adopted by the 6th Plenary Session of the 11th CPC Central Committee pointed out: "The 'Great Cultural Revolution' did not in fact constitute a revolution or social progress in any sense," and "the 'Great Cultural Revolution,' initiated by a leader laboring under a misapprehension and capitalized on by counterrevolutionary cliques, led to domestic turmoil and brought catastrophe to the party, the state, and the whole people." Recently Comrade Deng Xiaoping also emphatically pointed out: It is hard to say on which point the "Great Cultural Revolution" was correct because we have suffered a great deal. These are historic conclusions drawn from the "Great Cultural Revolution" in a down-to-earth manner and their correctness is beyond doubt.

Thoroughly negating the "Great Cultural Revolution" means that we should not make a further distinction between right and wrong on the "Great Cultural Revolution" itself, but this does not mean that there was no distinction between right and wrong during the "Great Cultural Revolution." In fact, during the 10 years of the "Great Cultural Revolution," the struggle between right and wrong was very sharp and was carried on from beginning to end. The vast numbers of cadres, workers, peasants, and intellectuals, including the great majority of the members of the Eighth CPC Central Committee and the Political Bureau, the Standing Committee of the Political Bureau, and the Secretariat it elected, carried out acute and complex struggle against the Lin Biao and Jiang Qing counterrevolutionary cliques and resisted the erroneous theories and practice of the "Great Cultural Revolution" by various means. For example, the so-called "February adverse current," which occurred in 1967, Comrade Zhou Enlai's proposal to criticize the ultra-leftist trends of thought in 1972, the numerous measures of consolidation taken by Comrade Deng Xiaoping in 1975 while he was presiding over the routine work of the CPC Central Committee, the "5 April" movement which took place in 1976, and so on, were reflections of the correct aspect during the "Great Cultural Revolution." These ideas and acts profoundly reflected the fundamental interests and demands of the people of all nationalities throughout the country. History proves that the "Great Cultural Revolution" was the opposite of all correct things. Such being the case, we should naturally not try to find its correct aspects or advantages. This is elementary knowledge of dialectics.

We should totally and thoroughly negate the "Great Cultural Revolution" in terms of theory and practice. This is a major issue of principle about which we should never have the slightest hesitation or vacillation. However, this does not mean that we should not make a concrete analysis of specific persons or things in the course of the "Great Cultural Revolution," but lump them together. Facts show that in the course of the "Great Cultural Revolution," with the exception of the Lin Biao and Jiang Qing counterrevolutionary cliques and the "people of three categories," most of the people taking part in the "Great Cultural Revolution" were affected by the ultra-leftist trends of thought. And different persons or the same person acted differently in different periods. In the initial period some people

committed errors or evil deeds but later they were aware of their mistakes. Some people stood on the wrong side on certain matters but resisted and opposed erroneous practices on others. For this reason, the situation was very complicated. Take the two factions for example. Both of them were wrong by and large. Since they were the outcome of the "Great Cultural Revolution" and since they carried out their activities under the guidance of the so-called "theory of continuing revolution under the dictatorship of the proletariat," the struggle between them was not one of supporting or opposing the "Great Cultural Revolution." For this reason, we cannot say which was better and which was worse, which was good and which was bad, or which was right and which was wrong. Without thoroughly negating both factions we shall not be able to eradicate factionalism. However, the great majority of the people in both factions were good or relatively good. It is necessary to make a historical and concrete analysis of their ideas and behavior. Under no circumstances should we lump them together regardless of the actual conditions. Otherwise, we shall fly in the face of facts and fail to be in keeping with the concept of one dividing into two.

Thoroughly negating the "Great Cultural Revolution," which caused serious setbacks and losses to China's economy, does not mean that we did not attain any success during the "Great Cultural Revolution." In point of fact, we still attained some successes during the "Great Cultural Revolution," such as the completion of the Changjiang bridge in Nanjing, the successful experiments with hydrogen bombs, the launching of man-made satellites, and the development of industrial and agricultural production. However, these successes were not attained by the "Great Cultural Revolution" but by the vast numbers of party members and the broad masses of people in their arduous and tortuous struggle against the errors of the "Great Cultural Revolution." Obviously, if we give the credit for these successes to the "Great Cultural Revolution" and regard them as its advantages and achievements, we shall confuse one thing with another and fly in the face of facts.

Both dialectical theory and historical experience tell us that error is often the precursor of what is correct and that under certain conditions a bad thing can be turned into a good one. This is also a form of one dividing into two. But this is not another division of a bad thing into merits and demerits but a form of one dividing into two in which a bad thing is turned into a good one. Undoubtedly, this form is also applicable in analyzing the transformation of a bad thing into a good one under certain conditions. Moreover, the transformation of the "Great Cultural Revolution" from a bad thing into a good one became a reality after the 3d Plenary Session of the 11th CPC Central Committee. On numerous occasions Comrade Mao Zedong said: An error has its dual nature. On the one hand it harms the party and the people, and on the other it serves as a good teacher which educates the party and the people so well that they become more clever. The "Great Cultural Revolution," a long-standing error of overall importance, not only harmed but also educated the party and the people. It served as a teacher by negative example, which was indeed "unprecedented" in the history of our party. From the suffering it brought upon the Chinese people, we have further mastered Marxist truth and seen clearly China's orientation and path. The party's line adopted since the 3d Plenary

Session of the 11th CPC Central Committee has been formulated on the basis of summing up the experiences gained and the lessons drawn in the 30-odd years since the founding of the PRC, particularly during the "Great Cultural Revolution." The party's line, worked out since the third plenary session, is diametrically opposed to that of the "Great Cultural Revolution." It is the outcome of thoroughly negating the "Great Cultural Revolution." Without thoroughly negating the "Great Cultural Revolution" there would be no line laid down since the third plenary session. Nor would there be the dynamic and excellent situation that has emerged since the third plenary session. In the 2 years and more prior to the 3d Plenary Session of the 11th CPC Central Committee, we had smashed the "gang of four" and ended the "Great Cultural Revolution," but due to our failure to thoroughly negate the "Great Cultural Revolution," its erroneous ideas and theory had continued to undermine the cause of our party. That is to say, the "Great Cultural Revolution" was not turned from a bad thing into a good one at that time. Irrefutable facts show that it was precisely after we thoroughly negated the "Great Cultural Revolution," after the third plenary session, that it was turned from a bad thing into a good one. Here, thoroughly negating the "Great Cultural Revolution" was a decisive factor in and a prerequisite for turning a bad thing into a good one. Therefore, we can say that thoroughly negating the "Great Cultural Revolution" and resolutely affirming the party's line worked out since its third plenary session are two aspects of a thing which are mutually conditional. Without thoroughly negating the "Great Cultural Revolution" we shall not be able to resolutely affirm the party's line laid down since the third plenary session; in order to resolutely affirm the party's line laid down since the third plenary session, we should thoroughly negate the "Great Cultural Revolution." From the 3d to the 6th Plenary Sessions of the 11th CPC Central Committee, we completely rectified the "leftist" errors deviating from the right track of Mao Zedong Thought during and before the "Great Cultural Revolution," so that the party's ideological, political, and organizational lines returned once again to the right track of Mao Zedong Thought. The party's line adopted since the third plenary session is a genuine Marxist line. We must definitely understand that thoroughly negating the "Great Cultural Revolution" and resolutely implementing the line laid down since the third plenary session are things which every Communist Party member is expected to understand and to perform.

In short, one dividing into two, the scientific and comprehensively stipulated concept of one dividing into two which reflects Marxist dialectics, should not become an ideological obstacle to thoroughly negating the "Great Cultural Revolution." On the contrary, according to the revolutionary and critical nature of dialectics, one dividing into two is precisely a weapon for exposing and rectifying mistakes and not a tool for providing an explanation for mistakes. If we correctly grasp and apply one dividing into two, we are sure to draw the conclusion of thoroughly negating the "Great Cultural Revolution."

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## ON THE REORGANIZATION AND MERGER OF ENTERPRISES

Beijing RED FLAG in Chinese No 17, 1 Sep 84 pp 22-25

[Article by Wu Peilun [0702 0160 4858], Gu Jiaqi [7357 1367 7784] and Zheng Dingquan [6774 1353 6898]]

[Text]

### I

Marx said that "the level of production development of a people is most obviously reflected in the extent of the development of the division of labor among that people." ("Selected Works of Marx and Engels," Vol 1, p 25) Judging by the situation in every country throughout the world, the greater the extent of specialized division of labor and the wider the extent of coordination, the greater the development of socialized large-scale production and the more developed are the economy and culture. The extent of socialization of production in China is fairly low and despite 30 years of construction and the considerable economic development that this has brought, along with the large numbers of enterprises that have grown up, the vast majority of these enterprises have been "small but complete" and "large and complete." In view of the rather weak industrial base that used to exist in China, this situation was rather difficult to avoid, but if we continue to remain at this level, it will not be possible to meet the demands of the four modernizations. As a result, we must earnestly organize the reorganization and merger of enterprises and develop specialized production and coordination, thereby solving the problems of irrationality in the organizational structure of enterprises.

Over recent years, in some cities in China the economy has developed very quickly and after assessing their experiences one very important thing which emerges is the reorganization of their industries according to the principle of specialized coordination and the organization of economic mergers. Back in the early 1960's, the city of Changzhou concentrated on developing certain outstanding brand-name products and it organized large-scale coordination while over the last few years the city has also developed diversified forms of economic combines, constantly improving the organizational structure of the various combines involved. As a result, industrial production in the city has continued to develop very quickly while technological levels have constantly improved and economic results have visibly improved. In the 34 years since the founding of new China the gross

industrial output value of this city has increased 11.4 percent every year while the profits and taxes paid to the state have been 7.95 times the state budget allocations for the same period. Beginning in 1979, the city of Shashi began to link together industrial readjustments and reorganization and mergers of enterprises and as a result set up four separate batches of 13 industrial companies and general factories as well as developing one batch of very marketable "first" products. As a result production has developed very fast. As a result of reorganization and merger, the Electric Industrial Company in Dandong has meant that the products of several factories have changed from being large in numbers and diversified to being small in numbers and more specialized and to being specialized and of precision quality. This has produced very good economic results and from 1979 to 1983, the entire company saw its gross industrial output value increase 24.8 percent every year while its real profits grew an annual 26.4 percent, while the costs of comparable products dropped 11 percent every year.

In order to lay down good foundations for economic prosperity, it is necessary to get to grips with key construction so as to ensure that capital construction remains on a set scale. In addition it is necessary to promote technological reforms in existing enterprises. At the same time, we must also organize the reorganization and merger of existing enterprises. By doing things this way, investments will be small and results fast, while profits will be large. This represents an important method of developing intensional expanded reproduction. For example, the Shashi Measuring Instruments Industrial Company carried out reorganization and mergers on four small factories so as to manufacture civilian electric meters. Within only 4 years, output increased from 30,000 to 600,000 pieces. State investments totaled 300,000 yuan while bank loans totaled another 950,000 yuan and by the end of last year all the loans had been entirely repaid while tax profits of some 2.8 million yuan were paid. To construct a new factory of the same scale to produce electric meters would involve investments of some 3.5 million yuan. Technological reforms to existing enterprises should also be carried out on the basis of a fairly rational organizational structure if any real results are desired. If one ignores whether or not an entire economic structure is rational, if one does not implement suitable readjustments, reorganizations, and mergers on irrational economic structures and enterprises, and if one only gets to grips with improvements and filling up the gaps in one single enterprise, in a very isolated way, adding flour when there is too much water, and water when there is too much flour, then it is possible that the situation of "small but complete" and "large and complete" may be exacerbated, thereby creating new repetition in construction.

Some comrades believe that while the reorganization and merger of enterprises is important, it is limited by the shortcomings of the present system, such as departmental and regional divisions, a lack of unity between the administration and enterprises, eating "from the same big pot" and so on and thus, at present it is very hard to carry out such reorganization and mergers. However this is not the case. Judging from the past, some cities have carried out reorganization and merger of their enterprises despite the fact that they had not completed reforms to the economic system,

and what is more they have obtained very good results. Since the establishment of joint state-private ownership of industrial enterprises in Shanghai in 1956, the city has carried out four major reorganizations before arriving at today's complete production coordination network, rational organization structure of enterprises, high levels of production technology, and good economic results. Conditions today are much better than at any time during the past and socialist modernized construction urgently demands that the organizational structure of enterprises be readjusted. Hence we cannot wait for all other reforms to be completed before launching this item of work, rather we should mutually promote this work with other reforms so that they are implemented simultaneously. The development of socialized large-scale reproduction and production technology is totally unlimited while reorganization and merger of enterprises and a rationalization of organizational structure cannot be completed in one go, but will constantly develop in line with the development of production socialization.

## II

How should reorganization and merger of enterprises be carried out? Judging from China's experiences over the past few years the important thing to do is to focus on cities and to organize things on the basis of intensional mergers within economic development.

Comrade Zhao Ziyang once said that: "The divisions between the urban and rural areas in present economic life, interdepartmental and interregional divisions, repetitious production, and blocks in circulation" "must be solved and to do this we should first of all pay attention to making use of the role of professions and different industries. We should also pay attention to making use of the role of cities and in particular we should pay attention to making use of the role of large and medium-sized cities in the organization of the economy." ("Report on the Sixth 5-Year Plan") Practice has proved that this is the correct way of doing things.

Central towns as the political, economic, and cultural centers of the entire country, a province, or a region, have amassed a large proportion of the available industry, science and technology, and cultural and educational undertakings and they have a high degree of production socialization and close links with surrounding regions and other towns and cities. The industrial products which they manufacture are not generally specifically aimed at satisfying the demands of that city or surrounding region, rather they are mainly aimed at outside markets, in other words at satisfying the demands of society in its entirety. This is where the cities differ from regions. Most industrial development in regions is aimed at the need of that region. As a result, reorganization and merger of enterprises should fully exploit the role of central towns and cities. Crosswise economic mergers and links between cities and villages and other regions should be strengthened, while interregional, interbusiness, and intercity economic mergers and coordination should also be developed so as to improve socio-economic results.

On the basis of the experiences of some cities, the implementation of enterprise reorganization and merger centered around cities can usually be divided into three major types of situation. The first is the organization of transbusiness and transdepartmental reorganization and merger of enterprises. Cities are regions of industrial centralization. By using the necessary powers, the conditions for the organization of transbusiness and transdepartmental reorganization and merger of enterprises, according to the intensional links of production development and objective demands, become very beneficial. This includes specialized production and coordination focused around the product types, joint production, the central aims of which are to make full use of natural resources, specialization in such areas as smelting, forging, heat treatment, electroplating, and so on, as well as socialization of equipment repair, production services, and so on. The second type is centered around cities and the development of urban mergers so as to promote the development of urban and rural economic coordination. Considerable experiences of this kind have already been gained in some cities practicing urban leadership of the county. The third type is to give full expression to the economic and scientific and technological superiority of central cities and, on the basis of mutual help and benefit and coordination in all areas of economic interest, to break down regional barriers and organize coordination and mergers so as to exploit advantages and play down weaknesses in such areas as natural resources, technology, funds, commodities, and talented personnel. The industries and enterprises merger around the cities and regions will then develop together.

