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SOCIAL SCIENCES IN CHINA

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CURRENT IDEAS

A special column on the latest thinking of Chinese philosophers
and social scientists

Thanks are due to the many who translated the articles, including experienced translators belonging to various organizations and young, up-and-coming writers in English now at school, and particularly to Dr. Stephen R. MacKinnon from the Arizona State University, U.S.A., Mrs. Janice R. MacKinnon and Miss Judy Polumbaum, who found time to polish a number of the translations while busy with their research and teaching jobs.

What Is the Best Economic Setup for China?

Economists Discuss Socialist Commodity Production and
Restructuring the Economy

By the end of June 1978, a recent article stated, the stockpiles of goods and state supplies throughout China had reached such enormous amounts that they equalled the value of the national industrial output for the first half of the year. A total loss of 1,000 million yuan had to be sustained in the course of handling the stockpiles. This happened at a time when many productive enterprises were badly in need of equipment and when shopkeepers were hunting for one kind of consumer goods or another.¹

What are the causes of occurrences like this? It doesn't require the expertise of an economist to see that there is a separation of production from marketing. A state-owned factory, for instance, has to fulfil government-assigned production quotas but doesn't worry about the marketing of its products, because that is taken care of by state commercial organizations. In the language of the economists, there is a regulation of production by state planning but no regulation through the market mechanism.

Comparing the experience in China with that in some other socialist countries, people have gradually come to realize that the present economic setup is too weighty and clumsy for a modernizing nation. While feathering the nests of bureaucracy, authoritarianism and inefficiency, this system of management doesn't take proper care of the varying economic-financial interests of

¹See He Jianzhang, "Problems in the Management of a Planned Economy Under the System of Ownership by the Whole People and the Orientation of Reforms," in *Jingji Yanjiu (Economic Studies)*, No. 5, 1979, p. 36.

collectives and individuals that contribute varying levels of labor productivity to socialism. In effect, their initiative is dampened.

But economic systems and practices are based on theory and it is the job of economists to re-examine the basic theoretical framework of our socialist economy. The main questions under discussion are:

What kind of economy is a socialist economy?

How does the law of value operate under socialism?

Is it necessary to adjust the socialist economy through the market mechanism?

Socialist Production and Commodity Production

What kind of economy is a socialist economy? A whole range of differing opinions have been expressed on the question. Some of the formulations are:

1. The socialist economy is a planned economy, even though commodities still exist at the present stage of its development.

2. It is basically, but not entirely, a commodity economy.

3. It is a planned commodity economy based on public ownership of the means of production.

4. It is the unity of a planned economy and a commodity economy.

What is the focus of the debate? There is no controversy over the commodity nature of the products sold by the people's communes to the state, nor over the commodity nature of the consumer goods produced by state-owned factories. But how about the means of production turned out by state enterprises? Are they commodities or not? And what is the economic status of the state enterprises? Are they commodity producers or not?

For years, Chinese economists generally followed the theses of J. V. Stalin on these questions, namely, under the conditions of socialism, commodity production "is confined to items of personal consumption"¹ and does not cover the means of production. Consequently state enterprises making the means of production are not commodity producers. These views are being challenged by many writers. A recent article by Feng Baoxing and others says:

1. Examined in the light of the universal nature of commodities, the means of production exchanged between socialist enterprises under ownership by the whole people are likewise products of labor produced for sale; they too embody the intrinsic nature of commodities, possessing a use value and an exchange value. They should properly be called commodities.

¹J. V. Stalin, *Economic Problems of Socialism in the U.S.S.R.*, FLP, Beijing, 1972, p. 16.

2. Taking the economy of a socialist country as a whole, since the items of personal consumption produced by enterprises under ownership by the whole people are recognized as commodities, the means of production used to produce these items should also be recognized as such. This is because reproduction is an integral process, in which the production and circulation of consumer items include the production and circulation of the means of production, and the value of the consumer items contains the value of the means of production expended in the making of these items.
3. From the point of view of material interests, exchange of products between enterprises under ownership by the whole people has to be conducted on the principle of equal exchange, which is the most essential characteristic of commodity exchange.
4. From the point of view of ownership, although the means of production exchanged between enterprises under ownership by the whole people remain under such ownership, these enterprises in fact treat each other as different owners to a certain extent. This is because, under the country's system of graduated levels of administration, the local authorities are partial owners of the enterprises. In addition, each enterprise is an independent unit responsible for its own business accounting, controls and manages the means of production, and handles part of its own income.¹

Whether economists agree with these points or not, few of them would deny that, while the state reserves the final say on the means of production under its ownership, it is each individual enterprise that actually possesses and uses these means of production and controls them within prescribed limits. Labor productivity differs between enterprises as it does between individuals, giving rise to differences in material interests between them. An article by Zhang Chaozun and others says:

Differences in financial interests exist between enterprises under ownership by the whole people, and equal exchange is the only kind of exchange that suits their interests. This brings a well-managed enterprise more profit and its workers and staff more material earnings. It also causes losses, or at least drops in profit, to a poorly managed enterprise and spurs it on to better efforts. Thus exchange between enterprises under ownership by the whole people remains an exchange of commodities and cannot take any other form, such as an allocation of products. Thus any such enterprise must be recognized as a relatively independent pro-

¹Feng Baoxing, Wan Xin and Zhang Dajian, "The Socialist Economy Is a Unity of Planned Economy and Commodity Economy," in *Shehui Kexue Zhanxian (Social Science Front)*, No. 3, 1979.

ducer of commodities, and has to be given relative independence in the production and exchange of these commodities.¹

Stalin characterized commodity production under socialism as "a special kind of commodity production, commodity production without capitalists."² Chinese economists seem to have no quarrel with him on that particular point. They are only arguing that such commodity production covers not only consumer goods but the means of production, first and foremost those turned out by state enterprises, and that, consequently, the entire socialist economy is essentially a commodity economy.

The Law of Value Under Socialism

The law of value, which governs commodity production, requires that commodities be exchanged at their values. It is the regulator of a commodity economy in that it calls for a distribution of social labor in the various departments of production proportionate to social demand.

Stalin's view of the operation of the law of value under socialism may be summed up as follows:

1. Under socialism, the law of value operates chiefly in the sphere of the circulation of consumer goods, which are produced as commodities. In this sphere, it functions as a regulator within certain limits.
2. The same law also influences production, because the consumer goods needed to compensate for the labor power expended in the production process come under its operation.
3. The operation of this law is strictly limited by the system of the public ownership of the means of production. It does not function as a regulator of production.³

In the same work in which he makes the above points, Stalin refers frequently to the law of the balanced (proportionate) development of the socialist economy and formulates the basic economic law of socialism as "the securing of the maximum satisfaction of the constantly rising material and cultural requirements of the whole of society through the continuous expansion and perfection of socialist production on the basis of higher techniques."⁴

¹ Zhang Chaozun, Xiang Qiyuan and Huang Zhenqi, "The Socialist System of Ownership by the Whole People and Commodity Production," in *Jingji Yanjiu (Economic Studies)*, No. 4, 1979, p. 74.

² Stalin, *op. cit.*, p. 16.

³ *Ibid.*, pp. 18-24.

⁴ *Ibid.*, pp. 40-41.

Since many Chinese economists now recognize the socialist economy as one kind of commodity economy, they naturally agree that the law of value operates as a regulator of production. The question is how it regulates production and how it is related to the law of the balanced development of the economy and the basic economic law of socialism.

From the 1950s up until about a year ago, Chinese economic thinking on this question was much influenced by Stalin's views and tended to set the law of value against the law of the planned, balanced development of the economy. Some writers said that with the basic completion of the socialist transformation of China's economy in the mid-1950s, the law of planned development had superseded the law of value as the regulator of the economy. Others declared that as the state enlarged the scope of its planning, the operation of the law of value would be further limited. Still others spoke of an inverted ratio between the importance of the two: the greater the role of the one, the lesser the role of the other. While a commodity economy still existed, shouldn't the law of value be brought into play to serve socialism? Yes, but it could only play a role supplementary to that of the law of balanced development.

In the past year or so, the challenge of modernization has prompted economists to re-examine the nation's economy and take a fresh look at the above question. Jiang Xuemo points out:

There is something in common between the law of planned development and the law of value with respect to their objective requirements. The law of planned development calls for a distribution of the means of production and labor power among the various departments of the nation's economy proportionate to social demand, so that there will be a co-ordinated development of the entire social production. The law of value calls for equal exchange, i.e., an exchange of commodities according to the amounts of socially necessary labor contained in them, and it likewise requires a distribution of the totality of social labor among the various departments of production according to social demand. Thus both laws make it necessary to gear social production to social demand, to distribute social labor, including both living labor and the accumulated labor embodied in the means of production, in proportion as required by society. This common objective requirement of the two laws points to the possibility of combining regulation of the economy by planning with regulation through the market, the two of which may complement each other. The conventional view tends to look upon the law of value as a trouble-maker, which by its very nature is bound to disturb national economic planning and play a negative role in the development of the socialist economy. This trouble-maker, therefore, would have to be "remolded" before it could play any positive role. This erroneous view is

rooted in a failure to see the unity between the law of planned development and the law of value.¹

Arguing along this line, economists who see the socialist economy essentially as a commodity economy recognize the law of value as a regulator of socialist production, pointing out that it doesn't contradict, but works in tandem with state planning, provided that the planners take its role into full consideration. They also underscore the fact that, whereas under capitalism and in pre-capitalist commodity economies the law of value operates as a spontaneous force behind the backs of producers, under socialism it can be followed and applied consciously by economic planners.

The Market Mechanism Under Socialism

Lin Biao and the Gang of Four were opposed to utilizing the market as a means for developing a socialist economy. For instance, they denounced all market fairs as vestiges of capitalism and pressed for their abolition. Under their influence, the role of the market was neglected in the country's economy.

It is widely known that the market is a product of commodity economy based on the private ownership of the means of production, and it governs production and exchange under capitalism, the most highly developed form of commodity economy. The capitalist market embodies the interests of the capitalists, which lie in their pursuance of surplus value.

In a socialist society based on the public ownership of the means of production, is it necessary to adjust the economy through the market? If so, why?

Economists point to two circumstances which make such adjustment necessary:

1. Social demand varies in a thousand ways and changes continually. Although the state can meet the basic needs of the population through its economic planning, it cannot quickly respond to and fulfil the whole complexity of their requirements unless it operates through the market mechanism.

2. According to the analysis reported earlier in this column, economic organizations in a socialist society remain as relatively independent commodity producers differing from each other in labor productivity and the resultant material interests. The state can bring their initiative into play only by recognizing their right to competition on the market.

Discussing the relation between economic planning and the market in a socialist society, an article by Liu Guoguang and Zhao Renwei says:

¹ Jiang Xuemo, "Co-ordination of Planned Readjustment and Market Regulation," in *Jingji Yanjiu (Economic Studies)*, No. 8, 1979, p. 53.

For a long time, the theories of political economy concerning socialism subscribed to the view that, since socialist economy is a planned economy and a capitalist economy is a market economy, the former is incompatible with the market. Later on it was admitted that commodity production and the law of value do exist in a socialist economy. Even then, however, the role of commodity production, the law of value and the market mechanism and that of economic planning were regarded as mutually exclusive, as if economic planning functioned where the market mechanism did not, and vice versa. This view has done much harm to our economic life.¹

The article goes on to enumerate the following negative effects of the above standpoint:

The separation of production from demand. Because of a lopsided emphasis on planning and a neglect of the market situation, a factory goes by the assignments from higher authorities regarding the quantity and variety of its output without paying much attention to the actual social demand. The products frequently do not suit the demands, while those in demand may not be sufficiently supplied. Producers and consumers are cut off from each other. The former do not know the needs of the latter, while the latter cannot exert any influence on the former.

The divorce of prices from values. As the prices of many products are fixed in disregard of their actual values, the quality of management of a factory can hardly be judged from its monetary earnings or its profit. If a factory makes profit or sustains losses, there is sometimes no telling whether this is the result of good or poor management because the prices related to its operations may not be reasonable. Also, little has been done to control supply and demand through an adjustment of prices. When supply falls short of demand, the prices have seldom been changed to increase supply and limit demand.

The state bears all financial responsibility. The neglect of the role of the market also results in a system whereby the state bears all financial responsibility for the operations of an enterprise. The state brings an enterprise, without compensation, all its fixed assets and the bulk of its funds, which it may use or misuse without any financial responsibility. On the other hand, the enterprise has to turn over all its income to the state, including its net income as well as most of the funds for covering its basic depreciation costs, and draws from the state treasury all its production and welfare funds. In these circumstances, business accounting in an enterprise becomes a mere formality instead of serving as a

¹ Liu Guoguang and Zhao Renwei, "Relationship Between the Plan and the Market in a Socialist Economy," in *Jingji Yanjiu (Economic Studies)*, No. 5, 1979, p. 46.

motor propelled by the collective material interests of workers and staff who drive production forward.

The tendency towards self-sufficiency. Failure to look at an enterprise in its relations with the market has led to its management from the small producer's standpoint instead of treating it as part of the large-scale socialized production in which each enterprise specializes in a certain field and co-ordinates its work with many others. The big and small industrial enterprises in China are generally marked by a tendency towards seclusion and self-sufficiency and a drive towards omnipotence. In numerous cases an enterprise is run as a society in itself. There are many reasons for this, but a major one is the attempt to cut off the market relations of the enterprises.¹

Criticizing the theory of incompatibility between socialist planning and the market, the article points out that the antithesis of planned economic development is spontaneity and anarchy in production but not the market. The former is peculiar to economies based on private ownership, the latter isn't. The antithesis of market economy is not planned economy but natural economy. Whether market relations are marked by spontaneity and anarchy depends on the system of ownership. Under the conditions of socialist public ownership, market relations can be controlled consciously for the furtherance of the planned development of the socialist economy.²

Why People Look Askance at Commodity Economy?

How did it happen that, in the Soviet Union and in China, the role of the market and of the law of value was neglected for a long time? He Jianzhang has made the following analysis:

In the past, we did not recognize the socialist economy as a kind of commodity economy and, as far as the economy based on ownership by the whole people was concerned, we neglected to place the market and the law of value at the service of socialist construction. The social origin of this phenomenon was the serious influence of small production. Small production forms the basis of a self-sufficient natural economy, in which every household is a world in itself and the head of the family commands all its economic operations. The small producer is, by his very nature, exclusive of commodity circulation and market relations, in which intense competition prevails, prices may change at any moment and the commodity producer, being at the mercy of the spontaneous forces of the

¹ *Ibid.*, pp. 46-47.

² *Ibid.*, p. 47.

market, may go bankrupt at any time. . . . The small producer cannot avoid being swept into the whirlpool of commodity circulation, yet by instinct he tries to resist such a process, entertaining the illusion that he might be able to return to the kingdom of a natural economy. . . .

In Russia, monopoly capitalism did not dominate the economy before the socialist revolution, capitalist commodity economy had not undergone a sufficient development, and the rural population accounted for 82 per cent of the nation's total in 1913. In some regions in the countryside, the natural economy was experiencing a transition to a commodity economy, while elsewhere patriarchal small production and manors under feudal serfdom were still dominant. . . . The force of habit of small producers could not but have a serious impact on the way people looked at the socialist economy. Soviet economists spoke of it as a natural, self-sufficient economy and the program of the Russian Communist Party (Bolsheviks) dated 1919 referred to "the replacement of commerce by a planned, nationally organized exchange of products." Later experience proved that, owing to the co-existence of several economic sectors, the exchange and circulation of commodities could not be done away with. . . . Stalin said that commodity production was necessary while two kinds of socialist ownership, ownership by the whole people and collective ownership, existed alongside each other. Though making an important contribution to Marxism-Leninism, actually he continued to see the circulation of commodities and the law of value as vestiges of the old society, tried to limit them as far as possible, excluded the means of production from the sphere of commodity circulation, and stressed that the law of value did not play the role of a regulator in socialist production. Soviet economists, including Stalin himself, did not free themselves ideologically from the influence of the outlook of natural economy typical of the small producer.

Under the impact of this outlook, the Soviet setup for planning and management seldom took into consideration the laws of commodity economy, principally the law of value. Modelled on the pattern of small production, the entire national economy could be likened to a colossal household, in which the patriarch, i.e., the state, assigned compulsory targets to producers, who must do everything he said. All products must be turned over to the state, which in turn supplied all means of production. The feudal sovereign with his absolute power and the rigid hierarchy of bureaucratic organs in Tsarist Russia were related to each other much like the elders and their subordinates in a small producer's family. To a certain extent, the centralized system of planning and management in the Soviet Union took shape under the influence of the feudal, autocratic bureaucracy based on small production in Tsarist Russia.

After liberation, China followed the Soviet system of planning and management and has kept within its general framework ever since. There are many reasons for this. For one thing, China has not summed up her valuable experience in utilizing the market and the law of value, such as her experience during the period of economic rehabilitation immediately after liberation (1949-52), the period of the First Five-Year Plan (1953-57), and the period of economic readjustment in the early 1960s. Secondly, compared with Russia before the October Revolution, commodity economy was even less developed and small production accounted for a still bigger proportion of national production in old China, giving rise to a like-mindedness with the economic thinking of the small producer in the Soviet Union.¹

Reorientation

The following are some typical questions and answers concerning the revamping of the nation's economic setup now under discussion among economists:²

Q.: What should be the basis of the production plan of an enterprise?

A.: It should be based on social demand. While state planning is based on social demand in a general sense, it cannot possibly meet the wide range of ever-changing demands in all fields of socio-economic life. Nor can it take into account the specific conditions in each and every enterprise. If production is to suit demand, the plan of an enterprise must not be based on inflexible targets handed down by the higher authorities, but on market demands and the circumstances and interests of each enterprise under general state guidance, and should be signed into contracts between producer and seller, or between buyer and seller.

Q.: How will the products be marketed?

A.: An end must be put to the practice whereby state commercial departments buy up all products regardless of their marketability. This applies to consumer goods as well as the means of production. Everything must be sold on the market, except for a few items which are expected to be in short supply for quite some time and which may be distributed by the state through consultation with various quarters. The means of production should be marketed through direct arrangements between producer and seller or through the medium of wholesalers.

Q.: What will be the financial responsibilities of a state enterprise?

A.: It should be made fully responsible for its profits or losses. This will

¹He Jianzhang, *op. cit.*, pp. 39-41.

²Cf. Liu Guoguang and Zhao Renwei, *op. cit.*, pp. 49-53.

be a fundamental departure from the present practice of the government paying for nearly all its expenses and taking over the bulk of its income.

Q.: In what way will this new system be put into effect?

A.: Apart from paying government taxes and loans, a state enterprise will no longer turn over its profit to the government, but will use it for investment in extended reproduction, for raising the wages and salaries of its workers and employees, and for increasing their welfare funds. It may contract loans from state banks and use them as capital construction or circulating funds, which will no longer be provided by the government without compensation.

Q.: What about prices? Will there be any change in the present price policy?

A.: Yes, of course. Political economists say changes in the values of products, which result from changes in labor productivity, are the ultimate causes of price changes. For a long time, denial of the role of the law of value as a regulator of socialist production led to the belief that, in a planned socialist economy, prices should stay where they are almost indefinitely. But as labor productivity in industry rises faster than that in agriculture in China at present, fixing the prices of industrial goods merely serves to widen the discrepancies between them and farm prices. Also, fixed prices cannot reflect the changes in supply and demand, and consequently cannot be used as a means to adjust the relations between the two, nor as a lever for improving production and business management. All this points to the need to readjust prices from time to time and to float the prices of certain commodities.

Q.: How do Chinese economists look at competition? Do they think it is compatible with socialism?

A.: A number of them have recently expressed the view that there is no commodity economy without competition, which is an important force that drives society forward. Under capitalism it aggravates anarchy in production, gives the reins to speculation and profiteering, and results in the triumph of certain people and the ruin of others. Under socialism it remains a means of promoting economic and technological progress. Certain poorly managed enterprises will pass out of existence in the course of competition, but they will be remolded to serve more useful purposes, and their personnel will be assigned to new jobs without suffering such tragic consequences as under capitalism.

—Written by Gao Zhihua
Translated by Zhao Guanglu

IN THIS ISSUE

Social Sciences in China presents its first issue to the reading public with papers on world economics, political economy, the reform of China's system of economic management, Chinese philosophy, ethnology, ancient and modern Chinese history, and the history of the Communist Party of China.

INTERNATIONAL DIVISION OF LABOR AND CHINA'S ECONOMIC RELATIONS WITH FOREIGN COUNTRIES, by Yuan Wenqi, Dai Lunzhang and Wang Linsheng, is a pioneer paper on the subject in China and bears the following features:

The paper states that the growth of productive forces is the factor determining the emergence and expansion of the international division of labor, which represents an inevitable trend of development — the trend of production on a social scale becoming production on an international scale. Under the conditions of the co-existence of socialist and capitalist countries, the international division of labor remains an inevitable historical trend.

Basing themselves on the thinking of classical Marxist writers, the authors affirm the "rational kernel" in David Ricardo's theory of comparative costs, explain the reasons why social labor is saved through an international division of labor, examine the functioning of the law of value on the world market, and define unequal exchange in its real sense.

From the standpoint of economic laws, the paper analyses the need and possibility for China to turn the international division of labor to good account in the interest of her modernization, and inquires into the ways by which it may be utilized for this purpose. (See pp. 22-47)

THE THEORY OF AN ENTERPRISE-BASED ECONOMY by Jiang Yiwei, a specialist in industrial economics, answers the question: What is the key to the reform of China's economic structure? Standing neither for centralization nor for decentralization of economic power within the framework of the government, the author thinks the key lies in recognizing the independence of the enterprises. The basic units in a socialist economy, he says, should be enterprises enjoying independence. Each of them should be a dynamic organism. Guided by state plans, it should be able to choose and to expand or cut down its labor force, means of labor and objects of labor according to market supply

and demand and operate and develop by itself. Under socialism an enterprise must of course subordinate its interests to those of society as a whole, but it also has to work for its own interests. The state and the enterprises are related to each other by ties of economic interests, and state leadership over the enterprises should be effected mainly by economic and not administrative means. Far from contradicting socialist principles, the author concludes, this is a much better way to apply these principles. (See pp. 48-70)

INVESTIGATION REPORT: ENTERPRISES IN SICHUAN PROVINCE ACQUIRE GREATER INDEPENDENCE, by Ren Tao, Sun Huaiyang and Liu Jinglin, sums up the experiments carried out in 100 enterprises in Sichuan to increase their independence. The report states that the try-out has generally been successful because of a system making the economic benefits of an enterprise and its staff and workers dependent on their economic performance and fulfilment of economic responsibilities. The authors see the granting of greater independence to the enterprises as a first step towards reforming the country's economic structure, and discuss problems arising from the experiments. (See pp. 201-15)

Other discussions among Chinese economists on commodity production, the law of value and the market mechanism under socialism and questions of changing China's economic setup are covered in CURRENT IDEAS (See pp. 7-17) a regular column on the thinking of Chinese philosophers and social scientists.

PROBLEMS OF CONFLICT AND FUSION OF NATIONALITIES IN CHINESE HISTORY, by the late Fan Wenlan, one of China's foremost Marxist historians, is an investigation into the ancestry of the Chinese nation in general and of the Han nationality in particular. The author takes a positive view of the conflicts among nationalities in China's history. Since the Qin-Han period, he states, China has basically remained a united country, the splits and divisions being temporary. Most wars in Chinese history were national struggles, often resulting in many independent regimes and ushering in a dark period for the country. But there were two sides to these dark periods, that of merciless struggle and that of national fusion, and the end of each struggle marked the consummation of each effort at fusion. When viewed as part of an unavoidable process of national fusion, the conflicts were beneficial to the warring parties. The losses were temporary, the gains enduring. (See pp. 71-82)

CHINESE PHILOSOPHY, written by Yueh-lin Chin (Jin Yuelin) in English back in 1943, compares classical Chinese philosophy with Western and Indian philosophies. The author outlines the characteristics of the dominant schools of Chinese philosophy as enthusiasm in life in the present world and a certain aloofness from the other world, a lack of logical and epistemological con-

sciousness, and the standpoint of the unity of man and nature. Chinese philosophy, he says, forms an organic whole with socio-political thought and ethical concepts. In the absence of specialization in academic disciplines, practically all Chinese philosophers are Socrateses, big and small. Stressing the unity of one's ideas and deeds, the philosopher himself becomes the embodiment of his philosophy.

In the course of his exposition, the author reveals what he expects of Chinese philosophy: adherence to its splendid tradition of showing an unflinching interest in life, of being at one with politics, and of matching action with thought, and assimilation of the best elements in Western philosophy, which differentiates man from nature, devotes itself to the task of changing nature, goes deep into logic and epistemology, and furthers its progress through highly specialized research work. (See pp. 83-93)

ETHNIC IDENTIFICATION IN CHINA by Hsiao-tung Fei (Fei Xiaotong) analyses the characteristics of the ethnic situation in China and explains why the country has to cope with the enormous job of identifying her nationalities. It shows how the work has been done with the guidance of Marxism-Leninism, particularly its principle of making concrete analysis of concrete conditions.

The work will go on for a long time, however. As the article shows, field investigation is still impossible in certain areas, no conclusions can yet be reached on a number of questions, and some of the officially announced conclusions require re-examination. Since national groups are products of history, their status may change in the course of time. The author discusses some of the unsettled questions and offers clues to their solution. (See pp. 94-107)

THE FIRST NATIONAL CONGRESS OF THE COMMUNIST PARTY OF CHINA: A VERIFICATION OF THE DATE OF CONVOCATION AND THE NUMBER OF PARTICIPANTS, by Shao Weizheng, solves two long-standing questions in the study of the history of the CPC. Basing himself on a wide range of Chinese and foreign sources and a number of personal interviews, the author comes to the conclusion that the First Party Congress met from July 23 to July 31, 1921, and verifies the number of participants as 13. All factual details in the article are preserved in the translation. (See pp. 108-29)

THE TAIPING PEASANT WAR AND THE TRAGEDY AT NANJING, by Li Kan, points out that the fratricidal strife among the foremost leaders of the Taiping Heavenly Kingdom, which broke out in September 1856, was a result of the feudalization of the Taiping regime, as can be seen from the changes in the ideological condition of the leaders and in Taiping policies. The author also notes the idiosyncracies, moral qualities and lines of action of leaders involved

in the strife, including Hong Xiuquan, Yang Xiuqing, Wei Changhui and Shi Dakai, which also aggravated the tragedy.

The author affirms the need for a full evaluation of the significant role played by the Taipings in the fight against feudalism and the historical contributions of Hong Xiuquan and the other leaders. However, he points out, limited by historical conditions and the class status of the leaders as small producers, the Taiping Heavenly Kingdom could not possibly overthrow the feudal system, and the tragedy at Nanjing was an almost inevitable development in a peasant war of the old type — one without the leadership of a proletarian vanguard. (See pp. 130-55)

RECENT DEVELOPMENTS IN THE STUDY OF THE TAIPING HEAVENLY KINGDOM — A REVIEW OF THE 1979 ACADEMIC SYMPOSIUM IN NANJING, by Wang Qingcheng, is a brief summary of the views stated and questions raised by Chinese and foreign scholars at the symposium held last May. Their studies cover Hong Xiuquan's thinking in the early years of his career, the religion of the Taipings, the nature of the Taiping Government and politics, the economic policies of the regime, the military strategies of the Taipings, and the evaluation of some of the leaders. (See pp. 156-67)

LENIN'S ANALYSIS OF FOUR KINDS OF RELATIONS OF EXCHANGE IN RUSSIA AFTER THE OCTOBER REVOLUTION, by Luo Gengmo, points to the inaccuracy of some widely circulated interpretations of Lenin's theses on the exchange relations in Soviet Russia. The author states that Lenin's theory on the "socialist exchange of products" forms an important part of Marxist political economy and provides guidance for economic work in China at present and for a long time to come. While affirming the scientific soundness of many of the views expressed by J. V. Stalin in his *Economic Problems of Socialism in the U.S.S.R.*, the author disagrees with his understanding of Lenin's formulations on the state-capitalist exchange of commodities and the socialist exchange of products, and considers incorrect the restrictions he places on Engels' prediction about the disappearance of the relations of commodity production under the socialist system of public ownership. (See pp. 168-200)

A PIONEER WORK ON ECONOMIC REFORM, a book review by Ma Jiaju, pays tribute to a recently published collection of articles by Sun Yefang, one of China's leading economists. The reviewer underscores the author's proposals for restructuring China's economy, advanced in the period from the mid-1950s to the mid-1960s, and thinks they are of much significance even today. (See pp. 216-27)

International Division of Labor and China's Economic Relations with Foreign Countries

Yuan Wenqi, Dai Lunzhang and Wang Linsheng

International division of labor is the basis of trade and all economic ties between nations. Recognition of this fact is particularly important for China at present, when she has made a strategic decision to expand her foreign trade and other international economic activities as a means of achieving socialist modernization through her own efforts. A study of the question of the international division of labor is therefore of both theoretical and practical significance for the nation.

This paper proposes to discuss the following points:

- International division of labor as an outcome of the growth of productive forces.
- International division of labor as an important means of saving social labor.
- The expansion of China's foreign economic relations through an international division of labor as a powerful lever for accelerating her modernization.

I. International Division of Labor: An Outcome of the Growth of Productive Forces

How did the international division of labor begin? How did it prevail? Did it result from the growth of productive forces at a given stage, or was it a product of man's will? These are important questions for a Marxist theory of world economics.

Classical writers always maintained that an international division of labor emerged and developed at the dictates of productive forces. Here is an incisive analysis by Marx:

. . . The great progress of the division of labour began in England after the invention of machinery. . . . Thanks to the machine, the spinner can

live in England while the weaver resides in the East Indies. Before the invention of machinery, the industry of a country was carried on chiefly with raw materials that were the products of its own soil. . . . Thanks to the application of machinery and of steam, the division of labour was able to assume such dimensions that large-scale industry, detached from the national soil, depends entirely on the world market, on international exchange, on an international division of labour.¹

This makes it clear that an international division of labor was the logical outcome of a highly developed division of labor in society, which in turn was connected directly with the application of machinery, and that machine production was the decisive factor which removed the national barriers to this division and gave it an international character.

Division of labor dates back to primitive society in the later stages of its development. The three major divisions of labor that took place in human history were accompanied by three major splits in society arising from the growth of productive forces.

Generally speaking, division of labor developed to a slight degree in pre-capitalist societies because of the low level of productive forces. Conditions were not yet ripe in any country for its expansion into an international system. Many countries did engage in foreign trade, but it was based mainly on a division of labor at home and showed no essential difference from domestic trade. Such foreign trade was geographically limited, and the amount of goods for international exchange was small as compared with the total national product, indicating the predominance of a natural economy. Far from being worldwide, foreign trade was confined mainly to a given area. The merchandise consisted mostly of native products and local specialties or luxuries for the ruling classes. The slave-owners and feudal landlords could carry on with their fief or manor economy and the peasants and handicraftsmen with their atomized economy independent of foreign trade, which played an insignificant role in sustaining social reproduction and meeting the needs of the population. As Lenin said:

Under the old modes of production, economic units could exist for centuries without undergoing any change either in character or in size, and without extending beyond the landlord's manor, the peasant village or the small neighbouring market for the rural artisans and small industrialists (the so-called handicraftsmen).²

The above-stated characteristics and functions of foreign trade in pre-capitalist societies indicated the non-existence of an international division of labor.

¹ Marx, *The Poverty of Philosophy*, Foreign Languages Press, Beijing, 1978, pp. 134-35.

² Lenin, *Collected Works*, Foreign Languages Publishing House, Moscow, 1960, Vol. 3, p. 66.

The picture became entirely different in the 18th and early 19th centuries, when the Industrial Revolution swept Britain and other European countries and modern industry took its rise. The application of machinery was coupled with rapid progress in the division of labor in these countries, deepening as never before the inter-relations and inter-dependence between all spheres, departments and units of social production. Engels said:

The spinning wheel, the hand-loom and the blacksmith's hammer were replaced by the spinning machine, the power-loom and the steam hammer, and the individual workshop by the factory commanding the co-operation of hundreds and thousands of workmen. Like the means of production, production itself changed from a series of individual operations into a series of social acts, and the products from individual into social products.¹

Here Engels not only elucidated the entire concept of the change from individual to social production, but pointed to the fact that the advent of modern industry had culminated in the rise of large-scale capitalist social production, as manifest in the completely social character of the means of production, the production processes and the products. The means of production brought together from different regions had changed from those for scattered, individual use to those for concentrated use by factories employing large numbers of workers. While once it could have been the job of one person, production was now a collective effort, calling for the co-operation of many factories, and the products were turned out for society at large.

How did machine production put the division of labor in one country or another on an international basis and give social production an international orientation?

Social production by machinery put an end to national isolation and seclusion, bringing many countries and regions into the orbit of an international division of labor. Manufacture, as Marx pointed out, was not able to make a clean sweep of small-scale production, nor could it embrace production in society as a whole. Small-scale production was elbowed out wholesale only after manufacture had been replaced by machine production. The huge quantities of cheap commodities produced by modern industry were the heavy artillery that battered down the "Great Walls" of all ancient nations. Only large-scale production could "draw from under the feet of industry the national ground on which it stood" and "destroy all old-established national industries,"² involving a series of countries in an international division of labor and international exchange.

As an inexorable law, social production by machinery was bound to breach through national barriers as it grew bigger and bigger. As Lenin said:

¹ Engels, *Anti-Dühring*, FLP, Beijing, 1976, pp. 345-46.

² Cf. Marx and Engels, *Manifesto of the Communist Party*, FLP, Beijing, 1975, p. 37.

... Capitalism is in no position to go on repeating the same processes of production on the former scale, under unchanging conditions (as was the case under pre-capitalist regimes), and it inevitably leads to an unlimited growth of production which overflows the old, narrow limits of earlier economic units.¹

The application of giant machinery resulted in a continuous expansion in production scale and capacity, so that more and more new markets had to be found for the growing quantities of products in addition to the home market. The sharp rises in production also created an enormous demand for raw materials, and big industries opened up new sources of cheap raw materials overseas. As the *Manifesto of the Communist Party* said, big industries "no longer work up indigenous raw material, but raw material drawn from the remotest zones" and their products "are consumed, not only at home, but in every quarter of the globe."² After the Industrial Revolution, for example, modern industry developed so rapidly in England that her products far outstripped domestic demand. By the mid-19th century Britain had to turn to international markets for the sale of half of her industrial products and to sources abroad for the greater part of raw materials needed at home. This was especially true of her cotton textile industry, which shipped abroad 80 per cent of its cotton piece goods and imported all the cotton it needed. The exports of England increased seven times between 1801 and 1850. With the emergence of large-scale production by machinery, industrial cities sprang up one after another, and their growing population needed ever bigger amounts of foodstuffs and industrial products. These cities had to bring in consumer goods from other parts of the country and from abroad. Between 1852 and 1859, 26.5 per cent of Britain's wheat consumption was imported, and the proportion exceeded 48 per cent during 1868-75.³

That was how modern industry drew countries at all levels of economic development — countries which exported industrial products or raw materials and foodstuffs — into the international division of labor and the world market. "In place of the old local and national seclusion and self-sufficiency, we have intercourse in every direction, universal interdependence of nations."⁴

Modern industry also provided a material and technical base for the development of shipbuilding, railway transport and telecommunications, which were necessary for the formation and expansion of an international division of labor.