At present, transbusiness and transdepartmental reorganization and mergers can not only be found in such examples as the Shanghai Gaoqiao Fossil General Company, the Nanjing Jinling Petrochemicals Company, and the Shanghai Light Industrial Machine Industry Company, but in addition, a series of industrial and commercial mergers, industrial and trade mergers, industrial and agricultural mergers, and industrial, agricultural, and trade mergers, and many other diversified forms of economic combines have also developed. In such examples as the Qingdao Textile Products Company, the Shanghai Thread Company, and the Jinan Food Production and Marketing Company, industrial and commercial mergers have been implemented so that marketing will stimulate production and this has produced prosperity in both production and marketing. The Chongqing Changjiang Agricultural, Industrial, Commercial Combine and the Tianjin Bohai Agricultural, Industrial, Commercial Combine have absorbed many production brigades and specialized households thus taking advantage of both industry and agriculture and constantly improving economic results. In Beijing, Tianjin, Shanghai, Jinan, Wuxi, Harbin and other cities--in all 41--there has been specialization in the urban machine industries in such areas as forging, smelting, electroplating, and heat treatment and in the cases of some production areas where consumption was high, pollution serious, and technological levels low, production was stopped or shifted to another direction. These transbusiness and transdepartmental crosswise economic mergers have created conditions for these cities to organize production and circulation in a unified way according to the demands of socialized large-scale production.

There has also been considerable development in transregional economic mergers and coordination. Shanghai and Tianjin and other major cities are carrying out economic mergers and technological coordination with a total of 20 provinces, cities, and autonomous regions throughout the country, thereby passing on scientific and technological results and establishing a series of long-term and very stable coordination links. This kind of transregional economic merger and coordination allows for crosswise economic links and breaks down regional and departmental divisions while at the same time replenishing the shortcomings of the existing unitary crosswise planned management system and channels of circulation. Thus it effectively provides support for technological and economic development in neighboring provinces and cities.

### III

In order to ensure that reorganization and mergers of enterprise are carried out successfully, the following few problems have to be solved:

1. It is necessary to select a management direction and guarantee that products are marketable, thereby avoiding blind development.

Economic mergers centered around products must focus on "fist" products with a definite vitality in them, so that specialized production and economic mergers may be organized. Some regions and enterprises have already amassed considerable good experience in this area. For example over the last few years, the Dalian Refrigerator Factory has carried out Research and investigations and as a result it has readjusted its product structure in line with the demands of the market. Thus in the past it only produced eight different types of large-scale freezing equipment while today it has shifted to a smaller scale with more diversity and more sets of equipment. Thus it has developed 33 new product varieties and 3 of these have won state, ministry, provincial and city awards for outstanding quality. They are distributing 300 different types of spare parts for production in 31 enterprises and they have established a loose style of economic combine. Not only has this factory itself developed enormously, it has also brought with it mutual development for a large number of other factories. Once a "fist" product has been selected and competitive ability has increased, specialized production and reorganization and mergers can then develop. If a product is not good enough and cannot survive on the market, and even though specialization has been organized, there will be no superiority and the enterprise merger cannot be sustained. Some regions ignore market supply and demand as well as product quality, and although they have set up large batches of enterprises and established many coordination networks between factories, the lack of competitiveness in their products results in bad sales and they are thus unable to gain good economic results. As a result the selection of a management direction is the key to the development of economic mergers. With accurate management policies and a good direction for one's products, one can exploit the superiority of the merger and achieve good economic results.

2. The gradual realization of a rational distribution of work between government administration and enterprise management represents an important condition for the implementation of enterprise reorganization and mergers according to objective laws.

At present, one major problem that is being encountered in the reorganization and merger of enterprises is the outstanding conflict between different regions and departments. For example, in many large and medium-sized cities, industry is very concentrated and technological forces are strong. However, many enterprises are concentrated in the hands of the central authorities or the provinces and are thus cut off from each other, each one fighting for itself and thus the cities are powerless to organize production in accordance with the principles of economic rationale. So, their advantages and superiority "can be seen but can't be got at." It is not enough to try and solve this problem of conflicts between regions and departments by simply talking about shifts in power. The fundamental solution is to implement a division of work between government administration and enterprise management. On the one hand we must speed up the steps involved in the substitution of taxes for the delivery of profits and the state must implement the system of tax revenue for enterprises so that the enterprises are freed in terms of economic results from a region or department and are gradually freed from their administrative subordination. On the other hand, we should further expand enterprise autonomy. The tasks of all levels of administrative and management departments are to research principles and policies and strengthen macroscopic guidance, draw up unified plans and plan, coordinate, provide services for, and oversee the production and economic activities of the enterprises. On the premise of guaranteeing completion of the state's mandatory planning, the enterprises themselves should be responsible for day-to-day production and management activities and policies. Only in this way can the enterprises have the conditions to free themselves from the contradictions between regions and departments and, on the basis of the demands of production and circulation, carry out reorganization and mergers.

The division between government administration and enterprise management must ensure that administrative-type companies gradually become enterprise-type companies and it must also ensure that the relationship between companies and factories is well handled. Over recent years the provinces, cities, and departments have established large numbers of companies. During the reforms to all levels of bodies and organizations many administrative offices, sections and bureaus were changed into companies. These companies are mostly administrative-type companies and rely simply on administrative means to manage the economy, but do not accept economic responsibility and lack necessary economic strength and are thus unable to solve many real problems in factories. And yet they reap management fees from the factories as well as indiscriminately creaming off manpower, expanding their authorized strength and increasing burdens for enterprises. This kind of set-up is not good and enterprise-type companies should be set up. Enterprise-type companies are independent economic units carrying out economic accounting and independently running their own production and management activities and they carry an economic responsibility toward the

state and the factories subordinate to them. They focus on improving economic results and they organize production according to the principles of specialized coordination. In terms of management methods they should concentrate on economic means and link up closely in terms of economic results with the factories subordinate to them.

Do all enterprise-type companies or economic bodies practice the "unification of the six," namely manpower, finances, materials, production, supply, and marketing? This is a question worth studying. Practice has proved that if actual demand is not taken into account and one simply strives blindly for the unification of the six, then results are often not very good. The organizational style of a company should start out from reality and many diversified forms should be implemented depending on the different situations relating to each individual company. It is inadvisable to demand "uniformity." Monopoly organization in the process of capitalist development takes several different forms such as the cartel, syndicate, trust, and konzern. We should not set up a unitary model. At the same time, reorganization and mergers in enterprises need not always involve the organization of companies. Economic combines can be very closely knit (with the establishment of a company and a general company) but they can also be loose (with the establishment of various different kinds of combines). In addition, economic contracts and agreements alone can be used to establish coordinated relations.

We believe that the existing administrative-type companies must change and our initial ideas reveal the following few ways of change: One is that they develop as economic bodies and that they actively create conditions so that they can gradually make the transition to becoming enterprise-type companies. Second, they may change into administrative associations or other organizations which serve enterprises, thus helping administrative departments to carry out planning, propose principles, policies, and new ideas, and providing enterprises with economic information and carrying out information services such as management diagnosis for enterprises and feasibility analyses for production and technological development. Third, some of those which today still have to retain administrative means of management can continue to do so for a while or simply return to being administrative bodies. Fourth, the administrative-type companies should be wiped out completely if their organization and construction is irrational, if there are no inter-enterprise intensional economic links, if their economic results are poor, and if they merely increase burdens for enterprises. The success in running a company can be measured according to four conditions: 1) Whether or not it increases economic results. 2) Whether or not it promotes a rationalization of the organizational structure of the enterprises. 3) Whether or not it is effective in overcoming the malpractice of "eating from the same big pot." 4) Whether or not it is able to gradually make the transition to economic bodies with a rational division between government administration and enterprise management. Those companies which do not meet these requirements should work hard toward doing so.

3. Actively promote technological progress and improve the standard of reorganization and mergers.

At present, scientific and technological progress in all countries of the world is very fast and in some economically advanced countries there has been astounding development in microelectronics and laser technology. The application of this new technology in production will bring with it enormously fast developments in production. In view of this new trend of technological development we must keep our heads up and move forward. When we organize reorganization and mergers for enterprises we cannot simply carry out a division of labor and the necessary reorganization of traditional production technology and traditional industries, thereby simply increasing output and expanding the production capacity of old products. Rather, we should work hard to import advanced technology from advanced work units, advanced regions, and from other countries and, while constantly improving technological standards, and making use of advanced technology, we should arrange new reorganizations and mergers aimed at technological progress. We must propose and organize scientific research and production combines and support and encourage combines suggested or organized by and made up of scientists and technologists or scientific research units. These will thus become the forerunners of the new technological industrial companies. Mergers involving scientific research and production may also lead to new reforms to the organizational structure of enterprises and their management methods and styles. In conclusion then, reorganization and mergers of enterprises should constantly come up to the new demands of the development of the productive forces and should not simply remain at original levels.

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## REFORM OF THE WHOLESALE MARKET AND THE SPHERE OF CIRCULATION OF AGRICULTURAL AND SIDELINE PRODUCTS

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[Article by Diao Xinshen [0431 2450 3947]]

[Text] Over the last year or two, a series of new-type stations for the distribution, exchange, and trading of agricultural and sideline products has appeared in some large and medium-sized cities. These include wholesale markets, trade centers, trading stations, trade warehouses, and so on. Though they are organized in different ways and have different trading methods, their basic characteristics are largely similar, and they can therefore all be included under the name "wholesale markets for agricultural and sideline products." In such wholesale markets, the various commercial organizations in the production area (including transportation organizations run by individual peasants or groups, commune production team commercial organizations, grassroots village supply and marketing cooperatives, specialized county companies, and so on), the producers, and commercial organizations from the marketing areas (including state- or collective-run retail shops and small stalls) carry out direct trading, forming a circulation network for agricultural and sideline products with this sort of wholesale market as the central axis. This new form of circulation has fewer links, lively trading, easy circulation, and good results, and provides valuable experience for the overall reform in the sphere of circulation.

### 1. The Process of Formation of Wholesale Markets

On the whole, the new wholesale markets for agricultural and sideline products have been formed and developed in two ways.

The first involves the evolution from urban agricultural trading stations. Following the 3d Plenary Session of the 11th CPC Central Committee, at the same time as the production responsibility system was introduced into the countryside, rural markets and urban agricultural trading markets were developed, allowing the peasants to freely handle the produce and household sideline products they had left over after fulfilling the state tasks. With the development of the diversification of the agricultural economy and the readjustment of purchasing and sales policies and market management

policies, the broad masses of peasants were able to sell freely more and more of their products. Under these conditions, it was no longer possible for products to be sold entirely by their producers, with the result that some peasants left production and instead devoted themselves entirely to transporting and selling goods. On the one hand they bought large quantities of goods in the rural market, and on the other hand sold large quantities in the urban markets. With the appearance of these peasants who specialized in the buying and selling of commodities, the role of rural and urban markets changed. Some rural markets were transformed from places in which peasants made up for the goods that they lacked and sold those of which they had a surplus, to elementary collection and distribution markets, while some urban agricultural trading stations were transformed from retail markets for consumer goods for urban residents to marketing-area collection and distribution markets, and wholesale markets were formed from this. Through these wholesale markets, the various commercial organizations and individuals from the producing areas would transport large quantities of agricultural products into the towns to be sold, and these goods would be circulated to all corners of the towns through small commercial traders and retail outlets. Those products which could not be absorbed by the town in question would then circulate out again, to be absorbed by other towns. Take the Five Stones Market in Chengdu for example, its position close by the train station makes transport convenient, and beginning in late 1981, it gradually began to change into a wholesale market; to date, 80 percent of its trade is wholesale trade. Products come from over 10 provinces, including Jiangsu and Zhejiang, and from over 40 counties in 10 districts in these provinces; some of the products coming into the market are absorbed by the city itself, while some circulate out to other districts and counties in Sichuan and to over 10 other provinces, including Hebei and Henan.

The other way involves state-run commerce and supply and marketing cooperatives, whose specialized companies run trade centers and trading stations. With the reduction in the number of goods which are subject to planned transfer and state purchasing, and the increase in the number of third-category and second-category goods which are subject to negotiated purchase and marketing, the state-run commercial organizations and supply and marketing cooperatives have been forced to take on new duties. In order to adapt to the new situation, some specialized companies in the marketing areas have begun to set up trade centers and trading stations for agricultural and sideline products; they either provide a forum for direct trading between commercial organizations in the producing and selling areas, or they form a bridge, acting as a middle man for trade between the two sides. The appearance of this sort of trading station has partially changed the function of urban specialized companies; they no longer constitute merely direct managers of commodities, but instead become the organizers of trading activities. The Zhengzhou City Fruit Company is a specialized marketing-zone company involved mainly in supplying the city; in the past, its source of goods was county companies, and after receiving the goods from them it would distribute them to the various retail outlets in the city. Though there were three fruit trading stations, due to the fact that most fruits are second-category products, and those which are third-category

commodities are treated like second-category products, the sphere of management was extremely narrow, and the quantity of goods handled very small. Following the 3d Plenary Session of the 11th CPC Central Committee, the three trading stations grew to five, the quantity of trade increased tremendously, and from 1982, the quantity of business done by the trading stations began to exceed the amount of wholesale business done by the specialized company, such that by 1983, the amount of fruit trade conducted by the trading stations amounted to 78.6 percent of the total trade conducted by the specialized company.

## 2. The Functions and Characteristics of Wholesale Markets

From the mid-1950's, there was formed in China a circulation system for agricultural and sideline goods whose basic characteristics consisted of unified purchasing and marketing and monolithic management. It was a form adopted under conditions in which demand exceeded supply, and allowed the state to gather and distribute commodities through state-run commerce. With the introduction of the agricultural production responsibility system and the development of rural commodity production, the problems involved in this commercial system began to show up. The appearance of the new-type wholesale markets for agricultural and sideline products and the formation of circulation networks with these markets as the axis has overcome the main problems of the previous system.

First, from the point of view of the channel structure. In a distribution-type circulation system, in order to achieve the nation's aim of gathering and distributing agricultural and sideline products, it is vital that the channels are monoliner. This monoliner setup is manifested not only in the monolithic management of state-run commerce, but in the vertical movement with state-run commerce. The circulation channel does not fork into different channels, and cannot form into networks. The result of this is bound to be that the channel is too narrow, which affects the economic results of circulation, since it easily gets blocked up if commodities become more plentiful.