¹ Lenin, *Collected Works*, FLP, Moscow, 1960, Vol. 3, p. 590.

² Marx and Engels, *op. cit.*, p. 37.

³ *The Economic Histories of Foreign Countries* (in Chinese), compiled by Fan Kang and Song Zexing, the People's Publishing House, Beijing, 1965, Vol. I, pp. 78 and 92.

⁴ Marx and Engels, *op. cit.*, p. 37.

Clearly, modern industry played a decisive role in developing the division of labor in individual countries into an international system and social production into international production.

Practice is the only yardstick of truth. It has time and again borne out the truth of the scientific thesis of classical Marxist writers that an international division of labor emerged and developed at the dictates of social productive forces. The period of the world's first scientific and technological revolution, which ushered in modern industry, only saw the beginning of the system of international division of labor and internationalized production, which deepened and broadened along with the growth of productive forces and the progress in science and technology. Lenin said:

At a definite stage in the development of exchange, at a definite stage in the growth of large-scale production, namely, at the stage which was attained towards the turn of the century, exchange so internationalized economic relations and capital, and large-scale production assumed such proportions that monopoly began to replace free competition.¹

The second scientific and technological revolution took place at the turn of the century, when new steel-making methods, generators, internal combustion engines and electric motors came into wide use and many new branches were added to the chemical, non-ferrous metal and light metal smelting industries. The swift progress in science and technology brought in its train the growth of capitalist production and the replacement of free competition by monopoly. The international division of labor culminated in the formation of a single world market. ". . . Already under capitalism, all economic, political and spiritual life is becoming more and more international."²

The third scientific and technological revolution following the conclusion of World War II, in particular, brought into existence a series of new industries such as high polymer synthesis, atomic energy, electronics and astronautics. This exerted a profound and extensive influence on the international division of labor, which underwent great changes in form and trend of development. This revolution, relatively speaking, weakened the role of developing countries as suppliers of raw materials and foodstuffs for developed capitalist countries. Thus the latter could no longer keep intact the old forms of division of labor between themselves and the former. On the other hand, the revolution strengthened the division of labor between the developed capitalist countries, bringing about a quick change in the form of the international division of labor, namely, a change from inter-industry specialization to intra-industry specialization.

¹ Lenin, *Collected Works*, Progress Publishers, Moscow, 1964, Vol. 22, p. 104.

² Lenin, *Collected Works*, FLPH, Moscow, 1963, Vol. 19, p. 246.

Scientific-technological progress also multiplied the gradations within the industries, making the products more varied and their production processes more complicated. Specialized equipment and technology were needed to enable the products to measure up to the required standards. The specialized equipment needed was sophisticated, though generally not in large quantity. At the same time, large funds were needed for scientific research, which had to be conducted in a big way to enable the products to meet the required standards. Under these conditions, only production in enormous quantities was economically feasible, but this type of production was not profitable for any single country to undertake with its limited domestic market, capital, equipment and technical force. Specialization and co-operation on an international scale were the only way out, and manifested itself in the following forms:

(1) Specialization in products of different types and specifications. Take tractors for instance. According to data published by the United Nations Food and Agriculture Organization, in the early 1960s as many as 350 types of wheel and 170 types of caterpillar tractors were traded through international channels. Roughly speaking, the United States exports mainly big horse-power wheel and caterpillar types, Britain medium wheel types and West Germany small wheel types. Most of the British and West German tractors go to the international market, of which some are exported to principal tractor-producing countries.

(2) Specialization in component parts and accessories. This kind of international specialization is now very common. For instance, Britain manufactures jet engines for the aircraft industry of the United States, France and other countries while U.S. companies produce electrical appliances and accessories for other countries. This form of production is now ever more widely used by enterprises in capitalist countries. Take the machine-building industry. None of the "Type 360" electronic computers of I.B.M. of the United States is made by the company on its own. Its parts are produced by subsidiary companies in several West European countries before assembly in the United States. Of the machines exported by the United States, Britain and France in 1960, 40 per cent were so-called "integrated international products," namely, products assembled entirely or partly from foreign-made parts, and the proportion rose to 48 per cent in 1970.

(3) Specialization in technological processes. For the manufacture of chemical products the West German monopoly Bayer AG., for example, has established relations of co-operation with 35,000 enterprises at home and abroad, to which it provides intermediate products for processing into final products.

The deepening of international intra-industry specialization was reflected also in trade figures for the post-World War II period. In the 1960s, the intra-industry trade of the 11 principal industrial countries — the United States, Britain, France, West Germany, Japan, Italy, Holland, Belgium, Luxem-

bourg, Canada and Australia had risen to approximately half of their total volume of foreign trade, with the chemical and machine-building industries figuring most prominently on the list.

The deepening international division of labor played an ever more important role in the economic development of many countries, which became more and more dependent on external markets. The fact that in the post-war years foreign trade earnings have taken up an increasingly greater percentage in the GNP of developed capitalist countries speaks volumes for the new depth and breadth of the international division of labor. In 1950-78, the percentage of export trade earnings in the GNP rose from 3.6 to 6.9 in the United States; from 7.6* to 11.7 in Japan; from 8.5 to 22.3 in West Germany; from 17.5 to 23.7 in Britain; from 10.5 to 16.8 in France; and from 9.8** to 21.5 in Italy.¹

The above situation was caused by competition amongst monopoly groups and reflected the deepening of specialization in international intra-industry production. This deepening, which marks a new stage in the development of the present-day international division of labor, is a result of the third scientific and technological revolution. Practice has once again proved that productive forces are decisive to the rise and development of the international division of labor. However, as productive forces invariably develop under specific relations of production, the nature of the international division of labor is also conditioned by the relations of production.

In the *Manifesto of the Communist Party* Marx and Engels said:

Just as it [the bourgeoisie] has made the country dependent on the towns, so it has made . . . nations of peasants [dependent] on nations of bourgeois, the East on the West.²

Under capitalism, therefore, the basic pattern of the international division of labor is the antitheses between "the world's towns" and "the world's countryside." Such a division is necessarily compulsory, abnormal and exploitative in character.

Under capitalism, especially under imperialism, the division of labor between economically developed and underdeveloped countries is in most cases carried out by compulsory, extraeconomic means in addition to economic means. Monopoly capital has subordinated colonial and semi-colonial economies to imperialist countries and turned the former into markets or suppliers of raw materials and food grain for the latter. Thus, economically underdeveloped countries have been reduced to agrarian countries with a lopsided specializa-

* 1952 figure.

** 1951 figure.

¹ Calculated according to the data published in the 1959 supplement to the *International Financial Statistics* of the IMF and in the June 1979 issue of the same journal.

² Marx and Engels, *op. cit.*, p. 38.

tion in the production of raw materials and food grain. As a result of this kind of international division of labor, the economic and trade ties between imperialist states and colonial countries have never been based on the principle of equality and mutual benefit, but on the ruthless exploitation and plunder of the latter by the former.

It should be pointed out that, to free themselves from economic stagnation and increase their profits, developed capitalist countries are trying to push a "new international division of labor" by shifting part of their industries to developing countries. This is essentially the same thing as what capitalist international division of labor used to be, except for some changes in form and trend. Although Third World countries can develop their industries to some extent through the "new international division of labor," they are unable to expand their national economies independently. The abnormal and exploitative nature of the capitalist international division of labor remains basically unchanged.

To push its hegemonism, Soviet social-imperialism uses the compulsory and irrational "international division of labor" as a means of expansion. Flaunting the signboard of a "socialist international division of labor," it has tried to fob off "economic integration" on the Comecon in order to control other Comecon member countries politically through an "international division of labor."

While the nature and characteristics of the international division of labor are conditioned by the relations of production, we should distinguish between, and not lump together, the objective inevitability of an international division of labor which is determined by productive forces and the social nature of this division.

Marxism-Leninism holds that the development of productive forces is always a progressive historical trend. This also applies to the international division of labor, which is a manifestation as well as an outcome of the development of productive forces. Speaking of the progressiveness of the international division of labor, Stalin said:

The further development of capitalism . . . bound peoples of the most diverse types by the ties of international division of labor and all-round mutual dependence. In so far as this process was a reflection of the colossal development of productive forces, in so far as it helped to destroy national aloofness and the opposition of interests of the various peoples, it was and is a progressive process, for it is creating the material prerequisites for the future world socialist economic system.¹

However, where the capitalist relations of production prevail, this union of various peoples is not based on equality, mutual benefit and voluntariness but on oppression and exploitation. "For that reason we find that, side by side

¹ Stalin, *Works*, FLPH, Moscow, 1953, Vol. 5, p. 184.

with the tendency towards union, there arose a tendency to destroy the forcible forms of such union."¹ At present, the latter tendency finds its expression in the struggle of the Third World countries and peoples against imperialist enslavement and exploitation and for economic and political independence. But this does not mean that the tendency towards economic union will stop under socialism or that the international division of labor will cease to exist with the end of the capitalist system. On the contrary, this division will develop still further under socialism. Here is a scientific forecast made by Engels more than a century ago:

Capitalist industry has already made itself relatively independent of the local limitations of production at the places of origin of its raw materials . . . Spanish iron ore is worked up in England and Germany, and Spanish and South American copper ores in England. . . . Society liberated from the barriers of capitalist production can go much further still.²

Here the "society liberated from the barriers of capitalist production" refers definitely to a socialist society. In other words, the international division of labor is also an irresistible trend under socialism.

II. International Division of Labor: An Important Means of Saving Social Labor

The international division of labor drives productive forces forward because it reduces social labor.

Classical bourgeois political economy, one of the three sources of Marxism, has explained the reason why an international division of labor can reduce social labor. Both Adam Smith's theory of territorial division of labor and David Ricardo's doctrine of comparative advantages of production contain rational kernels, as can be seen from the works of classical Marxist writers.

As is known, Adam Smith's thesis on the territorial division of labor is that every country stands to gain from such a division. As an example he said that if one country produced woollens with less labor while the same was true of another country in the production of wines, then each of the two countries should specialize in making less labor-consuming things for exchange with the other. This, he said, would save labor, to the advantage of both sides.³

¹ *Ibid.*, p. 185.

² Engels, *Anti-Dühring*, FLP, Beijing, 1976, pp. 385-86.

³ See Adam Smith, *The Wealth of Nations*, G. Bell and Sons Ltd., London, 1925, Vol. 1, pp. 457-59.

David Ricardo carried this thesis of Smith's further by dwelling on the merits of free trade. In his opinion, two countries could benefit from trade not only when the labor productivity for the export items of one country was higher than that for corresponding items in another country, but also when the labor productivity in all departments in one country was lower than that in the other. Elaborating Smith's example to prove his point, he assumed that in England the labor of 100 workers for a year was needed to produce a certain amount of cloth and the labor of 120 workers for a year was needed to produce a certain amount of wine, while in Portugal the labor of only 90 and 80 workers for a year was needed for the same purposes. Portugal beat England in the productivity for both items, especially for wine. Thus it would be a good idea for Portugal to concentrate on wine and not on both items and to exchange its wine for British cloth. In other words, through foreign trade Portugal could exchange a definite amount of wine produced by the labor of 80 workers in a year for a definite amount of cloth that would otherwise have taken the labor of 90 workers in a year to produce. Such an exchange would save Portugal the labor of 10 workers a year with obvious benefits. England would be exchanging its cloth produced by the labor of 100 workers in a year for the amount of wine produced by the labor of only 80 workers in a year. But since it would otherwise have taken the labor of 120 English workers in a year to produce the same amount of wine, the exchange would save England 20 workers' labor in a year and therefore would also be advantageous.¹

The rational kernel in Ricardo's theory of comparative advantages of production lies in the fact that it is based on the theory of labor value and also on his correct view that in the international exchange of commodities the decisive factor is the comparative advantages of production rather than the absolute amounts of labor spent on the production of these commodities. Under certain conditions it is possible to put into practice Ricardo's thesis that countries at different levels of development of productive forces can, through exchanging one commodity for another, gain more benefits than if they produce the latter by themselves. Marx also said that in international exchange a country with a lower labor productivity, namely, an economically underdeveloped country, "may offer more materialized labor *in kind* than it receives, and yet thereby receive commodities cheaper than it could produce them."²

It should be noted that the theory of international division of labor and of comparative costs of production advanced by classical bourgeois political economists have serious flaws. Due to their bourgeois limitations, both Smith and Ricardo approached economic phenomena from an a-historical angle. Studying economic questions out of the context of the capitalist mode of production,

¹ See David Ricardo, *Principles of Political Economy and Taxation*, Everyman's Library edition, London, 1937, pp. 81-83.

² Marx, *Capital*, FLP, Moscow, 1959, Vol. III, p. 232.

they regarded capitalism as a natural and everlasting social formation, and consequently the system of an international division of labor then being established as also natural and everlasting, with other regions of the world acting as agricultural and raw material satellites which revolved around the "industrial sun" — Britain. They held that the various countries could turn out products at absolutely and relatively low costs and exchange them through free trade to the advantage of all. That is why the theories of Adam Smith and David Ricardo became the theoretical basis of free trade. Free trade at that time actually meant the freedom of Britain to dump its cheap industrial goods onto the markets of other countries and the freedom of factory owners to step up their exploitation of the workers. The theory of international division of labor and the theory of comparative costs of production of classical bourgeois political economists cover up the exploitative nature of capitalist economic relations, thereby forfeiting their scientific integrity. Nevertheless, these theories had their progressive side. In their time they stood the British industrial bourgeoisie in good stead in their drive for free trade and played a positive role in the struggle to liberate social productive forces from the feudal yoke. Since the advent of imperialism, the hired scholars of monopoly capital have used the theory of comparative costs of production to embellish the international division of labor by which imperialism carries out plunder, thereby vulgarizing the theory and making it an apologia for imperialism.

The domination of the capitalist relations of production on a world scale has given a lopsided character to the international division of labor and to the economizing of social labor. Consequently, as mere economic appendages the colonies and dependencies orient their production towards the needs of their "mother countries." Where anarchy in production prevails, economy of social labor is realized through the spontaneous operation of the law of value on the international market. Each capitalist only concerns himself with economizing the capital he has paid out, so as to enlarge the amount of surplus value, rather than economizing the labor of the entire society. This makes it impossible to make rational use of resources and inevitably causes waste and destruction to them. Marx once pointed out, "We are told that free trade could create an international division of labor and thereby give to each country those branches of production most in harmony with its natural advantages."¹ The West Indies with its special natural conditions, he said, could provide coffee and cane sugar, but the East Indies could reduce them to nought if it could offer a more competitive price. While revealing the "Gospel" of capitalist free trade for what it is, this statement of Marx's also shows that there is bound to be waste and destruction in the capitalist system of the international division of labor. The labor productivity for certain products or in certain departments in a colony or dependency may be very high and may be a saving on social labor when viewed

¹ Marx, *The Poverty of Philosophy*, FLP, Beijing, 1978, p. 205.

locally and temporarily. But with a single-product economy or the over-development of a few products, the majority of the sectors in the economy remain extremely backward and the level of productive forces of the entire society low and stagnant. Thus the saving on labor is one-sided from an over-all and long-term point of view. It can therefore only provide capitalists of the metropolitan countries with a source of extra profit and bring poverty and misery to colonies and dependencies.

From the above it is clear that whether an international division of labor can bring a country genuine economy of social labor and a sound development of its economy depends on the internal as well as external conditions of that country. An international division of labor can play its proper role and a lopsided single-product economy can be avoided only when the colonies and dependencies have won political independence, removed the internal and external obstacles to their economic development and established foreign economic relations based on equality and mutual benefit. As Marx said:

By ruining handicraft production in other countries, machinery forcibly converts them into fields for the supply of its raw material . . . a new and international division of labor, a division suited to the requirements of the chief centres of modern industry springs up, and converts one part of the globe into a chiefly agricultural field of production, for supplying the other part which remains a chiefly industrial field.¹

While making this statement Marx cited the figures of the United States' cotton and grain export to Britain as an example of such international division of labor. He said:

The economic development of the United States is itself a product of European, more especially of English modern industry. In their present form (1866) the States must still be considered a European colony.²

Nevertheless, this situation is not unchangeable. Imperialism has stamped the international division of labor with a brand of abnormality which will gradually disappear with changes in the conditions of social production in the colonies and dependencies. The period following the Civil War of 1861-65 in the United States paved the way for the country's capitalist industrialization and witnessed a swift development of its economy. Therefore, in the fourth edition of *Capital* published in 1890 Engels added a footnote:

Since then they (the United States) have developed into the country whose industry holds second place in the world, without on that account entirely losing their colonial character.³

¹ Marx, *Capital*, FLP, Moscow, 1959, Vol. I, p. 451.

² *Ibid.*, p. 451, footnote.

³ *Ibid.*, pp. 451-53.

The colonial character here refers mainly to the vestiges remaining in the economic relations between the United States and its former "mother country" — vestiges which manifested themselves in the fact that industrial goods accounted for a relatively small percentage in the United States' total export and that its export to Britain and other European countries still consisted mainly of raw materials and foodstuffs. During the transition to imperialism, the U.S. economy developed by leaps and bounds, so that by 1913 industrial products accounted for almost half of its total export. This fully shows that changes in the internal and external conditions of a country are accompanied by a change in its position in the system of the international division of labor.

The vigorous development of national liberation movements in the post-war period has put many of the former colonies and dependencies onto the road of national independence. Since winning political independence, they have carried on a struggle against imperialism and hegemonism in the international economic sphere, which has effected some changes in international economic relations. It is under these conditions that a number of developing countries have pushed their economies forward through foreign trade and other foreign economic contacts by utilizing an international division of labor.

To speed up socialist construction, socialist countries like Yugoslavia and Rumania have made full use of an international division of labor to expand their economic ties with capitalist countries. Consciously utilizing the function of the law of value in the domestic as well as the world market, they have reduced the costs of their products, economized on the expenditure of labor, enlarged the sources of funds and expanded technological exchange, thereby accelerating the tempo of their economic development.

The international division of labor can help economize on social labor only through the functioning of the law of value. How, then, does this law operate on the international market? Does exchange of equal values exist? How does exchange of unequal values come about?

The price of a commodity on the world market is also governed by the law of value, except that its international value, different from its domestic value, is not determined by the socially necessary labor time for producing that commodity under the standard conditions of social production in one country. Its "unit of measure is the average unit of universal labor,"¹ namely, the average unit of labor expended by all the participating countries in international trade. The law of value requires that commodities be exchanged by a ratio based on their international value. In this sense, the world market is the same as the domestic market in that commodities are exchanged on the principle of equal values.

Since labor productivity varies from one country to another, the international value of a commodity, the basis of its international price, cannot

¹ *Ibid.*, p. 560.

be equal with its domestic value. This is like the exchange of commodities within any country where the individual value of a commodity is not the same as its social value. Hence the situation in which "three workdays of a country may be exchanged for one workday of another country"¹ and "the favored country recovers more labor in exchange for less labor."² The terms "more labor" and "less labor" used by Marx here refer to the domestic value of a commodity, but they are "equal" in terms of their international value. Measured by its domestic value, a commodity of one country may represent three workdays while a commodity of another country only one workday, but both may be equivalent to two workdays in terms of their international value. Here the exchange is not one of unequal values, as the social value of the commodity determined by the socially necessary labor time in one country has become an individual value internationally. This is a "substantial change in the law of value."³

As the individual value of a commodity in a developed country is lower than its international value, it yields an extra profit when it is sold at the international value, or at a value below the international value but still higher than its individual value.

Labor productivity is low in underdeveloped countries and the individual values of their commodities are higher than their international values. Even if these countries sell their commodities at international values, they would still sustain losses through an over-expenditure of materialized labor. But if they manufacture at home the imported commodities they get in return, they would have to expend more than the labor contained in their export commodities, commodities whose individual values are higher than their international values. In the case of the underdeveloped countries, therefore, they too are able to economize on social labor through such trade. This shows that, whether the individual value of a commodity is higher or lower than its international value, trade is equal and mutually beneficial inasmuch as it is based on international value, even though the two sides may not gain in equal degrees.⁴

The foregoing is an explanation of how the international division of labor helps economize on social labor through the operation of the law of value within the framework of exchange of equal values. This does not mean that there is no exchange of unequal values in international trade, which is a common occurrence. In the preparatory stage of the capitalist mode of production,

¹ Marx and Engels, *Collected Works*, Ger. ed., Dietz Verlag, Berlin, 1974, Vol. 26, (3), p. 103.

² Marx, *Capital*, FLPH, Moscow, 1959, Vol. III, p. 233.

³ Marx and Engels, *Collected Works*, *op. cit.*

⁴ Cf. Marx, *Grundriss (Foundations of the Critique of the Critique of Political Economy) (Rough Draft)*, translated by Martin Nicolaus, Penguin Books, London, 1974, p. 872.

mercantilism aimed at buying cheap and selling dear on the international market. In the period of free capitalist competition, developed capitalist countries conducted exchanges of unequal values with colonies and dependencies by trick or by force. In the era of imperialism, monopoly capital ruthlessly exploits underdeveloped countries by selling or buying at monopoly prices. Such an exchange of unequal values, however, has nothing to do with the differences in the labor productivities in various countries. These differences only result in the individual value of a commodity being higher or lower than its international value, and exchange of unequal values will not occur if the trade is based on the international value.¹ In other words, the exchange of unequal values in modern times occurs when monopoly capital forces selling prices up above the international value and buying prices down below it. Monopoly, of course, is not omnipotent; it cannot eliminate competition, nor can it do away with the functions of the law of value. On the contrary, the anti-monopoly struggle and the competition between big enterprises may batter down the position whereby monopoly groups can manipulate prices as they please.

Since the Sixth Special Session of the U.N. General Assembly in 1974, there has been a new development, both in depth and in breadth, in the Third World countries' struggle to change the old international economic order. After winning tremendous victories in their oil struggle, developing countries have formed a series of raw material producers' organizations and carried out struggles in different forms against the exchange of unequal values and for bigger income from the export of primary products. To free themselves from the fetters of old international economic relations and accelerate the development of their national economies, they have proposed, at relevant international conferences, the institution of a generalized preferential system and an integrated commodity program for improving trading conditions. They have demanded a shift of industries, a fair transfer of technology and a rational international division of labor to accelerate their industrialization. They have also demanded a change in the international monetary system, so that they can play a fuller and more effective part in decision-making in international financial organizations and thus obtain development funds, ease external debt burdens and forge links between special drawing rights and development funds. These struggles

¹ While delving into the question of the exchange of unequal values according to the relevant theses in *Capital*, some progressive scholars abroad have formed similar views. In his *Unequal Exchange* the Greek writer Arghiri Emmanuel describes the above situation as an exchange of unequal values in a broad sense. In the fourth chapter of his book, however, he begins by saying that this is not an exchange of unequal values in its true sense, as it is connected with the different labor productivities in different countries. He also stresses that his studies concern the exchange of unequal values in its narrow sense or in its true sense. Cf. *Unequal Exchange*, Monthly Review Press, New York, 1976, p. 160, and Samir Amin, *Unequal Development*, Monthly Review Press, New York, 1976, p. 141.

have dealt heavy blows to the domination of international monopoly capital and to a certain extent have changed the external conditions of the developing countries in the international division of labor. At the same time, some of the developed countries have had to recognize the need for change in existing international economic relations and to accept certain readjustments. From a long-term point of view, therefore, there will be an increasing tendency towards restricting the scope and extent of the exchange of unequal values, though it should not be neglected that the struggle to destroy the old international economic order and establish the new will be protracted and tortuous.

The following conclusion can be drawn from the above analysis. After winning political independence, developing countries can effectively utilize the international division of labor and economize on social labor in order to facilitate their economic growth, provided that they take over the economic lifelines controlled by foreign capital and adhere to the principle of independence and self-reliance.

III. The Expansion of China's Foreign Economic Relations Through the International Division of Labor as a Powerful Lever for Accelerating Her Modernization

That socialist countries must fully utilize the international division of labor is something determined by objective economic law. Its utilization reflects the inherent need of large-scale social production and is in complete accord with the progressive historical tendency towards internationalized production.

The victory of socialist revolutions has opened up the possibility and necessity of fully utilizing an international division of labor through foreign economic and trade ties. This possibility arises first of all from the dependence of capitalist economies on the world market and international trade. Imperialist countries may resort to suspension of trade, blockade and embargo against a new-born proletarian state. But the capitalist economies cannot do without foreign trade. With the progress in science and technology and the growth of productive forces, they need all the more to expand external economic ties. This objective process, which is independent of human will, compels imperialist countries ultimately to follow the line of establishing economic ties with socialist countries. Lenin pointed out incisively:

There is a force more powerful than the wishes, the will and the decisions of any of the governments or classes that are hostile to us. That force is world general economic relations, which compel them to make contact with us.¹

¹ Lenin, *Collected Works*, Progress Publishers, Moscow, 1966, Vol. 33, p. 155.

Following the October Revolution and after failure in their armed intervention, the imperialist countries resorted to blockade and embargo against the world's first socialist state in the fond hope of strangling it in the cradle. The economic crisis of 1921, however, made the market problem all the more pressing and compelled Britain to conclude the first provisional trade agreement with the Soviet Union. As Lenin said:

The bourgeois countries must trade with Russia; they know that unless they establish some form of economic relations their disintegration will continue in the way it has done up to now¹

This agreement had, in Lenin's words, "world significance" when viewed against Britain's position in world economy and politics at that time. It shook the Entente blockade system to its foundations and did much to expand economic and trade relations between the Soviet Union and the capitalist countries. The history of New China's smashing of imperialist blockades and embargoes has once again borne out the truth of Lenin's thesis. It is the objective need of capitalist economy that offers socialist countries the possibility for a full utilization of the international division of labor. Furthermore, before revolution most of the socialist countries were economically backward countries which for a long time served as economic appendages to imperialism. Their position in the system of the international division of labor was subordinate to the needs of their "mother countries." Only after victory in revolution was it possible for the socialist countries to utilize such a division of labor on their own initiative. Public ownership of the means of production, planned development of national economy, the dictatorship of the proletariat and exclusive control of foreign trade by the state—all these enable these countries to expand their external economic ties and fully utilize the international division of labor on the basis of equality and mutual benefit and in accordance with the principle of centralized leadership and unified planning.

Why is it necessary for socialist countries to utilize the international division of labor? Under socialism, productive forces are bound to develop more rapidly, and production is bound to assume a stronger social character than under capitalism. This not only means a further deepening of the ties and inter-dependence between domestic departments and enterprises and the need for a planned, proportionate development, but calls for a more extensive and deeper-going utilization of the international division of labor. Highly social large-scale production cannot possibly be confined to one country—the growth of socialist productive forces requires that it step beyond national bounds and establish intricate ties with other countries. Full utilization of the international division of labor as an important means of economizing social labor is also required by socialist economic laws. Marx said:

¹ *Ibid.*, p. 214.

Economy of time, to this all economy ultimately reduces itself. . . . Thus, economy of time, along with the planned distribution of labor time among the various branches of production, remains the first economic law on the basis of communal production. It becomes law, there, to an even higher degree.¹

It can thus be seen that economy of labor time, namely, economy and planned allocation of social labor, is a very important economic law in both socialist and communistic societies.

Economy of social labor means higher labor productivity; they are two different manifestations of one and the same process. To raise labor productivity continuously and swiftly is of paramount importance in that it helps consolidate the dictatorship of the proletariat and guarantee victory of socialism over capitalism. As Lenin said, "In the last analysis, productivity of labor is the most important, the principal thing for the victory of the new social system."² In the era of imperialism the uneven political and economic development of capitalism enables the proletariat to break through the weakest link on the imperialist front and win socialist revolution first in one or several countries, usually in economically backward countries or countries at a medium level of development. After their revolutionary victories, it is impossible for these countries to safeguard their political power and consolidate their socialist system, unless they develop their economy at the highest possible speed and catch up with and surpass advanced capitalist countries. In this sense, speed is not only an economic question but a sharp political question as well. There can be no high-speed development without economizing on social labor or raising labor productivity to the maximum. Therefore, economization of social labor through full utilization of the international division of labor is of immediate concern to the victorious proletariat.

The fact that socialist countries need this division does not mean economic dependence on the capitalist world. Stalin made a penetrating analysis of the whys and wherefores of this in his struggle against Trotsky. He pointed out that the Soviet Union did depend on enlarging its economic and trade ties with capitalist countries in order to accelerate its socialist construction but that such dependence was mutual since capitalist countries needed all the more to look to the Soviet Union for markets, raw materials and fuel. He said:

Our country depends upon other countries just as other countries depend upon our national economy; but this does not mean that our country has thereby lost, or will lose, its independence. . . . A distinction must be

¹ Marx, *Grundriss (Foundations of the Critique of the Critique of Political Economy) (Rough Draft)*, translated by Martin Nicolaus, Penguin Books, London, 1974, p. 173.

² Lenin, *Collected Works*, Progress Publishers, Moscow, 1965, Vol. 29, p. 427.

drawn between the dependence of some countries on others and the economic independence of these countries.¹

The dictatorship of the proletariat and the public ownership of the means of production established in the Soviet Union were a powerful guarantee of its economic independence. Its participation in the international division of labor could not be put on a par with the participation by those countries whose economic lifelines were controlled by others and who had to depend on them unilaterally. The controversy over this question in the Communist Party of the Soviet Union in the 1920s is still of much practical significance to us both in theory and in practice.

Full utilization of an international division of labor aims precisely at vigorously expanding foreign trade and other external economic ties, which in turn will enable socialist countries to achieve greater economic results with less expenditure of labor. In this sense, foreign economic relations are a powerful lever for socialist countries in the development of their economies at high speed. Herein lies the main reason why socialist countries need foreign trade. This, of course, does not imply that the high speed development of socialist economy depends mainly on foreign markets and the international division of labor. Rather it means that, while giving primary consideration to self-reliance in establishing an independent and integrated socialist economic system, we should correctly appraise the role of external economic relations, foreign trade included. Comrade Mao Zedong pointed out that the domestic market should be primary and foreign market secondary, but that the latter is very important and is not to be ignored or played down. In other words, we should not neglect or play down the role of foreign economic and trade relations in the socialist economy. This is all the more true when viewed in the light of China's present-day conditions.

China's task of achieving socialist modernization before the end of this century is a stupendous and urgent one. It is made difficult by a legacy of poverty and backwardness and the fact that Lin Biao and the Gang of Four made a mess of the nation's economy during the ten years from 1966 to 1976. Thus it is all the more necessary that our foreign economic and trade relations play their lever role to the full. Our former understanding and theoretical elucidation of this question are highly debatable.

In the past, many people considered foreign trade only as a means of supplementing our economy, helping to maintain the proper proportion in socialist extended reproduction. They believed that socialist countries needed foreign trade because of the following factors: the gap between the material composition provided by the legacy of a backward economy and the material composition needed for the development of productive forces; shortage or lack of cer-

¹ Stalin, *Works*, FLPH, Moscow, 1954, Vol. 9, p. 137.

tain resources caused by limited natural conditions; imbalances caused by the rapid growth of certain branches of the economy in the course of technical progress; and gaps in planning arising from inappropriate arrangement of work or from chance factors such as natural disasters and poor harvests. They held that foreign trade could help improve the material composition of the economy, make up for the shortages of certain resources and bring about proportionate reproduction. True, foreign trade can be helpful in these respects, but this is far from being a penetrating explanation of the objective inevitability of the socialist countries' need for foreign trade. In other words, the question was not settled at the higher level of economic law.

According to the old arguments on the need for foreign trade, such trade would be insignificant to a socialist country with vast territory and rich natural resources, or it would lose its importance once the material composition of a country's backward economy has changed or once the proportionate development of the various branches of the nation's economy is achieved.

Arguing for the indispensability of foreign trade to socialist countries in this way is bound to place foreign trade in a passive position vis-a-vis the nation's economy, reducing its role to a stop-gap in co-ordinating the proportions within the economy. This argument leads to neglect of the positive economic effects that can be achieved by utilizing the international division of labor through foreign trade. It merely emphasizes the point that socialist foreign trade aims chiefly at a material transformation effected through an exchange between import and export commodities, i.e., an exchange between use values, and insists that export trade is only a means to exchange for a different kind of use values as expressed in the formula "C-M-C" instead of being a means by which capitalism realizes the values of commodities as expressed in the formula "M-C-M." We agree that socialist foreign trade is essentially different from capitalist foreign trade, the latter having profit as its sole aim. But this does not mean that we should be against using value to measure the economic effects of foreign trade or the degree of economization on social labor achieved through foreign trade. Exchange is aimed exclusively at the acquisition of use value only in a simple commodity economy. The belief that the international exchange of commodities conducted by socialist countries aims mainly at material transformation is in essence a small producers' view. It is this narrow concept of small producers that blinds one to the importance of economizing on social labor through the international division of labor and limits economic ties with foreign countries practically to the sphere of circulation. Actually there are many international channels and forms to be used in the sphere of production, such as specialization and co-operation in production, co-operation in scientific-technological research and designing, joint investment for the exploitation of natural resources and the establishment of joint ventures.

It should not be neglected that problems and disadvantages may arise in the course of utilizing the international division of labor to expand our economic and trade relations with Western capitalist countries. For example, the spontaneous forces of the capitalist countries may have an impact on our economy and cause a certain amount of confusion and disruption. Foreign capital, in its quest for profit, may resort to means which do not fit the requirements of our socialist economic development. But all these can be avoided or minimized provided we adopt appropriate means and counter-measures. Furthermore, as the present labor productivity in China is still low and the level of her industrial development is not high, primary products account for a big percentage of her export commodities, and it is inevitable that Western capitalist countries will have more to gain through the exchange of commodities. And this is what they are really after in their dealings with China, for it is inconceivable for capitalists to do anything unprofitable. While dwelling on the need of utilizing the capital and technique of capitalist countries, Lenin exhorted us not to cherish the fond hope that the capitalists would give us anything for nothing. "Concessions," he said, "mean paying tribute to capitalism. But we gain time, and gaining time means gaining everything."¹ Much materialized labor may have to be expended on the commodities China exports to capitalist countries, but the commodities she imports in exchange may contain less materialized labor than those produced at home. Thus through foreign trade China can not only get the advanced technique and equipment needed for her socialist construction but achieve economy of social labor. Moreover, the pattern of her export merchandise is bound to change gradually as her productive forces develop and her labor productivity rises, and the above disadvantages will also gradually give way to advantages.

Since the socialist countries' utilization of the international division of labor, as explained above, is based on the requirements of objective economic law, it is not an expedient measure but a question of principle and a matter of strategic importance to socialist revolution and construction. It will exist throughout the course of China's modernization in the coming years. As an objective economic category it will continue to exist in the entire socialist period until the state withers away. Lenin scientifically predicted that it is necessary to bear in mind

that there is a tendency towards the creation of a single world economy, regulated by the proletariat of all nations as an integral whole and according to a common plan. This tendency has already revealed itself quite clearly under capitalism and is bound to be further developed and consummated under socialism.²

¹ Lenin, *Collected Works*, Progress Publishers, Moscow, 1965, Vol. 32, p. 492.