During the initial stages of the reform, some areas were first allowed to develop markets, such that many different organizations could conduct commerce, thereby breaking away from monolithic management. In this way, several new channels appeared in addition to the existing channel. The greatest feature of these new channels was that they contained few links, such that many of them involved first-hand trade (producer-consumer) or second-hand trade (producer-commercial organization or individual-consumer), which overcame the problem of state-run commercial channels being too long. But these channels were basically coexistent and did not form a network, so that there was still the problem of channels being too narrow. The appearance of wholesale markets created the conditions for overcoming this problem. In wholesale markets, a large number of buyers and sellers are gathered together; a single buyer comes into contact with many sellers, and vice versa, such that the trading scope of people is expanded, and of course this means that the scope of commodity circulation is also expanded, along with the quantity of goods circulated. Goods coming into the wholesale

market from area A can not only be circulated to areas B or C, but can be circulated simultaneously to areas B, C, and many others. Channels are thus widened, and consequently circulation is smoother; we can get a rough idea of this from the amount of goods brought into the market and sold by any one manager, and from the daily trading figures for the market. Looking at the 10 or so wholesale markets we surveyed in Chengdu, Chongqing, Zhengzhou and other places, the vast majority of the vehicles used by vendors to transport their goods to the markets were cars and trains, while the quantity of goods thus transported was at the least 4 or 5 tons, and at the most several dozen tons. During the 62 days from December 1983 to January this year, the number of vehicles entering the Five Stones Market in Chengdu in the evenings after 9 pm amounted to 408, carrying over 1.04 million jin of goods. The Shuangxiangzi Wholesale Market in the Shapingbei district of Chongqing is a street market with only 90 stalls, but in 1983 it handled over 12 million jin of fruit, as much as one-third of the total volume of fruit handled by the city fruit company, and one-sixth of the total amount of fruit in the whole city. At the height of the melon season, 200,000 jin of melons were being handled a day. Chengdu's Hongqi Road Wholesale Market handled nearly 10 million tons of preserved foods alone in 1983, while in the month of December alone 50,000 people visited the market; 130 different commodities were sold there, of which sales of four of them together, preserved foods, eggs, aquatic products, and rice noodles, amounted to 1,066,000 yuan. By now, almost all of the chickens, ducks, rabbits and preserved foods needed by the city's more than 100 restaurants and canteens and some of its office and mine and factory canteens are supplied by this market.

Second, from the point of view of the form in which circulation is organized. In the past, state-run commerce was largely organized according to administrative districts and levels, such that not only were the organs of the various regions all over the country arranged in largely the same way, but the economic management organization at each level followed more or less the same pattern, without any great change for over 30 years. This uniform organization of circulation created a monolithic type of economic management and a certain narrowness in the sphere of economic management, making it difficult to adapt to the vastly different needs of different areas which had developed in an unbalanced way, and to the situation of large quantities and varieties of agricultural and sideline products; today, especially, when agricultural diversification has seen such huge developments, this lack of adaptability is increasingly obvious.

The appearance of wholesale markets broke through this long-existing stagnation in commercial organization, providing commercial organizations with different characteristics and functions with a forum for contact and trade, and both maintaining the wholesale link vital to large-scale commodity exchange, and overcoming the past problem of rigid exchange relations and stagnant management methods. At a wholesale market, vendors include long-distance truckers from many miles away, peasants engaged in both agriculture and commerce along with their transport organizations, and state-run and collective commercial units. Buyers, meanwhile, include relatively official state-run shops, small-scale cooperative shops consisting of 10 or more

people, and individual retailers. Management methods include purchasing from house to house in the villages and towns; purchasing in bulk from the markets; purchasing and selling as agents; and buying and selling in distant places. Here, differences in ownership system and management forms do not create splits between those involved, but instead produce mutual reliance with each supplementing the other. In a vast country like China, whose economic development is so unbalanced, there is a need for the simultaneous existence of various commercial organizations adapted to different economic levels. Meanwhile if we are to link up these vastly different commercial organizations with each other, we are bound to need a forum in which they can make contact with each other--the wholesale market. In a wholesale market in Chongqing, we saw how bananas from Xishuangbanna in Yunnan were carried on horseback by our brother nationalities through the primeval forests, purchased by individual truckers and transported over 1,700 kilometers to the city wholesale market, after which they were handled by retail shops and small stallholders and thus came into the hands of consumers. Imagine, without this commercial organization of many channels, and without a wholesale market to bring them all together, how could bananas growing in the dense forests of Xishuangbanna turn into commodities? Marx asserted that in the process of capitalist development, commerce brings a large amount of natural economic commodities into circulation, and thereby plays an active role in promoting the development of the commodity economy. Today, China's countryside is going through a process of transformation from a self-sufficient and semi-self-sufficient economy to larger scale commodity production, and so is in similar need of developing various forms of commercial organizations with Chinese characteristics.

Third, from the point of view of the relationship between circulation organizations. The problems inherent in the commercial system over the last 30 years or so lie not only in the fact that commercial organizations are organized according to administrative districts, but in the fact that between the commercial organizations there has formed a sort of jurisdictional, vertical, administrative relationship. The commodities purchased by grassroots supply and marketing cooperatives must be handed over to county companies, which then transfer them to city companies; the commodities sold by retail enterprises, meanwhile, must be distributed in a unified manner by city companies. This increases the links and hindrances in circulation, increases the circulation time, and exacerbates the difficulties of circulation.

With the readjustment in purchasing and sales policies over the past few years, and the consequent decrease in the number of commodities subject to unified and monopoly state purchase, the administrative relations between state-run commercial organizations are beginning to weaken. The appearance of wholesale markets has further promoted the development of equal economic relations between commercial organizations. State-run commercial organizations which have entered the market no longer have fixed commodity transfer relations or distribution relations as in the past, but instead enter the market as sellers or buyers of commodities, selecting their trade targets according to their own needs. They are of equal status as nonstate-run commercial organizations. Here, the various commercial

organizations act on their own needs, and set up all sorts of economic relations, like buying and selling, agency purchasing and selling, acting as bridges for trade, and so on. The creation and strengthening of these economic relations not only greatly reduces the links in circulation, and greatly increases speed, but also forces a transformation of the economic forms and practices of state-run commercial organizations, because the other commercial organizations surrounding them which exist on an equal basis with them threaten their existence if they carry on with the old outdated practices. The pressure of competition therefore pushes the state-run commercial organizations onto the road of reform.

### 3. Wholesale Markets and the Next Step of Circulation Reform

During the early 1950's, under conditions in which agricultural and sideline products were scarce in terms of both quantity and variety, in order to ensure that the basic needs of the urban population were fulfilled and industrial raw materials were supplied, we had no choice but to rely mainly on a series of administrative measures to organize circulation. This form of circulation had a highly mandatory nature; it lacked flexibility and dynamism, and its function in promoting production was relatively limited, and under many conditions it repressed the growth of production. Following the 3d Plenary Session of the 11th CPC Central Committee, the agricultural production responsibility system led to great development in rural commodity production, and the problems in this circulation system became more and more obvious. On the one hand, the great quantity and variety of agricultural and sideline products made it impossible for all of them to be handled by the state; while on the other hand, the singularity, narrowness and administrative rigidity of the state-run commercial circulation channels created great difficulties in the transferral of products from the production to the consumption spheres. Some products were difficult to sell while others were difficult to buy, some were difficult to both sell and buy, and so on; these were the concrete reflections of this contradiction. Under these conditions, hastening the reform of the circulation system becomes the logical thing to do.

The basic requirement in the present circulation reform consists of respecting the objective laws of commodity circulation, and creating objective conditions for the smooth realization of commodities. The appearance of wholesale markets fits in with this requirement, and points the way for the direction of the reform.

In commodity circulation, price is an important condition in promoting commodity movement, in that producers decide how much of a certain commodity to put onto the market on the basis of a comparison between the commodity price and production costs; managers decide upon the quantity and direction of the products they handle according to a comparison between the buying and selling prices of each commodity; while the consumer decides on the amount of a commodity he will buy according to a comparison between the price of that commodity and his own income. Since the production costs can change constantly with changing production conditions, while the demand among consumers based on spending power also changes constantly, prices must also

change constantly. Only in this way can prices function as regulators between demand and supply in the process of transferring commodities from production to consumption. For a long time now, we have not taken this important function of prices seriously enough, and have relied solely on administrative measures to maintain low prices for agricultural and sideline products, with the result that both producers and consumers have been suppressed, and the balance between supply and demand has only been maintained at a low level. Wholesale markets, conversely, rely not on artificial controls to maintain price stability, but promote commodity movement through price fluctuations, while commodity movement in turn promotes price stability; it relies not on compulsory administrative-type monopoly and unified purchasing, and fixed supplies, to achieve balance between supply and demand, but uses the function of price and the movement of commodities to regulate supply and demand.

Ours is a vast country with huge differences between different areas in terms of economic development, income levels, and consumption levels. The price differences between regions, producing and marketing areas, and seasons, represents a motivating force for the movement of commodities between the various regions. At the Chongqing Wholesale Market, we saw sugarcane from Guangxi, bananas from Yunnan, potatoes from Shanxi, pears from Hebei.... Some commodities had come from far off regions with low consumption levels to big cities with high consumption levels, while some commodities had come from production areas where output was high to areas with low output. The function of prices means that the movement of large quantities of commodities from low-price to high-price regions on the one hand stops commodity prices in low-price areas from falling sharply, allowing the maintenance and development of production; and on the other hand, it stops commodity prices in high-price areas from rising, and further expands the demand for commodities. Therefore, this commodity circulation acted upon by prices ultimately leads to a decrease in price differentials, stability in the market, and a balance between supply and demand in which both production and consumption increase. This point has now been proved by the changes in the Guangdong market over the past few years, and by the fact that in the wholesale markets of Chengdu, Chongqing, and Zhengzhou, seasonal and regional differences are constantly decreasing.

The creation of a new circulation system with wholesale markets as its axis is not only necessary but possible. This possibility can be seen in the fact that it is suited to the economic level, particularly that of agricultural development, in China at the present stage. Under the influence of various natural conditions, the quantity, variety, quality, and specifications of agricultural and sideline products will often experience fluctuations in different areas, different production units, and different production times in the same production unit. This, added to the backwardness of China's existing transport and communications equipment, information circulation and so on, means that it is no longer possible to correctly predict supply and demand on a nationwide scale, as has already been proved in practice. This means that there is an objective demand for us to provide a forum for collection, distribution, and trade and most agricultural and sideline products; through the relations between many traders,

market information will be spread, we will come to understand the supply situation in all the various areas, and hence buyers will be able to find sellers and vice versa; commodities will then begin constantly to circulate from production to marketing areas and from producers to consumers in line with objective requirements. Wholesale markets are able to fulfill this role; the more advanced they become, and the wider their network of contacts, the greater this role will be. Therefore, we should see the establishment and development of wholesale markets as an important task in the reform of the circulation system, and grasp it as such.

As yet, wholesale markets are still playing a limited role in the circulation of agricultural and sideline products, the main reasons for which being the fact that not only is the wholesale market imperfect itself, but state-run commerce is not yet involved in it on a large scale. As long as the existing commercial setup, and the management methods for commodities and prices, remain basically unreformed, state-run commerce can continue to grasp commodities through monopoly and unified purchasing, and there is no need for it to subject itself to the external pressure of wholesale markets; and until commercial enterprises become genuinely independent commercial managers, they will not have the inner motivation for survival and development existing in competitive situations. The present reform of state-run commerce should start with these two aspects so that on the one hand it gradually diminishes the quantity and variety of products subject to unified or monopoly state purchase; and on the other hand it expands the autonomy of commercial enterprises, strengthens their economic relations, weakens their administrative ties, and puts them in the position of being independent parts of the circulation system, with commensurate rights and interests. Under these conditions, state-run commerce would be able to use the backing of its strong economic force built up over many years to involve itself in a big way in all the various economic activities of the wholesale markets, establishing its dominant position in the whole market through competition. During this process, wholesale markets may very possibly become a major form in the circulation of agricultural and sideline products.

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QUICKEN THE PACE OF URBAN ECONOMIC REFORM--STUDYING PREMIER ZHAO ZIYANG'S  
'REPORT ON THE WORK OF THE GOVERNMENT' DELIVERED AT THE SECOND SESSION OF  
THE SIXTH NPC

Beijing RED FLAG in Chinese No 17, 1 Sep 84 pp 31-35

[Article by Zheng Hongqing [6774 3163 1987]]

[Text] Fully Recognize the Necessity and Urgency of Quickening Reform in  
the Cities

In the "Report on the Work of the Government" Zhao Ziyang pointed out:  
"Reform in the cities should be quickened." This is a demand required in  
order to suit the new conditions of overall national economic development.  
We must further raise our understanding, emancipate our minds, be brave in  
carrying things out, and push urban economic reform ahead more quickly.

The need to quicken the pace of reform in the cities is primarily deter-  
mined by the position of the cities in the national economy and the present  
condition of their economic systems.

Nearly all modern cities have the advantageous conditions of centralized  
industry and commerce, abundant funds, convenient transportation, quick  
access to information, well-developed science, technology, and education  
and so on. They are the political, economic, and cultural centers of par-  
ticular areas and play a guiding role in the development of the overall  
national economy. There are now 289 large, medium-size, and small cities  
in our country. According to the statistics from 266 of these cities at  
the end of 1983, the fixed assets of industrial enterprises owned by the  
whole people or by collectives and which practice independent accounting,  
constitute 77 percent of national industrial fixed assets. Their staffs  
constituted 80 percent of the national total and the value of their indus-  
trial output was 85 percent of the national industrial output value. The  
taxes and profits they actually handed over to the state constituted 88  
percent of the financial revenue of the state. This clearly shows that  
cities are a major prop in our development of the productive forces, and  
are a strong base in the march toward the four modernizations. However,  
the current urban economic systems are not rational and management is over-  
centralized. In distribution, all eat from "the big pot" and the malady of  
divisions between departments and localities is extremely serious.

Consequently, the enthusiasm of the enterprises and the vast number of workers has been stifled, the development of industry, commerce, and other enterprises lacks sufficient power and vitality, and the advantages and roles of the cities cannot be successfully brought into play. Only by hastening reform and smoothing economic relations in various fields can we further liberate the productive forces, and effectively reverse the difficult situation in economic construction where funds are insufficient, qualified personnel are lacking, and technology is backward. Thus we will be able to guarantee the realization of the great aims of modernization.

At present, a number of great changes have occurred in our national economic life, demanding that we more urgently quicken the pace of reform in the cities.

First, the successes in rural reform have aroused the enthusiasm of the hundreds of millions of peasants, and this has given a new lease on life to the rural economy. In the last few years grain production and diversified undertakings have developed in an overall way. Specialized households and various economic combinations organized voluntarily by peasants, have emerged in large numbers. The economy in the villages is rapidly changing from a self-sufficient or semi-self-sufficient economy to a commodity economy. In many aspects, such as information, technology, qualified personnel, and especially in the expanding urban and rural commodity exchange, this puts great demands on the cities. The urban and rural economies are actually mutually dependent and mutually conditioned parts of the one organic entity. If reform in the cities is not carried out, the economy will not be enlivened and it will not be possible to properly bring into play the role of the cities in supporting and encouraging the villages. This will block the urban and rural commodity circulation channels. It will also be disadvantageous to the development of coordination between industry and agriculture and to strengthening the consolidation of industrial-agricultural alliances.