² Lenin, *Collected Works*, Progress Publishers, Moscow, 1966, Vol. 31, p. 147.

Therefore, the study of the law governing the international division of labor and the ways of utilizing it should become an important subject of world economics. This study is of even greater practical significance today when we are embarking on a new Long March towards the goal of modernization. The following is an inquiry into four related questions:

(1) Proceed from the general task of socialist construction and the unity of value and use value and work out the profitability of foreign trade for the nation's economy as a whole, so as to rationalize and optimize the patterns of import and export merchandise.

Since foreign economic relations aim at economy of social labor through the international division of labor, without calculating and comparing the value of import and export commodities there can be no way of measuring whether or not there has been such economization and how much. Therefore, we should proceed from the unity of value and use value and pay attention to the profitability of import and export enterprises, which in turn reflects the level of management and administration of our foreign trade corporations. In particular, we should pay attention to the profitability of foreign trade for the nation's economy, namely, to the economic effects of foreign trade on the entire economy, which reflect the degree of economization of labor in the economy through the external exchange of commodities. To calculate the profitability for the economy, it is necessary to compare the domestic and international values of the import and export commodities. This can be done only by calculating prices. As there are intricate internal and external factors affecting the prices of import and export commodities, it is undoubtedly a complicated and arduous job to calculate the targets for profitability. But it is necessary to grasp these targets in order to make rational decisions about the patterns of the import and export commodities and economize on social labor to the greatest extent possible. These calculations and comparisons are important also for a more rational planning of production in the various domestic departments and its proper ratio as well as for tapping the potentialities of increasing production and practicing economy.

It should be stressed here that in calculating profitability, it is necessary to take into account not only immediate economization but also what can be achieved in the future. It is not advisable to set immediate economization against long-term economic goals. Many of our domestic products are not economical in terms of labor. They are more labor-consuming than those we export for international exchange. But, in order to establish an independent national economic system and consolidate our national defence, it is necessary and identical with fundamental state interests to invest in sectors that turn out these products.

(2) Apply the principle of comparative advantages from a developmental viewpoint and give full play to the available and latent superiorities of nat-

ural and economic conditions, so as to enable our foreign economic relations to yield the greatest possible economic results.

In the second section of this article we have mentioned that Marx affirmed the theory of comparative costs of production as containing a rational kernel. Reference here is to the principle of comparative advantages. This principle shows that even if the labor productivity of all the departments in one country is lower than that in another — in other words, if it is in an unfavorable position in the manufacture of all its products — it can still economize on social labor by producing and exporting products whose production is less unfavorable to the country in exchange for those whose production is more unfavorable to it. On the other hand, Marx criticized the static, metaphysical view of the theory of comparative costs of production. He pointed out that the superiority of the natural and economic conditions of a country is subject to change as are the departments enjoying comparative advantages. Moreover, the influence of natural conditions and the changes in economic conditions are governed by the mode of social production. This is what bourgeois scholars gloss over in their attempt to use the theory of relative costs of production to glorify the system of international division of labor under the capitalist system.

While adhering to the principle of independence and self-reliance, socialist countries should apply the principle of comparative advantages in handling their foreign economic ties and developing favorable export items so as to achieve the greatest possible economic results. For example, considering the natural conditions and conventional productive practice in certain northeastern regions of China, if we set these areas aside for soya bean growing and the export of soya beans in exchange for imported commodities, then the economic results thus achieved would be far greater than if these regions engage in food grain cultivation only. Taking into account the merits of different places, we can, in a planned way, build up a number of bases and factories and workshops for producing export commodities. This will not only enable us to develop sources of export commodities according to specified quality and in a balanced way, but will also be an effective way of scientifically applying the principle of comparative advantages. China has huge manpower resources and her wage scales are low — these are favorable conditions for developing such business as processing imported materials, processing materials supplied by clients, processing according to samples and assembling parts supplied by clients as well as for exporting services, contracting for projects abroad and setting aside special areas for processing export products. In comparison with her labor forces, China is short of the funds, technique and equipment needed for her economic construction. Therefore, it would be to China's advantage if some of her departments are devoted to the export of labor intensive products in exchange for capital intensive and technology intensive products. The effect would be to increase funds at home and to expand the proportion of accumula-

tion in the distribution of national income, facilitating a high-speed development of the economy. As our technical level rises, the pattern of our exports will change, and labor intensive products will gradually be replaced by technology intensive products.

(3) Adapt to the post-war tendency towards an ever more internationalized production and effectively utilize foreign funds and technology through planned development of co-operation with foreign countries in the production and scientific-technological spheres.

A principal feature of the deepening post-war international division of labor is specialization and co-operation in international production, especially international intra-industry specialization.

Taking this tendency into account, we should bring the superiority of the socialist system into play and, in a planned way, develop co-operation with foreign countries in the production and scientific-technological spheres by adopting such forms as the establishment of joint ventures. This is an important way to accelerate economic development through effective utilization of the international division of labor. An example is specialized co-operation in the form of international contracting and sub-contracting for our machine-building industry, whereby foreign enterprises undertake to supply us with the technical know-how, blueprints and certain specialized equipment and raw materials, and help train our technical personnel. This will not only enable us to grasp advanced Western techniques and utilize foreign funds. It will also enable us to change gradually the pattern of our export commodities, raising the proportion of manufactured goods in our export, find more markets abroad and expand our exports more rapidly.

(4) In the course of reforming the nation's economic setup, take into consideration the need to expand foreign economic relations and enhance our adaptability to international markets so as to make better use of the international division of labor, give wide scope to the initiatives of departments, areas and enterprises concerned with external economic activities and enable them to achieve better economic results.

Full utilization of the international division of labor means a series of our enterprises and departments will forge more extensive and closer ties with the world market and our planned socialist economy will inevitably come into conflict with the capitalist world market. The cyclic economic crises of capitalism and the frequent and drastic fluctuation of supply and demand on the world market will often plunge some of our enterprises and departments engaged in export production into a state of extreme instability. When the demand abroad for certain commodities diminishes they will have to "slash" production, but when there is a brisk demand they will have to "whip it up." Also, to avoid the influence from the law of value operating on the capitalist world market, we have cut off ties between domestic and international prices,

but this has produced some negative effects. As state finance is responsible for all the losses and gains of our export commodities, the enterprises and departments engaged in export production may disregard the competition and the function of the law of value on the international market and neglect to use "the average unit of universal labor" as a measure of their products. Thus they may not bother about reducing the labor expenditure on their products to bring them close to the international value. This would in no way help push forward the technical innovations in these enterprises, or improve their management, or raise their labor productivity. Therefore, in utilizing the international division of labor, while protecting our economy against disturbance and disruption by the spontaneous action of capitalist economic laws, we should also use these laws to our advantage. To handle well this dialectical combination of restriction and utilization, we should, in the sphere of foreign economic relations, change those relations of production and those parts of the super-structure that are not in correspondence with the development of productive forces, and effect changes and readjustments in the system of economic management and the foreign trade system — changes which are an indispensable part of the reform of our entire economic setup.

The system of economic management in our new period of socialist construction should be one which makes the relevant departments, areas and enterprises more adaptable to the international market and which facilitates the development of foreign economic relations in such forms as co-operation in production, joint ventures, compensation trade and contracting for projects, so as to create the necessary domestic conditions for a more effective utilization of the international division of labor. Our centralized system of administration for external dealings should, on the principle of unified leadership and level-by-level administration, switch to a system whereby the relevant enterprises in the various departments and areas can directly conclude foreign transactions under streamlined administration by the authorities concerned. This change will help give play to initiatives from all quarters and expand our foreign economic relations in the new situation, thereby meeting the demands in the new period of socialist construction.

To achieve unified planning and carry out unified policies without causing either restriction or confusion under the new administrative system, it is necessary to adopt a series of economic, legislative and judiciary measures, such as laws governing joint ventures, investments and loans, corporation laws, laws on property rights, laws on contract projects, tax laws, price laws, foreign exchange regulations and import and export licences, so as to regulate, guide and supervise foreign economic and trade operations. In short, changes in the nation's economic system should be based on the principle of combining regulation through planning and regulation through market operations. They should be carried out both actively and carefully, and will be perfected gradually in the course of practice.

Finally, it should be stressed that the utilization of the international division of labor should be subordinate to the general aim of establishing an independent and integrated socialist economic system in China. The purpose of fully utilizing this division is to accumulate funds more speedily for the country's modernization and raise our technical level and labor productivity, so as to enhance our ability for self-reliance and build up an independent and integrated modern socialist economic system at an early date. Conversely, if we adopt a policy of economic isolation or a closed-door policy, we would slow down our economic development and weaken our ability to be self-reliant. The relationship between utilization of the international division of labor and the policy of independence and self-reliance is a relationship of dialectical unity, as has been proved by both positive and negative experience in many countries. At the same time, while utilizing this division, we should base ourselves on our own efforts and seek and adopt ways and means suited to the specific conditions in our country. Only thus can our foreign economic and trade relations become a powerful lever for speeding up our economic development and play their proper role in the early realization of socialist modernization.

— Translated by Liang Liangxin

The Theory of an Enterprise-Based Economy

Jiang Yiwei

I. A Reform of the Economic Structure Has to Be Carried Out

To reform the country's economic structure was a task put forward at the Third Plenary Session of the Party's 11th Central Committee in December 1978. Then the Second Session of the Fifth National People's Congress, held in June-July 1979, decided on a policy of readjusting, restructuring, consolidating and improving the nation's economy. "Restructuring" refers mainly to a reform of the structure of economic management.

It is generally agreed that much in China's present economic structure does not suit a speedy development of the nation's economy and the drive for the four modernizations. But what is the crux of the problem? Is it necessary to effect a complete and fundamental reform? How should we set about the task? There is no complete unanimity of views on these questions.

The present structure was basically copied from the Soviet Union in the early years after the founding of the People's Republic. Although the country speedily rehabilitated her economy in those few years, the foundations of the economy inherited from the old society were extremely weak. There was little industry and practically no heavy industry. It was therefore necessary, under such circumstances, to model on the Soviet economic structure and exercise highly centralized state leadership in order to begin socialist economic construction on a fairly large scale. In the period of the First Five-Year Plan the country did achieve a rapid development of her economy. But the fatal weaknesses inherent in the structure of a Soviet type gradually surfaced as economic construction continued, even if we consider the situation quite apart from the interference and sabotage from the ultra-Left trends and from Lin Biao and the Gang of Four.

The economic structure of the Soviet type is characterized by direct state control over the entire national economy, including the activities of the enterprises, in terms of planning, finances, the allocation of supplies, the deployment of labor forces and the standardization of wage scales, while the enter-

prise, the basic unit immediately responsible for developing productive forces, has to follow state orders in management and in almost all business activities and enjoys hardly any independence. This gives rise to a whole series of problems. Deficiencies in state planning cause disproportions in the national economy and an over-extension of the scope of capital construction. The enterprises tend to emphasize the fulfilment of only some of the state norms, such as output and the value of output, while paying little attention to quality, the marketability of the products and the requirements of the customers. There are serious wastes of materials and other resources. Excessive stockpiles of supplies exist side by side with serious shortages. Wages and bonuses are gradually equalized, and the staff and workers become ever more accustomed to "using an iron bowl to eat the rice cooked in a single large pan."* Service is poor. Administration and management are marked by sluggishness and inefficiency, and bureaucracy grows in seriousness.

Is it true that these drawbacks are caused by wrong tendencies in practical work and have nothing to do with the structure itself? Let's answer the question by taking a look at the experience in all the countries that have adopted the Soviet pattern. The above-mentioned drawbacks appeared not only in China but also in Eastern European countries and in the Soviet Union itself. And this was why, during the 1950s and the 1960s, the question of reforming the economic structure was raised in these countries at one time or another. Differences in political and economic conditions, in the approaches to the reform and in the courses of advance account for varying degrees of success, but there was one thing in common, i.e., the search for a way to bring into play the initiative of the enterprises. The universality of the problems speaks for the objectivity of the laws of economic development. A reform in the economic structure is not something to be accepted or rejected as one pleases, but a necessity dictated by objective contradictions.

A number of reforms have been carried out in the economic structure in China since liberation. These reforms, however, all centered on a division of power between the central and local governments and on bringing into play the initiative of both. What was neglected was a question of more fundamental significance, namely, the question of bringing into play the initiative of the enterprises and the workers that are in direct control of the productive forces.

In a speech in 1956, "On the Ten Major Relationships," Comrade Mao Zedong raised the question of the correct handling of the relations between the state, the units of production and the producers. He said:

The relationship between the state on the one hand and factories and agricultural cooperatives on the other and the relationship between factories and agricultural cooperatives on the one hand and the producers on

* A metaphorical reference to egalitarianism and the state bearing all financial responsibility for enterprises and individuals. — *Trans.*

the other should both be handled well. To this end we should consider not just one side but all three, the state, the collective and the individual, or, as we used to say, "take into consideration both the army and the people" and "take into consideration both the public and the private interest." In view of the experience of the Soviet Union as well as our own, we must see to it that from now on this problem is solved much better.¹

He added:

Here I would like to touch on the question of the independence of the factories under unified leadership. It's not right, I'm afraid, to place everything in the hands of the central or the provincial and municipal authorities without leaving the factories any power of their own, any room for independent action, any benefits. We don't have much experience on how to share power and returns properly among the central authorities, the provincial and municipal authorities and the factories, and we should study the subject. As a matter of principle, centralization and independence form a unity of opposites, and there must be both centralization and independence.²

The question of the economic structure was sensed by Comrade Mao Zedong as a fundamental one back in the 1950s. Unfortunately, the principles he put forward were not carried out in practical work in later years. People have generally come to see that, for a rapid development of the national economy, it is necessary to bring into play the initiative of the central authorities, the local authorities, the enterprises and the workers and not just the initiative of the central and local authorities. In the current discussions on the reform of the economic structure, there is a general demand for the enlargement of the power and independence of the enterprises. This is a big ideological advance.

A real solution of the question raised by Comrade Mao Zedong in 1956 has become both necessary and possible. But solution of the question requires, first of all, a clarification of its substance. For years we have suffered from an ambiguity of concepts on many questions. Whoever tried to examine a concept was accused of splitting hairs over terminology or playing with ideas. But while people used the same phrase, they referred to different things and wrangled endlessly without ever reaching a correct conclusion.

What do we mean by enlarging the power of an enterprise? What does "power" mean here? Many consider the enterprises as bodies at a level lower than the central and local governments and think that, following the dis-

¹ *Selected Works of Mao Zedong*, FLP, Beijing, 1977, Vol. V, p. 289.

² *Ibid.*, p. 290.

cussions on the division of power between the central and local authorities, now it is time to discuss the enlargement of the power of the enterprises. This view is debatable.

The central and local governments are both administrative organs, while an enterprise is an economic entity and cannot be placed at any administrative level. It is therefore inappropriate to apply to an enterprise the same concept of power as is applicable to a central or local government. The central and local governments are organs exercising political power within prescribed limits. Hence the differences between centralization and decentralization, and a change from the one to the other always means a transference of certain powers. As an economic entity, however, an enterprise has nothing to do with power in the above sense. What it has to deal with in its relations with the state, with the central and local governments, is a question of rights and obligations. When we talk about granting more power to the enterprises, the concept of "power" is an ambiguous one, indicating a confusion of an economic entity with a government organ.

"Increasing the independence of enterprises" seems to be a better formulation, but it too suffers from ambiguity. Here independence should be interpreted as a matter of rights, not of power. The rights and obligations of a socialist enterprise are determined by its characteristics as an economic entity. They are something inherent in an enterprise and are determined by objective economic laws and cannot be enlarged or narrowed according to one's subjective wishes. Our present job is to define the nature of a socialist enterprise and its rights and obligations in relation to the state on the basis of the characteristics of the socialist system. In the light of this interpretation and of present realities, if the question of independence is to be dealt with, it is one of defining such independence, not a matter of increasing it.

An enterprise is not only an organization directly engaged in the development of social productive forces, but also a specimen of a social system. The basic characteristics of a socialist system, such as public ownership, the absence of exploitation, and the principle of "to each according to his work" must all be embodied in an enterprise as an economic cell of society. Therefore, defining the nature of a socialist enterprise and its relationship with the socialist state is basic to the establishment of a socialist economic structure and to the building of a proper foundation for the socialist system.

A reform of the economic structure has to be carried out, but it involves the entire body of the national economy and covers an extremely wide range of problems. One problem is chained to another, and a single move would affect the entire picture. Where should we begin? What is the basic link to be grasped? The realities show that we should begin by defining the place and function of an enterprise in the entire economic structure and then study the organization and management of the national economy as a whole, so that we may secure a solid foundation for this reform by working out the related

problems in a logical sequence. This will be done in accordance with the law of the socio-economic base determining the superstructure. We shall not be able to find a basic solution to the question of the economic structure if we do not consider the related problems in such a sequence.

II. Theoretical Analysis of the Reform of the Economic Structure

The term "economic structure" may be defined briefly as the ways and means by which national economic activities are organized in accordance with objective economic laws.

Objective forms of economic structure also exist in capitalist societies, consisting likewise in the nature of the enterprises, how they are associated with one another and the varying degrees of state interference. Under a system of private ownership, however, an economic structure takes shape spontaneously and cannot be worked out or reformed by men in an all-round way. Socialist public ownership makes possible a planned and conscious organization of all national economic activities. This is undoubtedly an important embodiment of the superiority of the socialist system. But a basic or complete conformity of people's subjective wishes with objective laws is only a possibility and not a certainty. Engels once pointed out that interference by political power in an economy may speed up or slow down its development or play a double role, depending on whether people have a scientific knowledge of the objective laws of its development and are able to adapt themselves to these laws.

W. Brus, an economist of Oxford University, holds that all economic policy-making can be divided into three categories:

1. Policy-making in a macrocosmic sense, which includes the distribution of the national income, the rate of economic growth, the investment rate, the prices of major products, the scale and pattern of wages, the principal investment items, the industrial makeup, etc.

2. Policy-making concerning the routine operations of an enterprise, which includes the pattern of products and their sales prospects, organization of the production process, small-scale investments, overhauls, forms of the payment of wages, the composition of workers and employees, etc.

3. Personal policy-making, which includes the choice of occupation and of the place of employment, the purchase of means of consumption and services, etc.

Mr. Brus takes the view that, under the economic system in the Soviet Union and Eastern European countries, policies in the first category would have to be made by the state and those in the third category could only be

made by the individual, while the second kind of policy-making could be effected either by the state or by the enterprise, marking the distinction between a centralized and a decentralized pattern.

Bogdan Glinski, an economist of Poland, is of the opinion that a simple division into two patterns of economic structures would be an inadequate description of the different forms of economic structure prevailing in the Soviet Union and Eastern Europe. From the angle of planning, he states that there are four different kinds of structures:

1. The centralized structure, in which the central government maps out a unified plan covering a whole range of details concerning the regulation of production. Production targets, the means of fulfilling them and even the supply of raw materials are all specified in state decisions. This was the structure adopted almost universally in the Soviet Union and Eastern European countries in the 1950s.

2. A combination of central government planning with a partial autonomy on the part of the economic organizations. State plans emphasize an overall target and are not as detailed as in the above-mentioned pattern. Economic stimuli are used, and the enterprises enjoy some independence. Mr. Glinski thinks this is the pattern followed in the Soviet Union today.

3. A combination of central government planning with a high degree of autonomy enjoyed by the economic organizations. Central government planning covers areas of strategic significance. Hardly any quota of a compulsory nature is being assigned. The economy is run by economic means, and the enterprise enjoys a fairly large measure of independence. Mr. Glinski places Hungary in this category.

4. The highest possible degree of autonomy for economic organizations. Central government planning performs hardly any function, and the leading role has been assumed by a market economy. The enterprises enjoy much independence, while the state acts as a supervisor and adjusts the income of the enterprises by economic means. Mr. Glinski thinks Yugoslavia belongs to this category.

The above analyses are helpful to our understanding of the evolution, existing conditions and the trend of development of the different kinds of economic structures even though they do not as yet form comprehensive theories on the question of the economic structure. If we examine the trend, we shall find an obvious change from a centralized pattern to one marked by a greater or lesser degree of decentralization.

The way to reform China's economic structure is still under study. Generally speaking, there are three lines of thinking:

1. The trouble with our structure is not too much but too little centralization by the state. Although such a view has not appeared in print, it is supported by many more people than one may expect.

2. The trouble is indeed over-centralization, but mainly over-centralization by the central authorities. More independence should be granted to the provincial or municipal authorities. This view is also supported by many.

3. The main trouble at present is the lack of independence on the part of the enterprises. This dampens their initiative.

People may argue over these views, which are not without basis, but a simple "yes" or "no" would not help solve the problem.

As has been mentioned earlier, an economic structure is the ways and means of organizing national economic activities. In my opinion, an analysis of the internal mechanism of an economic structure requires, first of all, a distinction to be made between the organizer of these activities and the organized and a clarification of their mutual relations. National economic activities are carried out by economic entities, all of which are undoubtedly the organized. It is also beyond doubt that in a unified, planned economy in a socialist country, the state acts as the supreme organizer on behalf of all the working people. But we must be clear about the relationship between the state and the economic entities and answer the question whether the state, as the organizer, should function inside or outside the economic entities.

In our highly centralized economic structure, in which the state directly specifies the ways of managing an enterprise, the whole country has in fact become a unitary economic mechanism. The state (including the central and the local authorities) serves as a superstructure within this huge unitary economic entity and exercises direct control over its branches — the enterprises and other economic entities. In such a structure the state is the basic economic entity, and unified management and accounting are practiced within its framework.

Some people think there is an over-centralization and power should be granted to the provincial and municipal authorities for independent economic activities. In other words, the localities (the provinces and municipalities) should become the basic economic entities each practicing its own unified management and accounting. If such a structure is to be adopted, the central authorities will exercise their leadership and supervision from outside the local economic entities, while the local authorities are within the economic entities and exercise direct control over them in the role of their superstructures.

We hold an entirely different view, namely, that government organizations, both central and local, should be separated from economic entities so that, instead of being the superstructures of the economic entities directly responsible for their control and management, they should exercise leadership and supervision over their activities from without. In our opinion, the nation's economy should not be taken as a unitary economic entity, neither should it be dissolved into a number of local ones on the basis of administrative divisions. The basic economic entity can only be the enterprise, whether industrial, commercial or agricultural, which should conduct independent manage-

ment and accounting under unified state leadership and supervision, enjoying its proper rights while fulfilling its obligations to the state.

The structure of a socialist economy should be chosen on the basis of the objective laws of economic development. Reducing the question to one of centralization or decentralization does not help clarify its essence and will not lead to a fundamental solution. Neither can a way out be found by dividing power between the central government, the local government and the enterprise. Subjective designs which do not touch the heart of the matter inevitably give rise to a recurring cycle in which "centralization leads to rigidity, rigidity leads to complaints, complaints lead to decentralization, decentralization leads to disorder, and disorder leads back to centralization." Since centralization and decentralization are shifted around subjectively without a proper basis, the problem can never be solved at the root.

On the basis of the above considerations, this paper proposes to inquire into the nature and characteristics of an enterprise under the socialist system and its relationship with the state. To simplify the treatment of the thesis, only industrial enterprises are referred to here. But the questions and principles discussed are largely common to other enterprises, including commercial and agricultural ones. (A production team in a rural people's commune is equivalent to an agricultural enterprise.)

III. The Place and Function of an Enterprise in a Socialist Economic Structure

1. An Enterprise Is the Basic Unit in a Modern Economy

Man is an animal capable of making tools and a social animal. Since the beginning of human history, the productive activities of mankind have always been labor of a more or less social character. Social production has taken different forms of organization as a result of the development of productive forces. Up to the present, however, society has always had a basic productive unit in a form suited to the level of its productive forces, whatever may be the mode of production.

In primitive society, the level of productive forces was extremely low, and no individual person was able to cope with the forces of nature and the beasts of prey by himself. Collective labor had to be undertaken. The gens formed by ties of blood became the basic unit of social production. As agriculture developed and the implements of labor improved, a family could till a plot of land by itself and achieve higher labor productivity than in a gentile economy. The gentile economy disintegrated and was replaced by private ownership with the family as the basic productive establishment. A further growth of

productive forces created a form of forced collective slave labor organized by slave owners. With the collapse of slavery the feudal system came into being, in which the peasant household was the basic productive establishment.

Although commodity production developed to a certain extent in primitive, slave and feudal societies, the economy was primarily a self-sufficient natural economy based on manual labor of a very limited social character. Thus social production with the family as the basic establishment lasted for a long time. The capitalist mode of production emerged from a highly developed commodity production and the application of modern machinery. A fundamental reform in the organizational form of social production took place. The basic establishment in social production was no longer the small family or workshop, but the modern enterprise where a large number of workers are employed by capitalists to engage in highly socialized labor by the use of modern equipment.

With the concentration and aggregation of capital, isolated enterprises developed into capitalist corporations of various forms. A big corporation may include many smaller enterprises or may have many affiliated ones. Whatever may be the form, the enterprise remains the basic unit in the modern economy created by capitalism.

A commodity has a two-fold nature, and so does an enterprise as a commodity producer. It is at once an organization of productive forces and an embodiment of definite productive relations. A socialist enterprise differs from a capitalist one in the latter sense, not in the former. But the relations of production in a commodity economy may not be the same as those in capitalism. A commodity economy may be characterized by capitalist or non-capitalist relations of production.

Under the capitalist system, an enterprise as a basic unit in social production undoubtedly bears the features of capitalism. Private ownership under capitalism determines that the means of production and all the property of an enterprise belong to the capitalist; that those engaged in productive labor are not the masters of the means of production but wage laborers who sell their labor power to the capitalists and are exploited by the latter; that an enterprise enjoys absolute independence; that the line of business and the orientation of development of an enterprise lie completely within the power of the owners of capital; that the interests of a capitalist depend directly on good or bad management and on the profits or losses of his enterprise. But if we leave aside these features determined by capitalist private ownership and examine the capitalist enterprise as the basic unit in the organization of social productive forces and in a commodity economy, there remain the following characteristics:

(1) It is an economic organization engaged in production, bringing together a group of productive workers, including mental and manual workers, for coordinated labor to achieve a common productive purpose.

(2) It is engaged in commodity production, and its products must satisfy certain social wants.

(3) In the whole complexity of social wants, it only seeks to satisfy some of them. It forms an independent system of production and technology according to its field of specialization.

(4) It maintains economic relations with other productive establishments and with consumers through exchange, which is in principle equal exchange.

(5) It has its independent financial rights and interests and tries hard to enhance its interests.

(6) To secure more interests, it expands its productive forces with much initiative.

(7) It is a basic unit in the whole social economy and forms, in an objective sense, part of the basis of the economic strength of society, for social productive forces are the totality of the productive forces of all enterprises.

In the final analysis, the above characteristics are the products of highly developed commodity production. Capitalist enterprises have taken shape amid the growth of capitalist economy over several hundred years. These characteristics of an enterprise as a basic unit in the economy have not changed in the course of the evolution from an isolated enterprise to a corporation, indicating their correspondence with the productive forces created by capitalism. The inherent contradictions and crises of capitalism are not due to any incompatibility between the enterprise as a form of economic organization and the productive forces, but are caused by the anarchy in social production as a whole arising from capitalist private ownership.

The socialist system is a new-born social system. By abolishing private ownership, it has made possible the unified planning and management of social production and the elimination of capitalist anarchy. This shows the great superiority of the socialist system. But does the unified economy of socialism mean that an enterprise should be deprived of its independence and the entire national economy made an economic entity of enormous proportions, with the whole country becoming a huge "enterprise"? Clearly, this is a utopian illusion. But it is just along the lines of this utopian illusion that our present economic structure is made to operate.

In form, the enterprise is the basic unit in social production in our present economic structure. But our enterprises lack independence. In particular, those under ownership by the whole people have to do everything by state decision. The state sets targets for them, distributes their products, assigns their personnel, allocates their equipment, takes over their profit and covers all its deficits. Although certain articles in some official documents stipulate that enterprises should enjoy a certain measure of independence and should practice independent accounting, in fact they exist only as branch organizations of one colossal enterprise — the state. In this colossal enterprise com-

posed of tens of thousands of enterprises owned by the whole people and distributed all over the country, the State Council is like the manager general, the Planning Commission the planning section, the Economic Commission the production section, the Capital Construction Commission the capital construction section, the General Bureau of Supplies the supply section, the General Administration of Labor the section dealing with labor forces and wages, and the various industrial ministries are like workshops each responsible for a particular line of products. Of course, the structure took shape under certain historical circumstances. Theoretically, there was a misunderstanding of the Marxist conception of planned economy under socialism which was taken to mean that a planned economy requires a unified organization covering all economic activities of the nation, while a fundamental principle of Marxism was forgotten, namely, that the relations of production must be adapted to the objective requirements of the development of productive forces. No consideration was given to the fundamental question whether, during the historical stage of socialism, the stage of transition to communism, social production should still be carried out by many independent basic units, the form these basic units should assume and their similarities and dissimilarities with capitalist enterprises.

The level of productive forces in China is still far lower than that in the developed capitalist countries. The revolution in social system has created favorable conditions for emancipating and developing the productive forces. If we turn this superiority to good account, we may develop our productive forces to a level higher than that in the developed capitalist countries in a relatively short time. But this requires a historical process, in which production should not be organized in a form divorced from or surpassing the current level of productive forces. The enterprise, as the basic unit in a modern economy, suits socialist countries as well as developed capitalist countries. Of course, under the socialist system, certain features of enterprises that are connected with capitalist private ownership would have to be changed on socialist principles. But the basic features shall remain because they are not connected with capitalist private ownership.

Commodity production is highly developed under capitalism. But the relations of commodity production are not peculiar to capitalism alone. Neither should commodity production and exchange be identified with capitalism. It is theoretically indisputable that, far from being abolished, commodity production should be developed to a great extent in a socialist society. Certain features of enterprises which have taken shape in commodity production, if inherited under the socialist system, will not run counter to socialist principles but become a powerful force promoting socialist economic growth.

Basing ourselves on the above understanding, we think the basic unit in a socialist economy should still be the enterprise, the independent enterprise. A socialist economic system can only be formed through a union of these in-

dependent enterprises. The independence of enterprises does not contravene socialist principles. On the contrary, socialist economic democracy can be fully realized only when the enterprises enjoy independence. The principle of democratic centralism can find an unabridged form of expression in the economic system only through a combination of national economic unity with the independence of the enterprises under the unified organization of the socialist state.

2. An Enterprise Must Be a Dynamic Organism

There appears to be nothing new in the statement that a socialist economy should be built on enterprises as its basic units. In the present economic structure, isn't each enterprise taken as a separate productive establishment? The question is whether the national economic system is made up of these establishments like bricks in a huge building or like living cells in an organism. Bricks have no life, neither does a building composed of them. But every cell in a living being is itself a dynamic organism capable of breathing, of getting rid of the stale and taking in the fresh, of growing and of reacting spontaneously to the stimuli from the outside world. Living beings at a lower stage of development are composed of simple cells; those at a higher stage of development are complicated organisms composed of different kinds of cells. As a basic unit in a modern economy, an enterprise should never be like a lifeless brick, but should be a dynamic organism full of vitality. A nation's economic strength is the totality of the productive forces of her enterprises, but it is measured not merely by the number of enterprises but, more significantly, by the vitality of each enterprise, just as a person's physical soundness depends on the vitality of his cells.

We often speak of giving full play to the role of existing enterprises, which would contribute more to national economic development by updating their technology and tapping their potentials. But one thing is not clear: what should be the main form of extended reproduction? Should it mainly be effected by building new enterprises and new bases, or should an equal stress be put on the technical reorientation and expansion of the existing ones? As far as the existing enterprises are concerned, should they be expected to tap their potentials under existing conditions, or should they be regarded as dynamic organisms and encouraged to multiply themselves and conduct reproduction on an extended scale?

Practice over the years has proved that under normal conditions, investment of the same amount of funds in the remolding and expansion of old enterprises would bring in much bigger returns than in setting up new ones. If we take an enterprise as an organism capable of undergoing metabolism, we should provide proper conditions for its growth and expansion. And even if a new enterprise is needed, it should be made to spring into existence in

the style of cell division. In other words, the personnel, experience and material conditions of existing enterprises should be used inasmuch as possible for building a new one, and the result will be much better than starting from scratch. A baby comes from the womb of its mother. The same thing applies to economic development.

As a dynamic organism, an enterprise should be enabled to breathe and undergo metabolism. Three basic factors are required for production in an enterprise. They are the labor force, the means of labor and the objects of labor. An enterprise will be a dynamic one provided it can inhale and exhale or get rid of the stale and take in the fresh with respect to all these three factors. In other words, it should have the right to choose and to expand or cut down its labor force, means of labor and objects of labor.

Apart from fulfilling state-assigned production targets, an enterprise should take up other tasks on its own initiative and, on the basis of market predictions, improve quality and develop new varieties of goods.

Raw materials are objects of labor. An enterprise should be able to purchase them from the market in addition to those supplied under state plans. It should be allowed to place orders with other enterprises for supplies not covered by state plans and to supply its own materials to others. It should have the right to choose its raw materials and increase or cut down the amount under certain conditions.

As for the means of labor, an enterprise should enjoy a certain measure of independence with respect to the expansion or reconstruction of its premises and installations. It should have an independent right to the choice of equipment and tools and may decide to expand or reduce them.

With regard to its labor force, an enterprise should have the right to choose its workers and staff members and to increase or cut down the number. It should have the right to take on new workers and staff members on the basis of their competence. It should have the right to discharge superfluous workers and staff members. The living expenses of the discharged ones should be covered by the state through social insurance schemes and should not be borne solely by the enterprise.

An enterprise should likewise have the right to increase or reduce the funds embodying the values of the above three factors so as to achieve better economic results.

All these are the objective requirements of an enterprise as a dynamic organism, or the essential conditions for it to play an active role in national economic development. In the final analysis, these rights are determined by the nature of an enterprise and are not to be expanded or abridged according to one's subjective wishes.

Of course, a socialist enterprise has obligations as well as rights. It must give priority to goods ordered by the state, pay state taxes or accumulate funds for the state in other forms, etc. While fulfilling these obligations, an

enterprise should be given the conditions for independent management and development.

3. An Enterprise Should Enjoy Its Independent Financial Interests

The independence of an enterprise finds expression in its independent financial interests. It has been stated in the last section that an enterprise should be given sufficient initiative to become a dynamic organism. This concerns the objective conditions only. Given these conditions, will an enterprise become a dynamic one automatically? Not necessarily. To achieve the purpose, it must be fitted with a built-in motor, namely, its independent financial interests.