Second, with the establishment of the 4 special economic zones and the further opening of the 14 coastal cities, our nation is facing the markets of the world on a much larger scale. However, the existing urban economic systems pose serious obstacles to our enthusiastic development of foreign economic and trading relations. Under these systems, enterprises are basically isolated from international markets, and only produce passively in accordance with planned targets. All import and export trade is carried out through state unified accounting and there is state responsibility for profits and losses. The enterprises all eat from "the big pot" and this naturally must dampen the enthusiasm and sense of responsibility in developing foreign trade. This has resulted in a lack of necessary adaptability and competitiveness in international markets. In the fields of utilizing foreign funds and introducing advanced technology from abroad, state controls have been excessive, channels have been few, methods have been too rigid, examination and approval has been too tedious, and work efficiency has been very low. Over the last few years, these important problems have not been resolved and the phenomena of dispersion and confusion have appeared in foreign trade. For example, some areas have pushed up commodity

prices and rushed to purchase goods domestically, while reducing prices and selling competitively abroad, causing benefits to flow elsewhere. Because of divisions between departmental and area control within the system, there has been a lack of necessary coordination, blind importation, and duplicated imports, resulting in great losses. It is easy to see that, unless we greatly reform the management system, we will be unable to correctly implement the strategic policy of opening to the outside world proposed by the party Central Committee, and will be unable to effectively utilize foreign markets and foreign funds to speed up the modernization of our nation.

Third, in the world of today, scientific and technological progress has become the key factor for increasing labor productivity and for bringing about vigorous economic development. Its impact on the future of a country or a nation is extremely great. Since the 1960's, the gap between our country and developed countries, in terms of science and technology, has not only been narrowed, but in many respects has widened. One of the main reasons for this is that our current economic system, especially our urban economic systems, cannot meet the needs of scientific and technological progress. In order to bring about scientific and technological progress, we must put in a lot of arduous and highly creative labor, and take fairly great risks. Thus it is particularly necessary to stimulate the enthusiasm of enterprises and laborers, to keep forging ahead, and to blaze new trails. The main malady of the current economic system is that it lacks a mechanism to achieve this. If enterprises do not have autonomy in production, while in distribution they all eat from "the big pot," and in addition they reject necessary market competition, the results will be lack of motive force internally and lack of power externally. They will be content with the current situation and indifferent to technological progress. The most irrational thing is that those enterprises which actually seek advanced technology, not only receive no benefits, but economically, they must suffer losses. For example, in developing a new product, an enterprise invests much in research and must meet high trial-production expenses. Also because higher quality materials are sought and many man-hours of wages are used, the initial costs of production are always a little high. But in terms of taxes and credit, it is very difficult to obtain favorable terms. Pricing is also very rigid and all this has led to a situation where the more new products developed by a factory, the less profits retained, even affecting the individual earnings of workers. This actually penalizes innovation and encourages conservatism. In addition, because the scientific research units and production units are isolated from each other and it is difficult for qualified personnel to move, this further obstructs appropriate use and popularization of advanced science and technology. If this system is not quickly reformed, it will not be possible for our nation's science, technology, and labor productivity to develop in leaps and bounds, and in facing the challenge of the global scientific and technological revolution we will sink into a passive situation.

#### Firmly Grasp the Central Task of Reform in the Cities

Zhao Ziyang in the "Report on the Work of the Government" pointed out: "At present, the central task in the structural reform of the urban economy is

to eliminate the practice of making no distinction between well-run and badly run businesses or between employees who do more work and those who do less, and to see to it that enterprises will not eat from 'the big pot' of the state or employees from 'the big pot' of the enterprises." This clearly shows the direction and priorities for quickening the pace of reform in the cities.

Industrial and commercial enterprises are the cells of the urban economy. They are the basic units for creating national wealth. Reform in the cities must above all, adhering to the guidance of state plans and policies, free the enterprises, enliven them, and fully bring into play the enthusiasm of the vast numbers of laborers. In the socialist stage, enterprises and individuals all have their own relatively independent economic interests. Closely relating these economic interests with the results of labor in the enterprise or collective and the contribution of labor by the individual laborers, so that it really embodies rewards for industriousness and penalties for laziness, is the key to arousing enthusiasm. Comrade Deng Xiaoping has pointed out: "Not paying attention to getting more benefits for more work, and not stressing material benefits, are, for a small number of advanced elements, possible. However, it is not possible for the vast masses. For a short time it may be possible, but in the long term, it will not work." ("Selected Works of Deng Xiaoping," p 136) Of the many problems which exist in our nation's urban economic systems, the ones which have the most direct and most serious influence on the enthusiasm of the masses are: Discarding of the hooks which link the distribution of benefits between enterprises and workers with economic results and contribution of labor; eating from "the big pot"; and egalitarianism. These hit at the advanced and encourage the backward. They naturally lead to a lack of enterprise, and the slack work style of not taking responsibility for tasks has spread quickly. This has caused the productivity rate to fall and technological advance to be slow. In the last few years urban industrial and commercial enterprises have carried out some initial reforms, centering on smashing "the big pot," but the problem is far from being resolved. It not only continues to fetter the enthusiasm of enterprises and workers, but also restricts other reforms from being fully carried out. Thus, quickening the pace of reform in the cities must proceed from doing away with the two "big pots."

Doing away with the "big pots" first requires the establishment of a fairly stable distribution relationship between the state and the enterprises. Based on several years of practice in reform, the most rational and effective method for resolving this problem is to completely substitute tax payments for profit delivery. That is, through the second step reform of substituting tax payments for profit delivery, state-owned enterprises, instead of turning over their profits, in different forms and through different channels, to the state, will on the basis of official tax categories and tax rates, pay taxes to the state. The after-tax profits will be completely under the control of the enterprise, which will have independent accounting and will be solely responsible for profits and losses. When there is truly good management, profits will be great, the income of both the enterprise and the workers will be high and they will be able to

become rich first. If the reverse occurs, income will decrease and economic losses will be incurred. Where an enterprise sustains heavy losses and is incapable of reversing these, it must be closed, production must be stopped, or it must be merged or converted. The complete substitution of tax payments for profit delivery has clear advantages over the various types of profit division and profit contracts. First, the relationship between the state and enterprises in distribution of benefits will be set down in a legal form. This will avoid the problem of enterprises yearly having to "bargain" as to their base, scales, and other questions. It will also ensure that state financial revenue will increase at the same rate as the profits realized by enterprises. Second, the reasonably thorough smashing of "the big pot" will give enterprises sufficient motivation and pressure to improve management in a thousand and one ways, and will raise technological levels and economic results. Third, it will be easy for the state, through planning and regulating taxation categories and rates, to effectively bring into play the regulatory role of the taxation lever. This will strengthen state guidance and control of economic life. Fourth, enterprises will pay taxes according to law. They will no longer hand over profits on the basis of relationships' administrative jurisdiction. This will thereby cut off the relationship of direct interests between administrative organs at various levels and enterprises. It will eliminate divisions between departments and blockades between districts, and establish conditions conducive to gradually separating government and enterprises.

Along with sole responsibility for profits and losses in the financial sphere, it is also appropriate to give the enterprises, in the production management sphere, full autonomy within the limits allowed by state plans and policies. Thus the State Council has, in a timely way, promulgated provisional regulations on further extending the autonomy of state-owned enterprises in 10 aspects, including planning for production, purchase, and sale of commodities, utilization of funds, and personnel matters. A situation which merits attention at present is that many "corporations" are joint government-enterprise operations which have come into being simply by changing the names of the offices previously responsible for their administration. They crave for greater power from above while retaining authority over those below. They pursue "unified management of the six aspects" of production, supply, marketing, manpower, financial resources, and material resources. At the same time, the subordinate enterprises are subject to very rigid controls and there is no way for them to implement autonomous management or assume sole responsibility for profits and losses. This does not accord with the direction of reform. It should be clearly stated that, apart from a small number of tasks directed by the state, which the enterprises must complete, decisionmaking and administrative autonomy for general production and operational activities must be given to enterprises. This autonomy must not be blocked by intermediate links. The relations between enterprises should generally be rather loose. Participating enterprises can combine or coordinate in one or more aspects of funds, technology, supply and marketing, and so on. But in production, management, and finances, they must retain an independent position. Only by relaxing restrictions on enterprises, enlivening them, and combining their economic responsibilities and the limits of their authority in economic matters with their economic

interests, will the vast number of laborers be able to really feel that they are the masters of the enterprise. This will fully bring into play their subjective initiative and they will go all out in struggle, in competition, and in creation.

After substituting tax payments for profit delivery and resolving the distribution relationship between the state and the enterprises, it will be necessary to strike at the "big pot" aspect within the enterprises, and make down-to-earth and meticulous efforts in this regard. We must establish and perfect different types of economic responsibility systems. At the same time we must adopt scientific and strict examination standards and methods, and provide appropriate remuneration strictly in accordance with individual responsibilities and completion of tasks. We must implement in every post and for every staff member, the principle of distribution according to work, with rewards for the industrious and penalties for the lazy. Of the various responsibility systems in the state-owned enterprises, the most important is the factory head (or manager) responsibility system which must be implemented gradually. The original system implemented in enterprises where there was no division between party and administrative work, restricted necessary control by the factory head (or manager) over production, and restricted his management autonomy. This made it difficult for him to bring his role into play. It also caused the party committee to become bogged down with routine work, which weakened the party's ideological and organizational construction. It resulted in all work being mutually restraining and no one taking responsibility. Matters were discussed, but no decisions were made, and even if decisions were made, they were not acted upon. This greatly reduced the enterprise's management efficiency and its ability to meet emergencies. Modern technology is changing daily, while social demands are changing ever more quickly and becoming ever more complex. In facing this new situation, whether an enterprise thrives or fails is to a great degree determined by whether its reactions are nimble, its decisions speedy and its actions decisive in regard to outside technical, economic, and market information. Only by gradually implementing the factory head (or manager) responsibility system will it be possible to suit socialized large-scale production to the objective demands of modern economic management. At the same time, we must perfect the system of workers' congresses in order to safeguard the right of workers to participate in the democratic administration of their enterprise, and to fully embody the position of the working masses as masters of their own house. This is determined by the nature of socialist enterprises and is a matter of principle which cannot be easily ignored in reform in the cities.

#### Do Well in Linking Up and Coordinating Things in Reform in the Cities

Smashing the two "big pots," loosening restrictions on enterprises and enlivening them are important adjustments and reforms of the urban economic system's basic structure. The various related reforms must keep well abreast and must do well in linking up, so that overall urban reform can be carried out in a coordinated way. In this regard, there are the following three especially important aspects:

1. Reduce the range of mandatory planned targets and strengthen the comprehensive application of economic regulatory measures.

A major fault with our nation's planned management system is that the range of mandatory planning is too broad. It covers many things it should not cover, and which it is not capable of handling well. From the various central ministries to the various levels of local responsible departments, all issue mandatory planned targets, with quotas being raised at each level. This brings with it great subjective arbitrariness. If this problem is not resolved, then enlivening enterprises and enlivening the economy will be just empty words. It appears that, from the central ministries to the local responsible departments at various levels, all should reduce mandatory planned targets. Apart from implementing mandatory plans for the production and distribution of a small number of necessary important products, the production and sales planning for all other products can be done by enterprises on the basis of market needs and their own conditions. Some comrades are worried that this method will weaken the socialist planned economy and that we are heading toward "regulation by market mechanism as the main part." This is a misunderstanding. First, the aim of appropriately reducing mandatory planned targets for goods is to realistically change the focus of state planning management to the formulation of medium- and long-term plans, and to the determination of strategic goals for economic development, major proportional relationships, the general scale of capital construction, the direction of investment, and the scope for improving the people's lives. When these great matters are covered and covered well, the planned development of the state economy will have a reliable guarantee. Second, after reducing the range of mandatory planning and enlivening the economy, the state certainly cannot wash its hands of the matter. It must change the former practice of mainly relying on administrative measures and stress the bringing into play of the role of economic regulatory measures. In regard to the microeconomic activities of enterprises and individuals, we can ensure that they do not stray from the track of macroeconomic planning, mainly by strengthening economic legislation and economic judicature, comprehensively utilizing the economic levers of pricing, taxation, and credit, supplying various types of information and consultation services, and by guidance and regulation. This, in itself, is a constituent part of the socialist planned economy and is a great improvement of planned management.

2. Enliven circulation in an overall way and develop socialist unified market.

Commodity circulation builds bridges of crisscross economic relationships between enterprises. It is the link which joins production and consumption. If we wish to enliven production and enliven the enterprises, we must enliven circulation. The present circulation system in our country was formed to accord with the former situation where the commodity economy was not developed, goods and materials were in short supply, and where the socialist transformation of capitalist commerce and individual commerce was being carried out. Its main characteristics were: First, most means of production and the major means of consumption were distributed and allocated through the administrative system. The free circulation of commodities

was not possible. Second, the wholesale mechanism for materials and commodities was set up on the basis of administrative divisions and administrative levels. The state monopoly of purchase and marketing was practiced, forming a system which was self-contained. Third, state-owned commerce was the sole means of operation. There was no competition. This type of circulation system, which is dispersed, self-contained, single-channeled, and multi-linked, in addition to the divisions and blockades between departments and districts, has restricted both the development of commodity production and exchange, and the expansion of the social division of labor. This is an important cause of production being out of line with needs, turnover being slow, and the existence of deficiencies and overstocking. The contradictions between this system and the new situation in the urban and rural areas, where commodity production is greatly developed and goods and materials are daily becoming more available, is becoming more acute. There is a pressing need for great reform. A small number of goods and materials, related to state planning and the people's livelihood and which are in short supply, must continue to be subject to planned distribution. Gradually, however, from now on the majority of the means of production should be put onto the market to be bought and sold freely. Multi-level wholesale supply organs for goods, materials, and commodities, which were set up on the basis of the administrative system, should transfer power down to the city level, where it can merge with the local wholesale company. These will become economic entities which are geared to the needs of the whole society and which make decisions on the basis of commercial principles. In cities, we should widely set up industrial product trade centers and agricultural and sideline product trade centers. In these we should implement open management. Regardless of where the goods come from, or whether people are from public or private operations, all should be allowed to enter to trade and compete together. In continuing to develop collective and individual commerce, the state must provide necessary backing and support through taxation and credit policies as well as in legislative and management areas. The management forms of state-owned commerce can also be made more flexible and diverse. Not only does commodity circulation need to be enlivened, but the planned application of funds, compensatory transfer of technology, and the flow of specialized and qualified personnel, must all be enlivened, under planned guidance. In this way, the key elements needed by enterprises, including goods and materials, funds, technology, and so on, can be purchased freely on the market, and sales of products will be unhindered. This will provide a wide stage on which enterprises can display their skills in economic management to the full.

3. The gradual separation of government and enterprises, brought about by government administrative organs giving up their authority over the enterprises.

For a long time, our nation's economic management system has had the problems of there being no separation between government and enterprises, and enterprises are represented by the government. All state-owned enterprises are subject to the responsible government department at various levels. What the enterprise produces, how much is produced, from where raw materials are obtained, where products are to be sold and so on, are all directly

arranged by the government departments. This has caused the enterprises to become appendages to the administrative organ, with very little decision-making power. In another respect, the government departments are busy all day managing the production, supply, and marketing tasks of subordinate enterprises. They cannot attend to the research and formulation of development plans, policies and principles, laws and regulations and other major aspects. If this backward form of economic management is not basically changed, it will not be possible to give enterprises more freedom and it will not be possible to enliven them. Or, if they are given more freedom, because they lack necessary guidance and supervision, various things will get out of control. A socialist state has the function of organizing and managing the economy. There is no doubt about this. But there must be a rational division of labor between government and enterprises. Various levels of government represent the state in comprehensively managing economic life. Their main duty is to do well in planning, coordination, and supervision, and to utilize various types of economic measures and administrative measures to guide and regulate microeconomic activities. From now on, the direction of reform should be one where the various central ministries, and the provinces and autonomous regions as far as possible reduce their control over enterprises, or basically no longer directly control enterprises at all. Enterprises should be handed over to the cities in which they are situated, so they can be organized and coordinated in a unified way. In this way, handing down of targets, allocation of goods and materials, allocation of investment, and other specific work that government departments at various levels handle for enterprises will be greatly reduced. The daily production management of enterprises will mainly be handled by the enterprises themselves, through the crisscross economic relationships between enterprises. On the basis of handing authority down to lower levels and changing functions, the tens of specialized management departments which are very specialized in division of labor, can in a planned and gradual way, be streamlined and merged. They can develop in the direction of comprehensive management. At the same time, we should greatly strengthen information, consultation, forecasting, and other intellectual organs to serve the policy-making of the government and the enterprises. This type of management form manifests an organic combination which is unified, planned, independent, and flexible. It will promote an economy which is both balanced and stable, and which develops vigorously forward.

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'DISTANT WATER' CAN QUENCH 'PRESENT THIRST'

Beijing RED FLAG in Chinese No 17, 1 Sep 84 p 36

[Article by Lu Li [6424 0500]]

[Text] Thanks to the completion of the project to divert water from the Luan He to Tianjin, the people of Tianjin who had suffered from an acute water shortage can now taste the sweet water of the Luan He some 200 kilometers away. This is a situation where the cliché "distant water cannot quench present thirst" does not apply.

Some comrades often regard theoretical study as "distant water," thinking that it cannot "quench" the "present thirst" for guidance in work and for solving practical problems. This lopsided view has been analyzed many times. Now let us further deliberate on it in connection with the Luan He water diversion project.

Marxist theory is the scientific summary of the proletarian revolutionary struggle and the communist movement. It is a scientific system founded on the basis of all the knowledge of mankind. It provides us with a reliable guide for action. As a guide for action, it chiefly provides us with the stand, viewpoint, and method for analyzing and solving problems, rather than ready answers for tackling the tasks before us. In this sense, it is not "water close at hand" that can be used to "quench our thirst." But, by grasping the general principle of Marxism and grasping its stand, viewpoint, and method, we will have a basis for making judgments and have a political "telescope" and "microscope." We will then be able to find the correct principle, policies, and methods for solving problems through analyzing the actual conditions, and make fewer detours and mistakes. Engels once said: "The world outlook of Marxism as a whole is not a doctrine; it is a method. What it provides is not a ready-made dogma, but a starting point for further research and a method to be employed in this kind of research." ("Collected Works of Marx and Engels," Vol 39, p 406) Marxism is at once a truth and a method for seeking truth. It is precisely for this reason that, guided by Marxism, we can search for truth and seek answers on our own. In this way truth will continue to develop and answers will come in an endless stream. In this sense, Marxist theory is like the Luan He. It appears to be "distant water," but provided that we uphold the principle of integrating theory with practice and are good at applying its

stand, viewpoint, and method in analyzing and solving problems, it can definitely help "quench our present thirst."

From a historical perspective, the upsurge of revolution and construction and its sustained healthy development have always been inseparably linked with the conscientious efforts made by the vast number of cadres in studying Marxist theory. The waves of enthusiasm for studying theory whipped up in the course of the Yanan rectification movement during the war of resistance against Japan and in the course of socialist transformation and construction in the 1950's were proof. "Without revolutionary theory there can be no revolutionary movement." This argument put forward by Lenin stressed the importance of theoretical guidance. The spirit and essence of this argument still holds true for today's modernization program. Although it is sometimes possible to do a job well on the strength of experience alone without studying theory, success is often just coincidental. By conscientiously studying theory and raising our theoretical level, we can more conscientiously and confidently do our work well and open up new prospects. This alone is the inevitable law. An important experience gained from the success of the Luan He water diversion project was that the project managers attached great importance to theoretical study, particularly to applying Marxist philosophy in practice, turning philosophy into scientific methods of leadership and work. "Grasp what is essential, characteristic, and specific" was the universal slogan and plan of action of the commanders at all levels and of the vast number of construction workers. The Tianjin Municipal CPC Committee and Municipal People's Government said in the summation report on the Luan He water diversion project: "In the construction of the Luan He project, the study and application of the dialectical materialist world outlook and methodology played an important part in directing construction work." This further illustrates that theoretical study cannot be ignored in the modernization drive.

Marxist theory is surely not just water for "quenching thirst." It is a "tonic" with high nutritional value. It is also "good medicine" for treating all kinds of ideological maladies. At present we are faced with complicated contradictions in our four modernizations. Reforms are vigorously underway in all fields, and class struggle still exists within a limited scope in society. Under these conditions, if our cadres, particularly young people, wish to develop healthily along the socialist orientation, wish to acquire the ability to truly know and change the world, and wish to become props that shoulder the heavy tasks of modernization, they have to make an effort to start an ideological "diversion" project to divert Marxist theory into their brains.

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WHY IS THE DEVELOPMENT OF SPECIALIZED HOUSEHOLDS SAID TO BE ANOTHER MAJOR POLICY WHICH FOLLOWS THE OUTPUT-RELATED SYSTEM OF CONTRACTED RESPONSIBILITIES?

Beijing RED FLAG in Chinese No 17, 1 Sep 84 p 37

[Article by Yuan Chongfa [5913 1504 3127]]

[Text] Since the 3d Plenary Session of the 11th CPC Central Committee, great achievements have been made in the restructuring of economic systems in China's countryside. In particular, the implementation of the output-related system of contracted responsibilities has smashed the shackles of "leftist" ideas, overcome such defects as egalitarianism and "everybody eating from the same big pot," and aroused the peasants' enthusiasm for production in an unprecedented way. The vigorous development of the rural economy has created the conditions for the birth and development of specialized households. Specialized households are the natural outcome of the growth of the rural productive forces. They are a product of the development of the output-related system of contracted responsibilities. The development of specialized households is another major rural policy of the party which follows the output-related system of contracted responsibilities. It has great significance for promoting the transformation of China's countryside from a self-supporting or semi-self-supporting economy to commodity production on a fairly large scale, and from traditional agriculture to modernized agriculture.

Specialized households generally specialize in one trade and engage in specialized production and operation in that particular trade. They emerge as commodity producers in various spheres of production in the rural areas and show fairly distinct features of commodity production. They are different from traditional self-supporting household economies both in the ideology behind their management and in the method of management. They gear their production to market needs and pay attention to economic results. In their continual efforts to broaden the channels of commodity circulation and open up markets for commodity exchange in the rural areas, they have caused the role of various economic levers related to commodity production to penetrate every aspect of rural economic life. More and more peasants are thus attracted into the ranks of commodity producers. The development of specialized households has opened ways for the peasants to directly take part in the specialization and socialization of production. The development of a division of labor implies the broadening of the scope of coordination in

society. Specialized production by the peasants is based on separate management by households. But, because equal value exchanges are practiced through such forms as agreements and contracts, relations with other operators, economic organizations, or social services units occur. Thus, it also constitutes an organic component of socialized production. This will undoubtedly speed up the development of socialized production in China's countryside.

The emergence and development of specialized households has also brought about profound changes in the former unitary structure of production in the countryside. On the basis of a division of labor and trades, they rationally integrate various factors of production in the countryside, such as funds, manpower, technology, and resources; open up new spheres of production; and form new productive forces. In the future, more and more peasants will leave their fields to engage in nonagricultural specialized undertakings. A crisscross economic structure of diversified trades and undertakings with production and processing carried out at many levels will take shape. This will also promote the development of culture, education, science and technology, public health, and other undertakings.

Specialized households generally attach great importance to the application of science and technology in developing production. Because they are good at combining advanced production technologies with China's traditional production techniques, they can achieve much higher labor productivity and much better economic results than ordinary peasant households. They are not only the pacesetters in using advanced machinery and in applying advanced technology, which makes them technical experts in their field, but are also active disseminators of science and technology. They take the lead in learning culture and science, invest in the development of intellectual resources, offer technical services, and create conditions for the continual transformation of advanced science and technology into productive social forces.

In short, specialized households are pacesetters in developing rural production at the present stage. They are the backbone force in developing commodity production and are the forerunners of the masses of peasants on the way to becoming well-off. Actively backing up and developing specialized households has now become another major rural policy which follows the output-related system of contracted responsibilities. Of course, specialized households take time to develop. They need to constantly perfect themselves. Showing excessive enthusiasm to them will in no way aid their growth. Only by giving them practical guidance and assistance in accordance with economic laws and by guaranteeing the legal rights of the specialized households by means of policies and law can we create a solid economic base for the development of specialized households and enable them to play an advanced and positive role in pushing forward rural reforms.

CSO: 4004/2

WILL SOCIETY BE DIVIDED INTO TWO OPPOSING EXTREMES IF SOME PEOPLE ARE ALLOWED TO BECOME WELL-OFF BEFORE OTHERS?

Beijing RED FLAG in Chinese No 17, 1 Sep 84 pp 38-39

[Article by Zhang Luxiong [1728 6424 7160]]

[Text] "Let some people become rich first" represents an important central policy adopted since the 3d Plenary Session of the 11th CPC Central Committee. Comrade Deng Xiaoping has pointed out: "In economic policy, it is my opinion that we should permit some areas, enterprises, workers, and peasants to gain higher incomes first through hard and diligent work, and to have a better life. If some people's lives become better before others, they are bound to create a massive model force, influencing their neighbors and causing other areas and units to learn from them. In this way, we can bring about the constant, wave-like development of the whole national economy and bring about speedier prosperity for all the peoples of China." ("Selected Works of Deng Xiaoping," p 142) These words give a precise explanation of the party's policy on "making the people rich." The policy encompasses the following related aspects: Some people will get rich first; this will motivate others to get rich as well; and then everybody will get rich together. Only by letting some people get rich first so that they can serve as models and pioneers can we motivate others to get rich too. Therefore, letting some people get rich first is not the only part of the policy of "making people rich," but the prerequisite and path to common prosperity.

Socialist society must eliminate the exploitative system, develop the forces of production, wipe out poverty, and bring a prosperous and educated life to all members of the society. But for a certain period of time, we mistook the socialist principle of equality for egalitarianism, and mistook common prosperity for simultaneous prosperity, or achieving prosperity at a uniform rate, denying the idea of differences in individual income, forcibly limiting many paths to prosperity, and seriously dampening the initiative of the broad masses of laborers, with the result that everybody failed to get rich at the same time and even became poorer together. It was by drawing precisely this lesson that our party corrected its guiding thinking away from the "left" mistakes of the past and put forward the policy of some people getting rich first.

The policy of letting some people get rich first is a Marxist policy, and one which is in accordance with economic laws and popular with the people. Under socialist conditions, the difference between the intellectual and physical powers of laborers and their performance is bound to lead to a difference in incomes. Some staff and workers in state-run and collective units who put in more work are therefore going to get rich first, while some individual laborers will also become rich first through hard work. This difference in time and quantity of income brought about by the system of "to each according to his work" cannot lead to the creation of two opposing extremes.

What we mean by two opposing extremes is a division into classes under the system of private ownership of the means of production. It is the product of an exploitative system. For example, under a capitalist system, the means of production are privately owned by the capitalists. The capitalists use the means of production in their possession to exploit the workers; their capital grows and grows, and they become increasingly rich, while the hired workers, who have lost the means of production, own nothing at all and suffer exploitation, become increasingly poor. Our country is a socialist country based on public ownership of the means of production. It has wiped out the system of exploitation of man by man and has carried out the principle of "from each according to his ability, to each according to his work," such that the economic basis for the creation of two classes no longer exists. Though at present we are allowing the development, to a certain extent, of the individual economy and other nonsocialist economic forms, these are merely supplements to the socialist economy. We have a strong state-run economy as the dominant force of the national economy. The individual economy and other nonsocialist economic forms can only be run within the limits permitted by the law, and even if wage differences were larger, could not produce a division into opposing classes as in a capitalist society.

The vast majority of those people who have now become rich before others have done so through their own hard labor. In general, they have relatively rich production experience and labor abilities, added to which they are open-minded and have the courage to innovate and to take the lead in using advanced science and technology, while they are also good at economic management. Therefore, those with high labor productivity, high commodity rate, good economic results, and a higher income constitute the vanguard of the masses on the road to prosperity. This represents the main current, and we should actively support it. Naturally, due to various loopholes in prices and taxes, at present there is also the possibility that some people's income will become too high and even that a tiny minority of people will indulge in unlawful practices to extract ill-gotten gains. In response to this, our party will strengthen market management and improve the tax system, exerting greater control and regulation, and using the law to attack those economic criminals who indulge in speculation, profiteering, and so on. Ultimately, these people will form a tiny minority and constitute a non-essential problem. We can by no means let these problems interfere with our implementation of the correct policy of "letting some people get rich first."

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IS NATURAL SCIENCE A PRODUCTIVE FORCE ITSELF, OR WILL IT BECOME A DIRECT  
PRODUCTIVE FORCE ONLY THROUGH TRANSFORMATION?

Beijing RED FLAG in Chinese No 17, 1 Sep 84 pp 39-40

[Article by Lu Wenqiang [7120 2429 1730]]

[Text] These two statements are both correct; the problem is that they must be understood in different senses.

Natural science is a system of knowledge concerned with the material formation, structure, nature, and movement laws of the natural world. The two basic factors of the forces of production, labor power and the means of production, both embody elements of science. Labor power encompasses the two aspects of manual and mental power. Mental power encompasses many things, but in the sphere of production, it constitutes mainly the ability to grasp and utilize scientific and technological knowledge. Generally speaking, the means of production, and especially modern production tools, are things created by people on the basis of natural scientific principles, and can be said to be "materialized intellectual forces." Take for example electrocomputing; it is formed from an amalgamation of the natural scientific laws of electronics, solid physics, quantum physics, roman mathematics, and so on. Within the structure of the forces of production, in the industrial process, scientific laws play a role in the same way. Marx pointed out: The important distinction between capitalist big production and handicrafts industry production lies in the fact that "the whole of the production process comes not directly from the skills of the artisan, but is manifested as the use of science in craft," "capital has as its prerequisite a certain historical development of production forces--and these production forces include science." ("Complete Works of Marx and Engels," Vol 46, Book 2, p 211) Therefore, we are entirely able to say that science itself is a production force.