While stating that financial interests are the motor driving an enterprise forward, do we mean a negation of the principle of "putting politics in command" and the adoption of the ways of "economism"? Such misgivings should have disappeared by now. The Gang of Four imposed a ban on any talk about material interests. According to the fallacy they dished up, Marxism seemed to have nothing to do with material interests and a mere mention of them was considered revisionism. As a result, many comrades did not dare to use the term "interests." In actual fact, Marxism always holds that, directly or indirectly, the struggle-for production and class struggle are motivated by material interests, and it is precisely in the interests of the proletariat and all working people that the proletarian revolution is staged.

By abolishing private ownership and the exploitation of man by man, the socialist system has made it possible to conduct all economic activities of society in the interests of the entire working people. There is no doubt that the production and management of a socialist enterprise, a basic unit in a socialist economy, are also motivated by the interests of the entire working people, which we call the interests of the state or of society. But does this mean that the activities of an enterprise are motivated exclusively by state interests and not by its own interests or the individual interests of its workers? Under the present material and moral conditions in the historical period of socialism, a period of transition to communism, it is a utopian fantasy to ask the working people to work for the public without any thought of themselves — a fantasy which oversteps real historical conditions.

In the historical period of socialism, commodity economy cannot be done away with. On the contrary, it has to be developed to a high level as the only means to build a powerful material base for socialism. Development of commodity production requires full application of the law of value and adherence to the principle of "to each according to his work" in the distribution of goods for personal consumption. If these principles are valid, an enterprise, as a basic unit in commodity production, must act as a com-

modity producer and enjoy its independent interests as a commodity producer. It is also necessary to determine the personal income of the workers according to the contribution made by their enterprise to society so that the principle of "to each according to his work" may be better implemented on a social scale. As soon as the individual interests of all the workers in an enterprise are linked with its business achievements, they are bound to concern themselves with the economic performance of the enterprise in terms of their own material interests. It should be noted here that the business achievements of an enterprise contribute towards not only the interests of its own workers and staff, but the interests of the entire working people as represented by the state. Therefore, such concern for material interests is objectively a concern for the interests of both the state and the individual, which is in full conformity with the principle of combining overall with individual interests under the socialist system, and has nothing to do with the question of taking to the road of individualism or capitalism.

Of course, ideological education on communism among the masses should not be given up at any time under the socialist system. But such education should never require the working people to sacrifice themselves for a so-called "kingdom of reason" or "eternal justice," but help them properly combine overall interests with individual interests, long-term interests with immediate interests, and subordinate the latter to the former when a conflict arises. It should never be an education that rejects the concept of interests altogether and deals with virtue in the abstract.

Rights and obligations are a unity of opposites. Any statement of economic rights is at the same time a stipulation on economic obligations. An enterprise enjoying its independent economic interests and linking them with the individual interests of its workers requires the latter to share the responsibility for its economic performance. In short, there is a joint responsibility for profits and losses, and awareness of such a joint responsibility enhances the collectivist spirit of the workers and will never be an encouragement to individualism. Individualistic tendencies are likely to arise if the principle of "to each according to his work" is applied in separation from the interests of the enterprise.

By now practically everyone has agreed to the principle that economic affairs must be managed by economic means or according to objective economic laws. What does this mean? To put it plainly, it means acting in strict accordance with the law of value and controlling the results of economic activities by economic means. However, adoption of this measure requires, first of all, an affirmation of the independent economic interests of an enterprise and the workers' share in the responsibility for its economic performance. Otherwise, management of economic affairs by economic means would remain an empty phrase. For example, under the contract system to be practiced between enterprises, the party which fails to fulfil a contract will

be fined. Isn't this an economic means? But if the enterprise has no independent economic interests and its profits and losses have nothing to do with the workers' personal interests, what is the use of imposing a penalty? It would only mean less profit turned over to the state by one enterprise due to a rise in cost after it pays the fine, and more profit handed over to the state by another enterprise due to a drop in cost after it gets the fine. It means the state taking money out of one of its pockets and putting it into another. How can anything like this influence the economic performance of an enterprise? The same thing applies to payment for the use of state-owned fixed assets by enterprises, their acquisition of circulating funds in the form of interest-bearing loans, etc. This shows that a prerequisite for handling economic affairs by economic means lies in an enterprise enjoying its independent economic interests and in the workers sharing its profits and losses.

4. The Relations Between the State and an Enterprise Under the Socialist System

The state organs of political power should be separated from economic entities. The state should exercise leadership over economic entities and supervise them from without, and should not direct their daily activities as a superstructure within them.

A socialist state has two functions: one is political, namely, exercising the dictatorship of the proletariat; the other is economic, namely, the organization and management of the socialist economy. With the development of the socialist society, the economic function of the state will gradually become the main one. The question is: in what form should the state manage the economy?

As a result of the social division of labor, modern economy is inevitably composed of many big and small basic economic units. The state may treat the entire national economy as one big enterprise and the great number of economic units as its branches and directly control their activities; or it may treat the entire national economy as an association of many independent basic units and exercise a unified leadership on the basis of highly developed democracy.

Under socialism, the private ownership of the means of production has been abolished, making it possible to organize social production in a planned way under the unified leadership of the state, eliminate such unbridled competition and anarchy as one sees under capitalism, and achieve a proportional and rapid growth of the national economy. This is an important aspect of the superiority of the socialist system. It should be realized that another aspect of its superiority, a more important one, lies in the fact that the workers are no longer separated from the means of production which are now under public ownership. The workers, as masters of the means of pro-

duction, work conscientiously for the overall interests of all working people as well as for their individual interests. An important condition for bringing this superiority into play is to apply socialist democracy to economy and practice a highly developed economic democracy, creating a more lively and vivid economic situation than under capitalism. It will be a more complete manifestation of the superiority of socialism if the basic economic units enjoy full independence in making their own decisions, unite on the principle of democratic centralism and subordinate themselves to the unified leadership of the state, and thus bring about a situation in which there are both independence of the enterprises and unity under state leadership, both democracy and centralism, both planning and liberty. In the final analysis, economic democracy is the basis of political democracy.

A major defect in China's existing economic structure is the excessive concentration of power. The crux of the problem does not lie in whether there is an inappropriate division of power between the central government, the local government and the enterprise, but in management of the national economy as a single "big enterprise." Many comrades have pointed out that the state should direct the enterprises by economic means and not by or seldom by administrative means. Well, what are administrative means? How does it happen that leadership is exercised over the enterprises by sheer administrative means? A further analysis is needed here. In fact, this is an inevitable result of managing the whole national economy as a single "big enterprise."

Specifically, the use of administrative means refers to direct command from the organs of state power. It means the issuance of orders as a way of directing the economic activities of subordinate organizations. On the other hand, the use of economic means refers to influencing or controlling the activities of an economic establishment by the force of economic advantages or disadvantages. The former is applied to an independent economic entity from within, the latter from without. The same thing holds true for the internal operations of a factory. Administrative means are generally applied within a factory taken as an accounting unit, with the factory authorities directing the workshops and the workshops directing the teams and groups. There is not necessarily anything wrong with this. If independent business accounting is conducted by the workshops, which enjoy such independent financial interests as manifest in the monetary reward or penalty for their success or failure in the fulfilment of technological and economic norms, the administrative means used by the factory authorities in directing the workshops become economic means because the workshops are being treated as independent economic entities. This shows that management by economic means only applies to independent economic entities. Otherwise administrative means would prevail. In the present economic structure, since the whole national economy is treated as a "big enterprise" and all the country's enterprises as its

branches, and since financially it exercises a monopoly over all income and expenditure, direct control by administrative means is the only possible form of management.

If we admit that an enterprise is a basic economic unit with independent financial interests, what would be the relationship between the state and an enterprise?

As a socialist state has its political and economic functions, the state is related to an enterprise in two respects, political and economic. In the economic respect, there should be no relationship of administrative subordination (except in such special departments as the military industries and transportation, which must be administered directly by the government), but an economic relation. In essence, this relationship embodies the relations between all workers in society and those working in one enterprise. As far as financial interests are concerned, the state represents the overall and long-term interests of all workers, while the enterprises each represent the local and immediate interests of one section of workers. Of course this is only a relative distinction, which does not mean that the state may neglect the local and immediate interests of an enterprise, or that an enterprise may forget about the overall and long-term interests. Overall and local interests form a unity of opposites. So it is inevitable that the state and an enterprise each represent a different side. The state exercising leadership over an enterprise is a manifestation of the subordination of local interests to overall interests.

In essence, the economic relationship between the state and an enterprise is a relationship concerning interests. Therefore, state leadership and control over an enterprise must be effected by economic means. Economic means may take many forms. The main ones are:

(1) The formulation of economic policies guiding the economic activities of enterprises and keeping them on the road of socialism. Under the socialist system, an enterprise is duty-bound to strictly observe and implement the principles and policies formulated by the state. A fundamental task of the Party organization in an enterprise is to ensure that it implements the economic policies of the state and maintains its socialist nature.

(2) Economic legislation. In accordance with economic laws, the state protects the legitimate rights and interests of the enterprises and their workers and staff members, supervises the enterprises' implementation of state policies and their observance of laws and decrees, and handles any economic dispute that may arise between the state and an enterprise or between enterprises.

Legal relations are a reflection of economic relations. Economic legislation is essentially an economic means. In the laws concerning enterprises, the state must define the nature of an enterprise and its basic rights and obligations in relation to the state and to other enterprises and the basic rights and obligations of its workers and staff members.

Being an economic entity with independent interests, an enterprise has the status of a legal person. Thus it is necessary to introduce a system of registration of enterprises. The establishment of a new enterprise is to be approved only after strict examination. Once it is registered, it acquires the status of a legal person who enjoys the rights and has the obligations stated in the laws concerning enterprises. This is an important means by which the state controls the orientation of economic development. In the existing economic structure, while a rigid control is imposed over the economic activities of the enterprises, there is no adequate control over the establishment of new enterprises, which may be set up by local authorities or communes as they please. An end should be put to such anarchism which contradicts socialist principles.

(3) Drawing up economic plans guiding the growth of enterprises. The state should focus on long-term programs and regional ones. Annual plans should be worked out from the grassroots up and the initiative of the enterprises should be brought into full play. At the same time, in line with the principle of "handling major problems according to plan and minor ones with flexibility," a policy should be adopted to regulate national economic activities through both planning and the market mechanism, with the former as the main form, so as to meet the objective needs arising from the commodity production of the enterprises.

(4) Regulation and control of the economic activities of the enterprises by economic levers, including taxes, credits, interests on loans, financial rewards and penalties, pricing, state orders for goods, and subsidies granted for policy considerations. These should be fully utilized to adjust the contradictions in interests in the relations between the state and the enterprises, between the enterprises themselves and between producers and consumers, and provide the orientation for the development of the enterprises and ensure the fulfilment of state economic plans.

IV. For a Better Application of Socialist Principles

Instituting a socialist economic structure based on enterprises would mean a radical change from the traditional, customary methods by which we have been organizing and managing our national economy, and adoption of some principles of commodity economy would give rise to practices similar in form to those in a capitalist economy. This will inevitably arouse the query: Isn't everything the same as under capitalism? Our answer is: No, there is nothing that goes against the principles of socialism.

After all, what are the principles of socialism? In my view, the two fundamental principles of socialism are first, the public ownership of the means of production; and second, the abolition of exploitation and distribution accord-

ing to work. If there are other principles, they are derived from these two fundamental ones. The socialist system is a new-born system which has existed only for a little more than half a century and has not reached maturity. Apart from the above two fundamental principles, none of the specific ways of doing things should be regarded as final, and all of them should be examined further through practice. Old methods can be changed, new ones can be tried out, and we should not fetter our own minds by regarding as Holy Writ anything that practice has not verified as indisputable.

The socialist economy at the present stage remains a commodity economy, and enterprises inevitably appear as commodity producers. Does this view contradict socialist principles? As we have stated earlier, though capitalist commodity production is a highly developed form of commodity production, commodity production is not an economic form unique to capitalism. A socialist society may have a socialist commodity economy, which is the same as capitalist commodity economy in some respects but fundamentally different from it in others. Labor power as a commodity — the main characteristic of a capitalist commodity economy — is totally non-existent in a socialist commodity economy. How can it be said that recognition of a commodity economy is a violation of socialist principles?

A socialist economy should be a union of many economic units instead of being a monolithic economic entity embracing the whole national economy. Is this view contrary to socialist principles? In many of their works Marx and Engels speak of the socialist system as "a society composed of associations of free and equal producers."¹ So how can the replacement of a monolithic entity by a union be called a violation of socialist principles?

Some comrades think it is all right to stress independence in the case of collectively-owned enterprises but not in connection with those under ownership by the whole people, which may thus "slide back" into the former. This argument presupposes ownership by the whole people as a higher form of socialist ownership and collective ownership as a lower form, holding that only a transition from a lower to a higher form is permissible, and that a transition in the opposite direction is a "backslide." Far from being an unchallengeable conclusion, this conventional view is only an assumption. Theoretically, whether ownership by the whole people is a higher form is a question requiring further inquiry. But one thing is certain, namely, both ownership by the whole people and collective ownership fall within the category of public ownership. So long as public ownership is maintained, there can be no violation of socialist principles.

Since the socialist economy at the present stage is a commodity economy, it follows that commodity markets are required for circulation, that

¹Cf. Karl Marx, "The Nationalization of the Land," in Marx and Engels, *Selected Works*, Progress Publishers, Moscow, 1976, Vol. II, p. 290.

enterprises should be allowed to compete with one another, and that the law of value inevitably acts as a regulator of production and investment. Some comrades are worried that all this is bound to weaken or even damage socialist planned economy. Other comrades further argue that planned economy is an economic law of socialism, and weakening or damaging planned economy means weakening or damaging socialist principles. We hold that, while a socialist economy must be organized in a planned way, whether this is an economic law is open to discussion. Planning is an subjective act performed by men, a way of doing things, which should undoubtedly reflect objective economic laws, such as the proportionateness of an economic pattern, but planning itself cannot be regarded as an objective law. Organizing economic activities on a plan is aimed at developing the economy in line with objective laws and overcoming the anarchy in social production created inevitably by capitalist private ownership. But national economic activities as a whole form a highly complicated organism, which cannot be covered in a unified state plan down to every detail, and a great number of problems of supply and demand still have to be solved through the market mechanism. State planning should concentrate on questions of macroeconomics such as long-range and regional economic programs; it does not have to take the form of detailed schemes containing mandatory instructions on the day-to-day economic activities of enterprises. This is a question of method. We must not think that the more detailed a plan, the better it is, or that a detailed plan strengthens the socialist economy and a broad one weakens it. Under the socialist system, regulation of the economy by both planning and the market mechanism does not mean in any sense a weakening of the role of planning. On the contrary, it brings planning closer to reality so that it may provide better guidance to economic development over a long period of time.

Some comrades are worried that enterprises enjoying independent economic interests will tend to be dominated by the profit motive like capitalist enterprises and depart from the aims of production in a socialist enterprise. We have already dealt with the socialist principle of material interests. Under the socialist system, the interests of the part should be subordinated to those of the whole. It is not a bad thing for an enterprise to make more profits, which not only benefit the enterprise but also add to state income. If an enterprise seeks profits for itself in disregard of state interests, the state will rectify its line of action through its policies and decrees and the use of economic levers. As long as the socialist economy at the present stage is recognized as a commodity economy, it must be admitted that the two-fold character of commodities inevitably exists in our socialist society today. The purpose of production in an enterprise, therefore, cannot be limited to the creation of use values but should also cover the creation of value. The relations of production as reflected by value under the socialist system cover the relations between the overall interests of the state and the local interests of

enterprises. Therefore, apart from satisfying the growing social want and providing a source of income for the state, production in a socialist enterprise should also serve the purpose of furthering the interests of the enterprise itself, which are connected with the personal interests of its workers and staff members. Only such a statement of purpose can arouse the production enthusiasm of the masses and result in a better implementation of socialist principles.

We are for an enterprise assuming sole responsibility for its profits or losses, a responsibility shared by its workers and staff members, whose personal interests are thus connected with the business achievements of the enterprise. Some comrades think that, since the means of production in an enterprise under ownership by the whole people do not belong to its workers and staff, it is not theoretically logical for them to assume responsibility for the profits or losses of the enterprise. But since the state assigns the means of production owned by the whole people to the workers and staff members of an enterprise for their use, can't we, within the prescribed limits of rights and obligations, introduce a system of "collective responsibility for an enterprise under ownership by the whole people"? Collective responsibility covers the responsibility for profits or losses, so why can't an enterprise owned by the whole people be responsible for its own profits and losses?

Other comrades are afraid that the new system will cause much disparity in material well-being or even polarization between rich and poor. We hold that egalitarianism is not socialism. In the period of socialism, differences in personal income are not only inevitable but an indispensable condition inspiring personal initiative. The principle of "to each according to his work," the hallmark of socialism, is itself a principle recognizing differences. Excessive disparities in incomes will of course be avoided. At the experimental or initial stage of the reform, disparities may arise, and the state may have to deal with the situation by adopting certain economic policies or using economic levers and thus find a proper way by which excessive disparities can be avoided while the necessary differences maintained.

There are still other comrades who fear that once an enterprise acquires the right to manage its own affairs, its leaders will take all power into their own hands and become a new privileged stratum or even become capitalists. This is a question of who wields the power in an enterprise. Engels points out that the Paris Commune "instituted an organization of large-scale industry and even of manufacture which was not only to be based on the association of the workers in each factory, but also to combine all these associations in one great union."¹ The national economic union as a whole, which we have referred to, is none other than the great union Engels speaks of here. What then

¹ See Frederick Engels, "Introduction to *The Civil War in France*," in Karl Marx, *The Civil War in France*, FLP, Beijing, 1966, p. 14.

is the basis of this great union? It is the association of workers within each enterprise. This means an enterprise should be a body controlled by all its workers and staff members. The key to applying this principle lies in establishing and perfecting a system of democratic management in an enterprise. When an enterprise is managed democratically by all its workers under the leadership and supervision of the Communist Party organization there, monopolization of power by its leaders and their degeneration will only occur in isolated cases, for which there are remedies.