However, when looked at in isolation as a system of knowledge, it is still an "intellectual" production force, and as such is part of general social production forces. General production forces refer to forces which increase overall production, rather than particular forces which exercise a direct function. The reason why natural science, and in particular basic natural science, is part of these general social production forces, is precisely because it can be used in the service of all sorts of production processes,

and is by no means limited to one particular such process. In order to turn this sort of general social production force into a specific, direct production force, it is necessary to use technology and education to materialize it into the means of production and labor force. That is to say, it is necessary through technological revolution and transformation to create high-efficiency machinery, new materials, and new technologies, to expand the scope of use of resources; and through education, to enable the laborers to grasp new science and technology, enhance the degree of their labor experience, and raise their management standards; only in this way is it possible to transform science into a direct force of production, and turn it into what Marx called a "direct apparatus of social practice." In a capitalist society, capitalists hire large numbers of scientists, engineers, and technicians to research and develop all sorts of machines and other equipment, which they use as fixed assets invested in production, and thereby turn science, which is a general social production force, into a specific, direct force of production. Just as Marx said: "The growth of fixed capital shows to what extent general social knowledge has become a direct force of production." ("Complete Works of Marx and Engels," Vol 46, Book 2, pp 219-220)

As a general social production force, natural science has various different levels. Theoretical science (such as mathematics, physics, and so on) is the most general social production force, and the laws which it reveals have widespread application. Technical sciences on the other hand (like electronics, thermal engineering, and so on) are limited in their generality compared to theoretical science, and are nearer to direct material production activities. Precisely because of this, in order to transform theoretical science into a direct production force, it is first necessary to transform it into a technical science, and through the technology involved in various factors which turn it into something able to be used in specific labor (like laborers, the targets of labor, and the means of labor), to utilize this technology in specific labor process, such that it creates an actual effect on the natural world. For example: Atomic physics is the science of researching the structure, nature, and laws of change pertaining to atoms, but it cannot be used directly to set up a nuclear power station; people must go through a series of technological developments on the basis of atomic theory and use the technology thus developed in the production of a nuclear power station; only in this way can nuclear physics become a real force which transforms nature.

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## HOW DOES TECHNOLOGICAL INVENTION EXPRESS ITS COMMODITY PROPERTIES?

Beijing RED FLAG in Chinese No 17, 1 Sep 84 pp 40-41

[Article by Deng Jun [6772 6511]]

[Text] "Technology" means the systematic knowledge necessary for the manufacture of a certain product, the use of a certain production method, or the provision of a certain service. Technological invention, on the other hand, is a certain creation of such technology. As a source and motivating force of science and technology, technological invention represents an important factor in social material production. It is playing an increasingly important role in socioeconomic development.

Technological invention is able to satisfy certain technological needs in human social production; used in the production process, it can produce certain economic results, and it is this which constitutes its use value. Technological invention differs from natural force in that it is not a gift of nature, but instead necessitates the expenditure of large amounts of labor. It represents the fruit of human labor, and is mainly the product of the creative intellect of inventors. Under commodity production conditions, the human labor crystallized in technological invention forms its value. When transferred, as in all commodity exchange, technological invention gains supplementary value. In Engels' opinion, the essential spiritual factor involved in inventing this social material product should "find its own position in political and economic production expenses." ("Complete Works of Marx and Engels," Vol 1, p 607)

Under commodity economy conditions, the labor consumed in technological invention may be made up for in many ways. When a factory or commercial enterprise uses an invention itself, its value is compensated for through commodity sales from that enterprise. At this point, the technological invention itself possesses no marked commodity properties. When the factory or scientific research unit sells the technological invention directly, its value is directly compensated for. Under these conditions, the technological invention becomes a commodity used for exchange, and has marked commodity properties.

Technological inventions are intellectual commodities, or invisible commodities; they are different from visible commodities, and therefore the state

should possess a legal system to ensure their normal exchange and reproduction. Why is this? In commodity exchange, generally speaking the buyer first has to understand the use value of the commodity being sold by the vendor, that is, the commodity's characteristics, functions, structure, and uses; this represents an important prerequisite for commodity exchange. For visible commodity exchange, even if the buyer understands this very clearly, if he does not carry out exchange, he cannot change the rights of ownership possessed by the seller over the product. But for a commodity such as a technological invention, things are very different; if the buyer first gets to know its characteristics, functions, structure and uses, he will not, of course, spend money on it, and the buyer will lose the rights of ownership over this commodity. If no legal guarantees are given over the ownership rights of the vendor, therefore, the normal circulation and reproduction of technological invention commodities is bound to be hindered. Through repeated experiences in certain centuries, many countries have established a legal system, that is, the patent system. The patent system represents a legal guarantee that when carrying out technological trade, the vendor shall both inform the buyer of the use value of the technological commodity, and retain his ownership rights over this commodity. In this way, the technological invention can undergo normal circulation and reproduction as a commodity.

Over the past few years, China has begun to see the phenomenon of scientific and technological products or knowledge or other invisible products entering the market, a phenomenon which signifies that people's knowledge in the sphere of commodity production has taken a new leap forward; they recognize that those pieces of technical knowledge, technical inventions or other invisible intellectual commodities which have industrial use value do have commodity properties, which is in accordance with the laws of socialist economic development. The patent law now established in China will greatly promote the circulation and reproduction of technological inventions.

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ONE WHO TAKES THE LEAD IN REFORM--THE STORY OF YAN JIANZHANG, SECRETARY OF THE PARTY BRANCH OF THE XINXING PRODUCTION BRIGADE IN LIXIAN COUNTY

Beijing RED FLAG in Chinese No 17, 1 Sep 84 pp 41-45

[Article by Cao Chengzhang [2580 2052 4545]]

[Text] In Lixian County, Hebei Province there is a famous man who is able to open up new situations. Before the "Cultural Revolution," this man was the party branch secretary of the Xinxing village and under his leadership Xinxing village was an advanced unit selected by the province, region, and county. During the 10 years of internal disorder he was "brought down" and had to stand aside and thus the village gradually became known for its poverty. In 1977, when he once again resumed his post as secretary of the party branch in the production brigade the brigade was in a mess: debts on state loans of some 420,000 yuan; only 2 fen left in the brigade accounts; commune members had to buy 380,000 jin of grain from the state; grain output per mu stood at 280 jin; ginned cotton output per mu was 23 jin; and one day's work points were worth 20 cents. However, 6 years after he resumed his post, enormous and startling changes have taken place in this village. Not only has the brigade cleared all its debts and loans--it now possesses some 10 million yuan in fixed assets and working funds. Annual per capita income has reached as much as 1,050 yuan and of the 1,345 households in the brigade, 320 have an annual income of 10,000 yuan while 650 households have deposits of more than 5,000 yuan. Their contributions to the state have also constantly increased and in 1983, the average per mu grain output reached 1,150 jin and that of ginned cotton was 210 jin. Commodity grain sold to the state reached 1.5 million jin and in the case of ginned cotton it was 1.05 million jin. In the case of oilstuffs it was 47,000 jin and meat, 40,000 jin.

This man is Yan Jianzhang and it is he who has taken the lead in rural reform.

#### Style

Yan Jianzhang is 58 this year. When he was 10 years old, his family was very poor and his father died as a result of sickness. His mother carried him from village to village, begging, and thus they suffered terribly. During the war of resistance against the Japanese, this area became part

of the central Hebei revolutionary base. When he was 16 years old Yan joined the CPC and served as guerrilla group chief, public security officer, and intelligence office chief. After 1943, he took up his post as secretary of the village party branch, right up until just before the "Cultural Revolution."

On 1 July 1977, Yan Jianzhang was once again placed in the post of secretary of the production brigade party branch. Having accepted this heavy burden, his thoughts and emotions rose and fell and he found it hard to remain calm.

After the summer harvests of that year, one-third of the peasant households in the entire village only received 20 to 30 jin of grain rations. Large stretches of farmland were flooded and weeds were rampant. There was little hope for the fall harvest and the time for sowing winter wheat was approaching. He led the masses in draining the fields, but everyone was very sluggish and couldn't be encouraged to work better. They said: "In the morning we eat only two bowls of sweet potato flour porridge with vegetables and as soon as we reach the fields, we feel exhausted." These words were spoken with sincerity, emotion, and tears. After he had heard this, Yan Jianzhang did not eat for one whole day and found it impossible to sleep the following nights.

On 3 July, the third day in his new post, he said at a meeting of the party members: "We are all party members and party members must lead the masses in carrying out revolution. However, what are we carrying out revolution for? Is it not to ensure that all those who suffer can live a better life? This is the idea of true socialism! If the masses cannot eat their fill of even sweet potato flour porridge today are we not ashamed? If things continue like this, how can we expect the support of the masses?"

He was as good as his word. All day long Yan Jianzhang worked, sweating on hot days and getting drenched on wet days, working as hard as he could for the collective. The party members and cadres all pulled themselves together and led the masses in draining the fields and planting the winter wheat. The next year, when the time came to harvest the wheat Xinxing village reaped a better harvest than they had done for many years and this helped initially to solve the village's food problems. The prospects for the fall harvest also looked good.

This first campaign victory greatly encouraged the peasants. At this time, Yan Jianzhang was busy considering steps for his next move. Now the peasants had food to eat but they still lacked money, and in order to buy a box of matches they had to exchange them for eggs. Only by getting to grips with both agriculture and sideline production and industries could they have food to eat and money to spend, and could the peasants become rich as quickly as possible. What kind of sideline production and industries should be tackled? Together with everyone in the village, he sought an answer to this question. He had a relative who worked in the Beijing synthetic fiber experimental factory where they manufactured polyvinyl chloride fiber. "Would one solution be to spin polyvinyl chloride

fiber into wool thread and to sell it as such?" With the spirit of nothing ventured, nothing gained, he borrowed money from his relative to buy several tens of jin of polyvinyl chloride fiber. He made use of a spinning wheel to try spinning it into woolen thread. Afterwards he borrowed 100 yuan from each member of the local party branch committee and bought a large bundle of polyvinyl chloride fiber. They then spun this into woolen thread and got Zhang Guohua and others who were experienced in doing business to go and sell it in Shanxi and Shaanxi. After 1 month they had been unable to sell the thread and they returned very disappointed. Yan Jianzhang said: "Polyvinyl chloride fiber is a new product and it takes time to recognize and understand something new. Perhaps these remote mountain regions do not understand or recognize this product. Let's go and try in Beijing and Tianjin and see what will happen." He then asked Wang Ruiying and others who had relatives in Beijing to try and sell the product there. They said: "We are worried about being charged with profiteering and what's more, we don't have any capital." Yan Jianzhang replied: "Don't worry, I will take responsibility for what you do. If you have no traveling expenses I will lend you 20 yuan. I will sell you the wool on credit at a very low price. The money you earn by selling the thread will be yours. If you can't sell it, I will take it back. I will pay for half your traveling expenses." This attempt worked. However, when it came to buying more raw materials he had no capital and so he tried everything, going to the county local product company, the county bank and everywhere possible, trying to find help. In the end, the county local product company agreed to procure the raw materials for them. After 1 year of work, the production brigade made 30,000 yuan. With this capital they bought a truck and replaced the spinning wheel with an old English wool spinning machine. Very soon they were earning tens of thousands, hundreds of thousands and indeed, million of yuan. From 1980 on, the production brigade earned 1 million yuan annually, the production team earned 1 million yuan, while all the commune members also earned a total of around 1 million yuan.

By the fall of 1978, other villages around Xinxing had seen the successes of the village and were all following suit. Because of ineffectual leadership, fall harvests in some villages were affected. When this was reported to the county party branch the county party committee worried that if everyone started to follow the example of Xinxing village, then agricultural production would be affected. Thus they sent a work team to investigate the matter. Some people advised Yan Jianzhang to stop what he was doing for a while. But Yan Jianzhang was convinced that his methods were right and that he should continue in the same way. He believed that "the brigade's fall harvest and wheat planting has been very good and the people's hearts have been constantly in the fields. I would rather that you curse me and that the village of Xinxing has enough to eat than that you curse me and the village goes hungry." He also said: "I am a member of the Communist Party and I am leading the people of Xinxing to prosperity. I have done nothing wrong." Soon the spirit of the 3d Plenary Session of the 11th CPC Central Committee was announced. Practice proved that Yan Jianzhang's methods were correct.

## True Qualities

After 6 years of hard work, enormous changes occurred in the village of Xinxing. Today, all the households have savings, at the very least several thousand yuan and at most several tens of thousands of yuan. Thus many people suspect that the secretary of the branch party committee must be much richer than everyone else. So it was that the rumor concerning the party secretary's 400,000 yuan savings spread throughout the village and the surrounding villages.

However, those who understand the ins and outs of Yuan Jianzhang know that he is in no way the type of person who cares nothing for others and only cares about making money. Rather, he is a member of the Communist Party who cares about increasing the glory of the party and seeking to benefit the people and this is manifested in his behavior and actions. And this is the impression that he has given with his every step over the last 10 years or so.

The sales of polyvinyl chloride fiber made a lot of money. In the case of other villages, whoever organized the procurement of the thread also sold it. In Xinxing it was Yan Jianzhang who organized it, using a truck to collect load after load. However, before the announcement of the Central Committee's Document No 1 in 1984, he always insisted that it was the collective which did the selling and he would not allow individuals to do it alone. Not only did he not allow his own family to do it, he also forbade his relatives to do it as well as cadres in the brigade and their families. His son bought 300 jin of thread for his aunt and after Yan Jianzhang discovered this he immediately had it sent back to the brigade.

He often said that one should never forget that one was a member of the Communist Party, and that members of the Communist Party should do more good things for the people. He did not rest during the Spring Festival for 4 successive years. During the Spring Festival of 1979, he was leading the cadres of the brigade in the construction of a brick factory. At the Spring Festival in 1980, he was leading the people in building a water tower. During the Spring Festival of 1981, he and other cadres were installing the spinning machinery in the factory and at the Spring Festival in 1982, he stood duty for someone else watching over the brigade storehouses. He is old and he has high blood pressure and heart disease. Even when he has to stay in bed he never forgets the collective, or his work. Once he fell ill with dysentery at home just as a hailstorm hit the village. He was extremely anxious and impatient and immediately called a meeting of the party branch committee at his home to study disaster-relief measures and, despite his high fever, he left his sickbed to work. On another occasion he was sick and receiving an infusion when he received word that there were bugs in the cotton fields. Without waiting for the infusion to be completed he rushed to the cotton fields to investigate. Everyone says he thinks of the collective and of the masses and not of himself.

There are times when Yan Jianzhang thinks of himself but what he thinks is that he should not struggle for (glory and rewards) but should let others

have them. Over the last few years, the brigade has become rich and according to the regulations he should receive 300 yuan a year in bonuses. But he doesn't take the money and he gives all of it to the brigade. He says: "It is the responsibility of party members and cadres to do things for the party and for the masses. We don't simply work in order to receive bonuses." Over the last few years, the majority of the production brigade has been living in new quarters of a very high standard and yet his family of 10 is still cramped into three old rooms allocated to them during the time of the land reform. After his sons married, they were forced to live in their father-in-laws' houses. Three times the upper authorities offered him ground to build a new house and each time he offered it to other members of the commune. At Spring Festival this year, the family of one of his brothers and all their children came to visit him and it seemed impossible to accommodate them all in three small rooms and his wife got very angry with him. Smiling, he said: "This is all quite simple, we will do this like an administrative organization, and divide up the men and the women. The men can sleep with me in the eastern part of the house and the women can sleep with you in the western part of the house." At this, everyone was very happy and contented.

Some people say: "You have worked incessantly and the people have grown rich but you don't even have a decent house to live in. What are you trying to do?" He replies: "What I am trying to do is to let the people of Xinxing live a happy life. What I am trying to do is to let the masses get a true feeling of the advantages and superiority of socialism. What I am trying to do is to let the masses see and understand that the cadres of the Communist Party are working in the interests of the people. If the people are a bit richer than the cadres, then the masses can be more easily convinced when we cadres speak to them." Under his influence, the leading groups of the production brigade have united in their struggle and are not seeking private gain but are taking on responsibilities with courage and thus the masses support them from the bottom of their hearts.

He said: "It is not enough to simply get to grips with the construction of a material civilization, we must at the same time get to grips with the building of a spiritual civilization, constantly helping the cadres and masses to attain a higher realm of thought." Over the last few years, the brigade has used 200,000 yuan to repair and set up equipment to provide tap water and it has used a further several hundred thousand yuan to construct a 3-story building for all the party and league members, young people, and women in the village to study in. They have also invested 350,000 yuan in the construction of a 2,000 square meter school building. In addition a 50-bed hospital will soon be underway and a commercial services building will be completed in the near future. There are also plans for a 400,000 yuan cultural palace center including a recreation room, library, and cinema, and resurfacing of the roads with asphalt. The cadres and the peasants are all enthusiastically studying politics, culture, science, and technology and are determined to make greater contributions to the state.

## Boldness of Vision

The change from poverty to riches in the Xinxing production brigade is the result of effective implementation of the party's rural economic policies. However, accurate and correct implementation of these policies cannot take place without the creative work of the grassroots leaders. It is they who must have the boldness of vision for reform work so that they can lead the cadres and masses in achieving great successes and contributions. Yan Jianzhang is just such a man.

From the outside he does not seem to be any different from the masses. On his head he wears a white towel and he wears simple peasant dress. He is an ordinary peasant through and through. He has studied some culture in the literacy classes but he never ceases with his individual studies and he has quickly elevated his theoretical standards and his ability in scientific management. He believes that reforms are vital if the rural economy is to develop and the standards of living of the peasants are to improve.

His bravery and boldness in reform results from absorbing others' experiences and lessons. He has visited many acrylic fiber weaving and spinning factories throughout the country--some of these have been state-owned and others collectively owned. Others have been run by production brigades or small towns. Some have been well run and others have been forced to stop production. When he visited the state-run Beijing Tongxian Wool Spinning Factory which had recently shut down he posed several questions in order to try and find out the problems behind the factory's closure. This factory had been making losses of more than 600,000 yuan before it was closed. He said: "How could it lose so much? Even if the workers didn't work and still took their pay, it would still not be possible to use up all that money in 1 year!" The actual reason turned out to be that the factory director was powerless and had no responsibilities. The young people coming into the factory did not work well and thus the factory put out defective goods which they were unable to market. Management was in chaos and there were serious losses of goods and materials and machinery. He asked the factory director: "Why did you not get rid of these workers?" The director replied: "These young people are all children or relatives of our immediate superiors, we don't dare do anything about them." This impressed him very deeply and it was in meetings such as this that he searched for the necessary road for reform and how this reform should be carried out.

He made use of cadres with both political integrity and talent. A factory in the production brigade used to be managed by three members of the local party branch and an accountant and they could never complete the production duties set for them. After he discovered this problem he called a party meeting the very same night and decided that the factory should be managed by the CYL branch secretary. The factory quickly took on a new look. The four cadres who lost their positions were all completely convinced and said to him: "You are wonderful!" Zhang Jinduo, born into a rich peasant household, was very interested in studying architectural technology. Yan Jianzhang let him take charge of the construction team. The Tianjin egg cold storage project which the construction team undertook and which was

the biggest in the country, was appraised by the national construction office as being an outstanding project, and thus won the team a 100,000 yuan prize. The several tens of agricultural, industrial, and commercial sideline industry combines in the production brigade all implemented the contract system. When he was selecting the people for the contracts he only chose those who displayed good ideology, a love of the collective, a desire to work for the masses, an ability to manage and an understanding of technology. A newly established thread selling booth with 8 people working in it, was originally meant to hand over 4,000 yuan to the state as part of their tasks but instead, they offered to pay 8,000 yuan.

He is not frightened of offending others. When new workers enter the factory a contract is signed by the parent, the new worker, and the factory. There is no iron rice bowl system here and things are done strictly according to the contract. The factory implements factory director responsibility system. The factory director is concurrently secretary of the local CYL branch and also militia instructor. There are no offices and departments in the factory and thus no one is cut off from production. He had one relative who was the prospective daughter-in-law of the brigade leader and who worked in the weaving and spinning factory. Because her sense of responsibility was not very high she damaged some of the factory machinery. In accordance with the regulations and the system he dismissed her. In another case, a woman worker was not enthusiastic or positive about her work and she tried to encourage others to work badly. He directed that she be fired immediately. Some people told him that she was the daughter-in-law of a committee member of the party branch. When he heard this he was even more angry and said very sternly: "No matter whose relative she is, she must respect the system." In special situations he always adopted very workable methods of handling the situation. For example, one young female worker damaged her hand while working. In accordance with the stipulations of the contract, the factory took the responsibility of giving her medical treatment, as well as paying the necessary compensation. When this matter was being handled, in addition to doing what was stipulated, they also offered the woman a 3,000 yuan disability pension and also did some ideological work with her boyfriend so as to help them set up a family. Yan Jianzhang said: "This manifests the spirit of socialist humanitarianism, so that everyone sees and appreciates the warmth of the party and of socialism."

So, what were the actual results of his reforms? Facts are the best answer. In the factories that they set up the product quality and quantity were very good and production costs were low. In state-run factories, the cost of spinning 1 jin of thread is 7 or 8 yuan, whereas their costs were below 4 yuan. One month after female workers from the brigade enter the factory they can earn wages of more than 100 yuan, the highest being 140 yuan. After 8 hours work workers are also allowed to participate in agricultural production and other forms of labor, thus working in industry, agriculture, and sideline industries and being able to raise their monthly salaries to more than 200 yuan. Because the factory products are not sold wholesale, but rather are sold directly, the profits are naturally greater than those of state-run factories. The prices of the products are flexibly fixed on

the basis of market supply and demand and thus sales are never bad. The factory has production personnel and marketing personnel and each year the factory sends hundreds of people to other provinces, towns, and autonomous regions in China to sell the goods. The salesmen appear in city markets and in villages and they also go far into mountain regions and remote areas.

In April 1979, a synthetic fiber experimental factory had accumulated stock of some 400 tons of polyvinyl chloride fiber worth more than 2 million yuan and the factory was at a complete loss as to what to do. Someone suggested that they sell off their machinery. The factory leaders invited representatives from scores of factories throughout China to come and attend a sales meeting, asking them to assist in selling off the accumulated stock of products. During the meeting, not a single one of the factories wanted to take on this burden. Yan Jianzhang, who had been invited to take part, said without hesitation: "We will sell your entire stock of products." Everyone was very surprised and thought they had misunderstood what he had said, believing that this old "country bumpkin" was talking nonsense. Nevertheless, after a while no one doubted him anymore. Yan Jianzhang said in a very measured way: "We have about 1,000 full-time salesmen with good market information and marketing outlets. We have markets in all 29 provinces and cities throughout the country and I guarantee that we will be able to sell these 400 tons of products. By the end of the year we will be able to repay you around 2 million yuan and you'll be able to balance your books." The factory manager and party secretary did not fully trust him and over the next several weeks they visited Xinxing village three times. At the very start of December the factory received 2 million yuan from Xinxing in cash and they were greatly surprised and pleased. Later, production in this factory developed and they established close economic and technological ties with Xinxing, providing mutual help and mutual stimulation for progress.

This is not the only story of "the small leading the big." One year, a factory in Shandong which was producing synthetic fibers found itself with a massive stock of products and was thus faced with the threat of closure. Yan Jianzhang felt that he could not simply watch the country losing money and not do anything about it so he went to the factory in question and volunteered to help them promote sales. The result was that in a short period he remitted more than 1 million yuan to that factory, thus helping them to overcome their temporary problems. Later on, this factory established mutual supply and marketing relations with Xinxing production brigade, providing Xinxing with timely information on domestic and overseas acrylic fiber markets and helping Xinxing to update its technological equipment and its product quality. Thus Xinxing production brigade also gained real benefits. During one year the Xinxing production brigade accumulated several hundred tons of acrylic fiber and many people proposed that they sell at reduced prices. Being well-informed, they knew that there might be a shortage of goods after the fall and thus they held on to their stock and waited. As they had expected, they were able to sell the entire stock after the fall.

During the reforms a large number of accomplished men of action have emerged. Can we not gain enlightenment from their minds, hearts, character, and boldness of vision?

REAPPEARANCE OF THE POETIC FLAVOR OF LIFE IN THE COUNTRYSIDE IN REFORM--  
READING 'HOUSEHOLDS IN THE JIWOWA VILLAGE'

Beijing RED FLAG in Chinese No 17, 1 Sep 84 pp 46-47

[Article by He Zhenbang [0149 6966 6721]]

[Text] Some say Jia Ping'ao's [6328 1627 0425] novelette "Households in the Jiwowa Village" (carried in SHIYUE (OCTOBER), No 2, 1984) is just a story about people exchanging wives. There is a hint of disapproval in this comment. It is true that this is a story about the rearrangement of two peasant households: Hehe and his wife Mairong were divorced because of his "foolhardy actions." Huihui, resenting the fact that his wife Yanfeng followed Hehe in his "foolhardy actions," also applied for a divorce. Eventually, Huihui and Mairong got married because they "cherished the same ideals and followed the same path"--they both wanted to "live off their land." On the other hand, Hehe and Yanfeng also grew more and more fond of each other in their "foolhardy actions." They set up a new family. The rearrangement of these two peasant households just forms the plot of the story and reflects a phenomenon of everyday rural life amid changes. If we look deeper beneath the surface, we may uncover many questions. For example, why were these two peasant households rearranged? How can the peasants become well-off after contracting land? How should we view the "foolhardy actions" of Hehe in his attempts to get rich? With keen eyes, Jia Ping'ao, a young writer from the mountainous area of Shangluo in southern Shaanxi, observed everyday rural life amid changes, and depicted with a poetic touch the joys and sorrows of two peasant households in Jiwowa village. In doing this, he also answered the above questions. On reading "Households in the Jiwowa Village," we strongly feel that owing to the implementation of the production responsibility system, some deep-rooted traditional ideas are now changing in the rural areas. The story subtly reflects this kind of change in outlook, including moral and family concepts. This is what makes "Households in the Jiwowa Village" more profound than other novels reflecting everyday rural life.

Hehe, a demobilized armyman and young farmer, is portrayed by Jia Ping'ao as an explorer of reforms. His "foolhardy actions" were in fact a series of explorations of reforms. The change in the way his fellow villagers saw him reflects the change in certain traditional concepts in the rural areas.

Hehe served in the army for some years, during which time he was stationed in the Hexi Corridor. When he returned to the mountainous areas of southern Shaanxi, he married Mairong and lived with her family. Not content with making a living on a few mu of hilly land, he planned to get rich by raising silkworms. In order to raise capital for this purpose, he and Mairong went to work in Baita township, selling deep-fried cakes. He also once borrowed money from someone, went to the county seat, and bought himself a noodle-making machine, with which he made noodles for others on order. However, he not only failed to make any money in either attempt, but put another rather affluent family into dire straits because of his foolhardy actions. In a bid to repay his debts, he tried to sell, without Mairong's knowing, the cow which she regarded as her very life. They had a fight and ended up getting divorced. For a while Hehe became a "prodigal son" in the eyes of his fellow villagers. Rather than feeling dejected, he went ahead even more boldly with his "foolhardy actions." He hunted foxes, sold bean curd and wheat seeds, raised tussahs, cultivated mulberry trees for raising silkworms, bought a tractor and started his transportation business. He wanted to give everything a try. Of course, the road to prosperity is by no means smooth. Rather, it is beset with difficulties. He missed a fox and shot his dog instead. He made no money selling bean curd, but he managed to fatten Huihui's pigs with them. What dealt him the greatest blow was that just as a bumper harvest of tussahs was in sight, a flock of crows came and ate everything up. The fruits of his hard work thus went down the drain. Frustrated on the road to prosperity, rejected by Mairong when he proposed reconciliation, and increasingly pressured by public opinion, he could hardly bear it any longer. At this time, the secretary of the county CPC committee stood by him, and Yanfeng gave him spiritual as well as material support. He began beaming with enthusiasm once again. He got a loan and started cultivating mulberry trees. His silkworm-raising business turned out to be a success. Then he bought himself a walking tractor and started his transportation business. Eventually, this "prodigal son" became the richest man in Jiwowa village. He built a new house and was the first person in the village to install electricity for lighting. He became a benefactor, not just a hero, in the eyes of the peasants in Jiwowa village. Jia Ping'ao has depicted Hehe as an ordinary, hardworking, and honest peasant who has done nothing more earthshaking than make a fortune by raising silkworms. But then Hehe is not an old-type peasant like Huihui who "obstinately clings to his fields." He is a farsighted, informed, zealous, and enterprising peasant who devotes himself to reform. He has "breadth of vision as well as ambition." Of course, he has found his way to prosperity through "foolhardy actions." He suffered repeated failures, which made him feel frustrated and dejected, but he also experienced the happiness and joy of success in reform. By depicting the course traversed by Hehe from failure to success, Jia Ping'ao has made his character more true to life and meaningful. At the same time, by depicting Hehe's change from a prodigal son to a hero in the eyes of the people of Jiwowa, he has smashed the age-old tradition of stressing agriculture and slighting commerce, as well as the traditional practice over the last few decades of stressing agricultural production and slighting diversified undertakings. This shows a spirit of reform.

The rearrangement of the two peasant families of Hehe and Huihui also profoundly reflects changes in everyday rural life. It is precisely through depicting this rearrangement and through comparing Hehe and Yanfeng with Huihui and Mairong that Jia Ping'ao has answered the question of how the peasants can get rich after contracting for land. Of course he unhesitatingly and quite feelingly affirms the road taken by Hehe.

Hehe and Mairong ended up divorcing basically because what each wanted and sought out of life was different. Mairong is a virtuous peasant woman who is good at making ends meet, but never seems to be able to get along with Hehe. Hehe wants changes, but she longs for an affluent and stable small peasant family, and the days of poverty under the "agricultural cooperative" when everything was taken care of by the team leader. Thus, she frowns upon Hehe's "foolhardy actions." Unlike Mairong, Yanfeng is curious about anything new. She hopes to live a more civilized and prosperous life. She unreservedly gives Hehe spiritual as well as material support in his reform endeavors. It is a matter of course that they eventually get married. As for Huihui, although he regards Hehe as his own brother, he is a very different person in temperament as well as in ambition. The roads they take could not be more divergent. As a devout adherent of the precept that "a peasant must live off his land all his life," he naturally thinks that Hehe's foolhardy actions have no future. When he reprimanded Hehe, he "demonstrated the manner of an affluent shopkeeper." He even gloated over Hehe's failures. It was when he eventually learned his lesson through practice that he came to realize his mistake. Of course, we should only criticize Huihui for his conservative sentiments as an old-type farmer. We should not criticize farming itself, which is a way of obtaining one's means of subsistence from the land. The crux of the matter is that we must rely on science in farming and engage in diversified undertakings.

Unlike other works about reform which reflect changes in everyday life through depicting the acute struggle between reform and opposition to reform, "Households in the Jiwowa Village" concentrates on depicting rural life and images of peasants of different temperaments. It reflects changes in everyday rural life amid reforms through comparing and mirroring these peasants and through changes in moral concepts in the rural areas. Although this novelette does not contain violent and breath-taking scenes of struggle, it reflects everyday rural life amid reforms with depth and a poetic touch. By creating a uniquely typical environment for the activities of Hehe, Huihui, and others, the author gives his work a rich flavor of life and a touch of pastoral poetry. For example, the impressionistic portrayal of the snowy night at Jiwowa when Hehe went hunting; the illustrative scenes of everyday life depicting how Huihui killed his pig to make smoked pork and brewed home-made wine outside his house; the portrayal of custom when Mairong's son, Niuniu, was nominally adopted as someone's son; the portrayal of Huihui's and Mairong's married life and how they "proudly showed off" their farm tools when someone came to borrow household utensils; the portrayal of Hehe's life as a hermit in a shed in the mulberry forest; as well as the portrayal of details of everyday life as in "the happiness of this affluent family permeates even the sound of their toilet bucket," are all rather touching and full of lively interest. However, Jia Ping'ao does

not confine himself to pastoral descriptions. In the pastoral life of the Jiwowa households, there is also the despair, frustration, and depression experienced by Hehe after repeated failures, the anguish of two broken families, as well as all kinds of disputes and jealousies. The revealing of these conflicts is of great significance to exposing the essence of everyday rural life amid reforms. The author's comic treatment of these conflicts has enhanced the poetic touch of this novelette. We may say this is the distinctive artistic quality of "Households in the Jiwowa Village." This is also what makes this novelette so touching. Through this latest work, Jia Ping'ao has demonstrated his artistic potential as a painter of rural life. At the same time, his creative experience also tells us that works reflecting reform must proceed from life and not from concepts and incidents. This is the only way to avoid falling into a set pattern and to write in a richly varied way that shows artistic individuality.

Within a fairly short time, Jia Ping'ao has produced a number of outstanding works that reflect everyday rural life amid reforms. They are: "Xiaoyue's Past" (carried in SHOUHUO, No 5, 1983), "Households in the Jiwowa Village," and "The Twelfth Lunar Month--The First Lunar Month" (carried in SHIYUE, No 4, 1984). This calls for celebration and attention. Years ago, Jia Ping'ao attempted to seek answers to questions of everyday life through religion and took a roundabout course in creative writing. But he soon realized he was heading in the wrong direction. Thus, he took with him some field rations and left the city. When he returned to the villages of southern Shaanxi which he knew so well, he did not stay in hotels or guest houses. Instead, he immersed himself in everyday rural life amid reforms and shared weal and woe with the peasants. With "Households in the Jiwowa Village" and other recent works that reflect everyday rural life amid reforms, he has demonstrated his change in creative approach and that he has reached a new height in creation. Jia Ping'ao's creative experience reveals that only by penetrating into the thick of everyday life amid reforms to observe and experience afresh, can authors feel the pulse of life, unearth new meanings from life, and make new breakthroughs in their creative writing.

CSO: 4004/2

GREAT ACHIEVEMENTS IN ECONOMIC AND SOCIAL DEVELOPMENT IN THE 35 YEARS FOLLOWING THE FOUNDING OF THE PRC (STATISTICAL DATA, PART VII)

Beijing RED FLAG in Chinese No 17, 1 Sep 84 p 48

[Article by State Statistical Bureau]

[Text] Expansion of Investment in Fixed Assets

	Absolute figure (million yuan)				Proportion (percentage)			
	1978	1983	5-year total (1979 to 1983)	34-year total (1950 to 1983)	1978	1983	5-yr total (1979 to 1983)	34-yr total (1950 to 1983)
1. Investment in fixed assets:	668.72	951.96	3,910.04	11,632.85	100	100	100	100
Capital construction investment	500.99	594.13	2,674.94	8,969.53	74.9	62.4	68.4	77.1
Investment in renewal and transformation	167.73	357.83	1,235.10	2,663.32	25.1	37.6	31.6	22.9
2. Investment in capital construction:					100	100	100	100
State budgeted investment	417.37	345.76	1,641.83	6,922.05	83.3	58.2	61.4	77.2
Investment excluded from budget	83.62	248.37	1,033.11	2,047.48	16.7	41.8	38.6	22.8

	Absolute figure (million yuan)				Proportion (percentage)			
	1978	1983	5-year total (1979 to 1983)	34-year total (1950 to 1983)	1978	1983	5-yr total (1979 to 1983)	34-yr total (1950 to 1983)
3. Investment in capital construction:					100	100	100	100
Productive investment	396.24	346.44	1,626.19	6,715.86	79.1	58.3	60.8	74.9
Nonproductive investment	104.75	247.69	1,048.75	2,253.67	20.9	41.7	39.2	25.1
4. Investment in various national economic departments:				(1)	100	100	100	(1)
Industry	273.16	282.28	1,291.35	4,715.71	54.5	47.5	48.3	52.8
Building industry	8.84	10.53	53.19	167.43	1.8	1.8	2.0	1.9
Geological prospecting	11.65	3.36	18.88	85.28	2.3	0.5	0.7	1.0
Agriculture, forestry, water conservancy and meteorology	53.34	35.45	208.73	880.04	10.6	6.0	7.8	9.9
Transportation and post and telecommunications	68.04	78.04	302.15	1,260.61	13.6	13.1	11.3	14.1
Commerce, catering service and goods supply	15.29	28.92	142.04	308.86	3.1	4.9	5.3	3.4
Scientific research, culture, education, health and welfare	21.77	59.44	231.64	482.93	4.3	10.0	8.6	5.4

	Absolute figure (million yuan)				Proportion (percentage)			
	1978	1983	5-year total (1979 to 1983)	34-year total (1950 to 1983)	1978	1983	5-yr total (1979 to 1983)	34-yr total (1950 to 1983)
Urban public utilities	15.39	38.02	175.81	314.13	3.1	6.4	6.6	3.5
Others	33.51	58.09	251.15	719.74	6.7	9.8	9.4	8.0
5. Newly added fixed assets in capital construction:	372.30	453.10	2,129.68	6,440.19				
Delivery and utility rate (percentage) of fixed assets	74.3	76.3	79.6	71.6				
6. Number of big and medium projects put into production:	99	91	496	3,817 <sup>(2)</sup>				
Rate (%) of big and medium projects completed and put into operation	5.8	11.2	10.6	10.0 <sup>(2)</sup>				
7. Area of buildings completed (10,000 sq meters):	9,011	13,212	67,010	229,272	100	100	100	100
Of which, residential quarters (10,000 sq meters)	3,752	8,125	39,535	92,707	41.6	61.5	59.0	40.4

Note: (1) Item 4 represents the total figure for 1952-1983.

(2) Item 6 represents the total figure for 1953-1983.

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## A BRIEF DISCUSSION ON 'POLITICAL MATURITY'

Beijing RED FLAG in Chinese No 17, 1 Sep 84 inside back cover

[Article by Zhang Yuyan [1728 3768 1484]]

[Text] With the unfolding of our cause, a number of "revolutionary newcomers" with both ability and political integrity and in their prime of life have joined the leading bodies. Charged with the important task of leading people, they have given impetus to all areas of work. This shows that our party's cause of building "a tower reaching to heaven" is prospering. At the same time, however, one keeps hearing the opinion that the new cadres are "politically immature."

Political maturity refers to one's ability to correctly and effectively enforce the will of the class of which one is a member and to carefully, satisfactorily, and skillfully handle all kinds of problems. It is the result of a combination of one's political and theoretical understanding, reasoning power, organizational ability, art of leadership, and moral integrity. It is also the crystallization of one's experience and wisdom. A most important question is whether or not one can very conscientiously act in important with the CPC Central Committee in ideological and political affairs and, under the guidance of the general task for the new period, fruitfully and creatively do one's work. We ought to regard this as the fundamental criterion according to which we determine whether or not a cadre is politically mature.

One can gradually become politically mature only after one has been given an education in Marxism-Leninism-Mao Zedong Thought and the line, principles, and policies adopted by the party and has been tempered with social practice. Even if one is politically mature, one is still not a perfect man. It is commonly acknowledged that there is no perfect man in the world. However, whenever we encounter a man, we require of him that he should be perfect. This is nothing but demanding perfection. The cadres who have just assumed office have been tempered by practice. Thus, they are rather quick-minded and, in particular, they wholeheartedly support and resolutely implement the line, principles, and policies adopted by the party since the 3d Plenary Session of the 11th CPC Central Committee. Considering this, we cannot say that these new cadres are "politically immature." It is both possible and natural that some new cadres who took up leading posts not long ago are

quite inexperienced and unskillful in discharging their duties. However, we cannot for this reason say that they are nothing but "politically immature." Seeing that the new cadres make mistakes in their work, some leading comrades do not trust them and do not give them a free hand in their work. When the new cadres work, these leading cadres impose restrictions on them and even meddle in the work.

This is incorrect. Mr Lu Xun once vividly likened the relationship between practice and experience to the transformation of vast quantities of timber into a little coal. If we can charge the cadres who have just assumed office with duties, let them shoulder important responsibilities, let them actively work in the forefront, let them independently make decisions with a sense of responsibility, and give them a free hand in their work, they can, in the course of practice, get some training, gradually accumulate experience, add to their talents, and augment their prestige. Only such a course of action can be said to be far-sighted.

The cadres who have just assumed office may expose their weaknesses in actual work. This, however, must not be confused with "political immaturity." Strictly speaking, there is no "ever-victorious general." A commander, said Comrade Mao Zedong, can continue to be a commander if he can win two battles out of three. The thing that matters is his ability to draw lessons and distill wisdom from setbacks. Of course, after assuming office, the new cadres should be even more prudent and modest than before, properly behave themselves, enthusiastically study theories of revolution, take an active part in social practice, modestly learn from the revolutionary spirit, good style, and rich experience of the old cadres, speedily enhance their ability to understand and to cope with all kinds of problems, overcome their weaknesses, and improve their art of leadership until they can more thoroughly and more comprehensively understand things, more satisfactorily handle problems, and reduce to a minimum the mistakes in their work. In this way, they can live up to the ardent expectations of the party and the people.

There are indeed mentally unhealthy people who deliberately find fault with the new cadres and who accuse the new cadres of being good for nothing if the latter do not totally comply with their wishes. This bad habit of being jealous of the virtuous and the competent is detested by all upright people and honest people.

As we are carrying on with the four modernizations, we should free ourselves of erroneous ideas, enthusiastically create conditions to help the large number of virtuous and competent cadres with an explorative spirit grow, and help them shoulder the responsibilities entrusted by the party and the people. Herein lies the hope for the accomplishment of our great cause.

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RECOMMENDING '100 QUESTIONS ON SCIENTIFIC SOCIALISM'

Beijing RED FLAG in Chinese No 17, 1 Sep 84 outside back cover

[Book review by Yang Lianzhong [2799 6647 0112]]

[Text] The book "100 Questions on Scientific Socialism," written by Wang Furu [3769 4395 1172] and Xiang Meiqing [0686 5019 3237], is a book put out by the Tianjin People's Publishing House under the "Social Sciences Self-Study Series."

With construction developing in depth in recent years, how to correctly answer some questions about socialism has become a matter of general concern. Some people are unable in their thoughts and actions to distinguish between socialism and capitalism, or even between socialism and feudalism, because they lack a clear understanding of certain basic issues of socialism. In view of this kind of muddled understanding "100 Questions on Scientific Socialism" raises questions in light of China's conditions and provides answers, taking the theory of scientific socialism as guidance and drawing examples from the theory and practice of the proletarian liberation movement. This obviously is of great practical significance. Drawing positive and negative examples from the history of the international communist movement and from modern world history, the authors elucidate and summarize scientific socialism fairly systematically and fully. Through comparison, the vast number of readers can gain a more accurate understanding and grasp of the basic principles of scientific socialism. For example, in the article "What Is Meant by 'Genuine' Socialism?" the authors discuss the chief exponents of the "genuine" socialist school as well as their propositions, essence, and danger. Citing as proof the criticism made by Marx and Engels of this trend of thought, they point out that "genuine" socialism, which sought to transform communism by means of humanism [ren ben zhu yi 0086 2609 0031 5030] was "a supplement to the malicious whip and sugar-coated bullets" used by the autocratic governments of various German states to "suppress German workers' uprisings." They explain that "scientific communism, rather than defending the abstract interests of 'man,' charts the orientation and course of the liberation of the proletariat." The article expounds theory with the help of facts and is easy to understand. In the article "What Are the Basic Characteristics of a Socialist Society?" the authors discuss the full summary of the characteristics of socialism made by our party under the guidance of Marxism-Leninism on the basis of

summing up positive and negative experiences in the international communist movement, particularly experiences gained by our country in building socialism. The authors also specifically correct, in light of reality, the erroneous idea that China cannot be counted as a socialist society because it has a low level of productivity. In discussing these questions, the authors draw inferences about other cases from one instance and explain things systematically. They do their best to help the readers raise their understanding from the perceptual level to the rational levels.

Under the new situation, many questions of a theoretical nature that appear rather difficult to answer have occurred. Rather than evading these questions, the authors have answered them directly. They have also paid attention to assimilating the new fruits of theoretical research in these areas and to making new theoretical generalizations of practical experience. In the articles "What Is a Reasonably Rational Structure To Adopt for the Socialist System of Ownership?", "What Are the Advantages of the Production Responsibility System in China's Rural Areas?", "Why Must the Life Tenure of Leadership Cadres Be Abolished?", "What Are the Special Features and Requirements of Socialist Spiritual Civilization?" and so on, the authors give fairly detailed accounts of the theoretical basis of China's present economic and sociopolitical systems by combining theory with practice.

In the course of compiling and editing this book, the authors paid great attention to presenting the concrete embodiments of theory and combining education with the impartation of knowledge and philosophy. Perhaps, however, readers would find this book even more attractive if more vivid examples and more lively language were used.

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