The transition to an economic structure with independent enterprises as the basic units is an inevitable trend in China's economic development. The concrete ways and means will have to be explored and tried out in the course of practice. Problems may crop up, the reform may meet with resistance, and there may be reversals in the course of advance. But the general trend will prevail, regardless of man's will.

— *Translated by Zhao Qinghua
and others*

Problems of Conflict and Fusion of Nationalities in Chinese History

Fan Wenlan

In studying Chinese history, at every turn one runs into the national question. Numerous nationalities are mentioned in the historical record. The principal one among them is the Huaxia people (called Han people from the Han Dynasty onward). I shall give the others the common appellation of non-Huaxias. During the Spring and Autumn Period (770-476 B.C.), the national minorities mentioned in the records were the Man, Yi, Rong and Di. These names were given to the non-Huaxia peoples by the Huaxias according to the regions they inhabited. However, in fact each of these peoples was subdivided into many ethnic groups. At that time, all of these nationalities lived in the Central Plain, namely the Huanghe (Yellow River) valley, together with the Huaxia people. They moved to more remote regions on the frontier later, during the Qin (221-207 B.C.) and Han (206 B.C.-220 A.D.) dynasties and afterwards. The Luhun and Yilou tribes, for instance, lived in the vicinity of the Eastern Zhou capital of Luoyang. One tribal township was so near one of the cities of the State of Wei that it could be seen from the latter's walls. The struggle between the Huaxia and the non-Huaxia peoples was acute during the Spring and Autumn Period, but by the Warring States Period (475-221 B.C.) these smaller ethnic groups had been assimilated into the Huaxia people. The fact that many of them are omitted from Warring States records does not mean that they were extinct but rather that they had been assimilated into the larger nationality.

During the Qin Dynasty, the Great Wall was constructed to keep out the Xiongnu people (the Huns). Living outside the Great Wall, the Xiongnus were described as "the bow-manipulating people," while the Huaxias, living south of the Great Wall, were referred to as "the people in hats and sashes." In the Western Han period, the nomadic peoples outside the Great Wall established a united Great Xiongnu State (which was in fact a temporary, unstable military-administrative confederation). South of the Great Wall the

agricultural peoples formed a united Great Han State with the Han people in the majority. After the Han emperor Wu Ti's decisive defeat of the Xiongnu, many of the northern nomadic tribes moved to the hinterland or frontier regions where the Xiongnu, Di, Qiang, Xianbei and Wuhuan peoples now interacted with the Han people. The tribes in the southwest were known as the Southwest Yi peoples. By establishing "para-prefectures" in Sichuan, Yunnan, Guizhou, Hunan, Zhejiang, Fujian, Guangdong and Guangxi, the Han Dynasty rulers' political influence gradually found its way into these ethnic regions. After the fall of the Western Jin regime (265-316), the so-called five backward tribes in China—the Xiongnu, Jie, Xianbei, Di and Qiang—which were referred to as the "Five Hu" in Chinese history, rose one after another to set up their own states and put the Han people in the Central Plain under their domination, consequently raising the struggle between nationalities to its highest pitch. Later, during the Southern and Northern Dynasties (420-589) the Huanghe valley was unified by the Sui (581-618), culminating in greater fusion of various nationalities throughout the country. By that time virtually all the important ethnic groups in earlier Chinese history, including the Xianbei that had been in power for long, had merged with the Han nationality.

Generally speaking, the assimilation of minority nationalities was quicker in the case of those minorities that ruled the Han people, than it was with those who were conquered by the Han. This can be explained by the fact that, in ruling the economically and culturally more advanced Han people, a minority nationality had to elevate itself, to raise itself up to the same plane as the Hans in order to be effective rulers. Then when these minorities were forced out of political power, they had no choice but to merge with the Han people. It was, however, a different story with the minority nationalities conquered by the Hans. Rooted in a backward economy and culture, they tended to resist innovations, feeling less impetus to elevate themselves. Thus their fusion rate was much slower. These minority nationalities could preserve themselves for a time by retaining their backward cultures, but in the long run their strength drained away like a pool of stagnant water that runs dry for lack of an outlet to rivers.

Marx said, ". . . the barbarian conquerors being . . . , conquered themselves by the superior civilization of their subjects."¹ As the Han nationality was more civilized and populous, the regions inhabited by them with their fertile soil and rich natural resources were a great attraction to nearby backward minority peoples, who used every means to migrate to these re-

¹Karl Marx and Frederick Engels, "The Future Results of British Rule in India," *Selected Works in Two Volumes*, Foreign Languages Publishing House, Moscow, 1951, Vol. I, p. 320.

gions, including recourse to force or by a pledge of subservience. But regardless of means, invariably they came into conflict with the Han people. These struggles might have been fierce, but they always resulted in the assimilation of more minority peoples by the Han. When viewed in historical perspectives, the Han people were like a great crucible in which various ethnic groups were melted together. The first great melting took place during the Spring and Autumn and Warring States periods, the second during the Southern and Northern Dynasties and the third during the Tang period (618-907). Although meltings during the Liao (916-1125), Jin (1115-1234), Yuan (1271-1368) and Qing (1644-1911) dynasties varied in scope, they all increased the population of the Han people to a greater or lesser extent, making China the most populous nation in the world. The Han people's continuous absorption of the neighboring nationalities over the past thousands of years was, to quote Marx, "an eternal law of history."¹ It is self-evident that a nation with higher economic and cultural levels is able to absorb a nation of lower levels. There is no way of predicting how this process of integration will develop in a communist world where frontiers between nations will gradually be eliminated (with the disappearance of the frontiers between states). One thing, however, is more or less certain, namely, that an economically and culturally developed nation will always be capable of absorbing or influencing a less developed one.

The ruling house of the historically renowned Tang Dynasty, surnamed Li, claimed themselves to be natives of Longxi (present-day Gansu), as well as descendants of Li Er, more commonly known as Lao Tzu, and the founder of Taoism. For this reason, Taoism was elevated a notch above Buddhism by the royal house of Tang. Once when Emperor Tai Zong sponsored a debate between Taoists and Buddhists, a celebrated monk named Fa Lin said to him: "You do not belong to the Li family of Longxi but to the Dadu family of the Tuoba branch of the Xianbei people. Now the 'Dadu' in Xianbei language is corresponding to 'Li' in Han language. The Northern Wei Dynasty was founded by the Tuoba tribe, which had been known as Dai. So you are a Dai nobleman, born to the purple at Yinshan [in present-day Inner Mongolia]. It is, therefore, wrong for you to deny that you are a Xianbei and claim yourself to be from the Li family of Longxi." The emperor flew into a rage, his eyes scintillating with fury, but he was not able to refute the monk's argument. In the end, he said to the monk: "According to your Buddhist canon, if you invoke your Avalokitesvara [Goddess of Mercy] your head will not fall off even if a knife is brought down on it. I will grant you seven days to invoke your Avalokitesvara, at the end of which I shall see if your head does not fall off." Behind prison bars the monk racked his brains

¹ *Ibid.*, p. 320.

to find ways and means to save his head, well aware that invoking Avalokitesvara was a trick with which one might cheat people but certainly not the executioner's sword. He thought and thought, until finally an idea dawned upon him. On the seventh day when the emperor's messenger came, the monk told him: "I didn't invoke Avalokitesvara. I only invoked His Majesty. His Majesty is very kind, is Avalokitesvara. I know that, if I chant His Majesty's respected name, my head will be safe on my shoulders." Since the Buddhist had shown respect, the emperor showed mercy and let him off.

Monk Fa Lin's statement that the Tang emperor hailed from the Li family of the Xianbei people was not entirely groundless. Many Xianbei nobles married members of the Tang royal house. Empress Dowager Dou, the emperor's own mother, and Queen Zhangsun, his wife, were both from aristocratic Xianbei families. Many of the ministers, civil and military, of the early Tang period were Xianbeis. We need not concern ourselves about whether the Tang emperors were Han people or not. After all, what's the point of identifying a Han or a Xianbei when they had a common culture and a common mentality!

During the reign of Emperor Xuan Zong, the territory of Tang extended far west into Central Asia, where the Tang government established many *ji mi zhou* subprefectures. People from the *ji mi zhou* were all Tang subjects who were free to come to or leave the hinterland to engage in all kinds of trade. As the population in the Huanghe valley had decreased sharply at the end of the preceding dynasty of Sui, the Tang court encouraged the peoples outside the Great Wall to move to colonies on the Great Hebei Plain to engage concurrently in farming and soldiering. Living inland, these peoples gradually merged with the Han people. In 716 A.D. during the reign of Emperor Xuan Zong, the assistant prefect of Bingzhou Prefecture [present-day Taiyuan], Wang Jun, sent a memorial to Emperor Xuan Zong in which he suggested moving inland those Tujues who had surrendered to Tang. "In twenty years," he said, "they will have gradually changed their old customs and become crack soldiers. The migration might involve some trouble for the time being, but it will lead to peace and tranquillity for all time." By changing their old customs gradually and turning them from herdsmen into farmers, these Tujues were enlisted into the military service of the Tang government. The extreme decadence and corruption of the ruling classes during the later reign of Emperor Xuan Zong touched off the rebellion by An Lushan, a regional commander, and his subordinate, Shi Siming. An Lushan was a mixed Hu while Shi Siming was a pure Hu minority; and their officers and men were mostly of Hu origin. The Tang empire had enjoyed many years of tranquillity, and its soldiers, long out of practice in martial arts, especially in horsemanship, were unable to withstand the attacks of the mounted Hu warriors. Finally, with the aid of the Uighur (Ouigour) mercenaries, the An-Shi cavalry troops were

defeated. In his "The Trip North" Du Fu (Tu Fu), the great Tang poet, wrote the following lines to describe the fierceness of the mounted Uighur soldiers:

*A cold wind has come from the northwest,
Blowing steadily behind the many Uighur troops.
To our just cause their king has decided to give help,
And their custom is to rush and smash.
They said they would send five thousand men,
And would drive before them ten thousand horses.
"Of the Uighurs, a small number is to be preferred":
That was the brave decision appreciated by all.
They can be used like soaring falcons,
And the smashing of the enemy will be faster than the flight of an
arrow.**

Cavalry was so important militarily that most of the military commanders who carved out independent satraps after the An-Shi Rebellion were Hus. These warlords kept Hus as cavalry and used the Hans in infantry units so as to keep military superiority in their own hands. The Tang court was not able to wipe out the three powerful independent regimes on the Hebei Plain because they had the backing of so many of the Hus. It is not surprising that the nomads were more accustomed to rebelling, plundering and killing than to a farming life. What is surprising is that many of the defenders of the Tang empire were non-Hans. The celebrated Marshal Li Guangbi, for example, was a Qidan (Khitan). Many other Tang civil and military officers surnamed Li were non-Hans, who, having been given the surname of the royal house by the Tang emperor, became Hans and took up the cudgels for the Tang empire against the rebellious. From the middle Tang period to the Five Dynasties and Ten Kingdoms (907-979), many Tujues, Uighurs and people from the Western Regions merged with the Hans after a period of either opposition or subservience. During the Five Dynasties period, the Shatuo tribe of the Tujue people set up three small kingdoms by force of arms — the Later Tang by Li Cunxu, the Later Jin by Shi Jingtang and the Later Han by Liu Zhiyuan. However, in accordance with the laws of history, the domination of the Han people by the Shatuo tribe culminated in the latter's absorption by the former. Such great absorptions by the Han people, as in the case of the Tujues during the Tang and Five Dynasties periods, were a good thing. The fusion of the less developed with the more developed is progressive in character and should be recognized by historians as such.

* Translated by William Hung in *Tu Fu — China's Greatest Poet*, Harvard University Press, Cambridge, 1952, p. 117. — Trans.

The Han nationality is undoubtedly a mixture of many nationalities. It has a multitude of ancestors. Not only was the legendary Huangdi tribe its ancestor; the ancestors of all the nationalities absorbed by it were its ancestors as well. Of these ancestors, some were conquerors, but most were common people or the conquered. Not surprisingly, members of a nationality all regard a famous chief as their ancestor. But how can it be that only a chief has descendants and the others no descendants? Likewise we Fans all claim to be descendants of Fan Zhongyan, the famous statesman and man of letters of the Song Dynasty (960-1279). How is it that, of all the people named Fan during the Northern Song Dynasty, Fan Zhongyan alone should have such a long line of offspring? Because Fan Zhongyan is a great name in Chinese history. With the posthumous title "Duke of Erudition and Righteousness" conferred upon him by the Song emperor, he was a man whom everybody worships and wants to be connected with in one way or another genealogically. Take another example. Recently, someone wrote an article asserting that the last prime minister of the Southern Song Dynasty, Lu Xiufu, who killed himself jumping into the sea before he would surrender to the Mongols, was, according to the family tree of the Lu family, a great grandson of the great Song poet Lu You. But then someone came up with evidence that Lu Xiufu was a native of Yancheng County, Jiangsu, and was therefore in no way related to the Lu family of Lu You's home county of Shanyin in Zhejiang. These examples show that the practice of claiming descent from celebrities or leading political figures does not usually correspond with facts. What I mean is that the ancestors of China's present-day minority nationalities and the ancient nationalities which earlier merged with the Han people and are now lost without a trace are all ancestors or part of the ancestry of the Han people. The frequent, ruthless conflict between nationalities of the old days should now be regarded as tussles between brothers or family disputes. While we should not deny that there were hostile nations or states in remote times, at the same time we should not prejudice ourselves in favor of one over another.

People tend to be over-prudent when it comes to the appraisal of certain personages in the history of the minority nationalities. Comrades of Mongolian nationality are not very happy when any unfavorable comments are made about Genghis Khan. This, they say, constitutes disrespect for their ancestor. As for the Xiongnu and Xianbeis, one may say whatever one likes without danger of offending anybody. Genghis Khan left behind him the Mongolians, but aren't there Xiongnu and Xianbeis amongst the Hans too? Since the Han people have a great many ancestors, to whom should they show partiality? Struggle between nationalities never ceased in Chinese history, which is replete with cases of intra-ethnic group fighting, with one fighting its way out or the other fighting its way in.

Hence the national question is a universal one in ancient Chinese history. Historians should say what they think about it. Here is my opinion, Lenin said: "The state is an organ of class rule, an organ for the oppression of one class by another."¹ If viewed against this alone, the state would be a negative thing pure and simple, and all the oppressed classes should hate and topple it unconditionally and summarily, whenever and wherever possible. However, we should also know that "society creates for itself an organ for the safeguarding of its common interests against internal and external attacks. This organ is the state power."² If the state has a positive role, why must it be overthrown and not accorded due sympathy? Only when a state has ceased to be an organ against external attacks and serves merely as an apparatus of class exploitation should the people rise and wipe it out. If they don't, then it is only natural for a powerful neighboring state to come and eliminate it. Both Jin and Southern Song were feudal societies at an advanced stage, but they were rotten to the core politically — a factor which made further social development entirely out of the question. On the other hand, although the Mongols' feudal society was at a lower stage, it was progressing in accordance with the laws of social development. Thus it was the case of an emerging force versus a "walking corpse." A decaying society is bound to be overwhelmed by a developing society. Marxist historians should never side with the former, be they Han or not.

We should never sympathize with a state controlling Han territory — whoever its rulers were, the Hans or the Nuzhens — that was invaded and subjugated by the Mongols. Why? Because with its abundant manpower and material resources such a state should have safeguarded itself against any external attack. Here is a case in point. During the reign of Emperor Xuan Zong of the Tang Dynasty, when Pijia Khan of the Tujue tribe planned to harass and loot the Tang frontiers, his advisor Tun Yugu was vocal in his opposition. "Our Tujue tribe has a population which is less than one per cent of the Tang empire's," he said to the Khan. "But our people have been able to confront the Tang because we have no permanent settlements, being always on the move grazing our herds and cattle. Moreover, we live by hunting and each and every one is a fine warrior. When we are strong we can march on Tang territory; when we are weak we take to the mountains and woods, where the Tang troops cannot use their numerical superiority to advantage. If we change our customs and stay behind city walls, we shall certainly be conquered by losing the upper hand." Each of the powerful

¹ V. I. Lenin, *The State and Revolution*, Foreign Languages Press, Beijing, 1976, p. 10.

² Karl Marx and Frederick Engels, "Ludwig Feuerbach and the End of Classical German Philosophy", *Selected Works in Two Volumes*, Foreign Languages Publishing House, Moscow, 1958, Vol. II, p. 396.

nomadic tribes in the north had a population which was less than one per cent of the Han nationality. The Han state with its overwhelming superiority in numbers, however, had become helpless before their attacks. Is there any point for such a state to continue to exist? The decadent states in Chinese history, such as Northern Song and Southern Song in their later periods, were mere exploiting apparatuses, not in the least able to safeguard themselves against external attacks. Although the rulers of these states were Hans, our Han historians need not champion their cause and condemn the invaders. Instead, we should attack their exploitative state apparatuses and express our approval for anyone who toppled them. Both the Nuzhens' conquest of Northern Song and the Mongols' conquest of Jin and Song conformed to the law of historical development. As this author has said earlier in this article, these were all tussles between brothers or family disputes. It is a good thing that a little brother toppled his rotten and cruel elder brother and took over the management of household affairs. It is another matter whether he ran the house well or not. The Mongols did a good thing when they reunified a divided China and merged Jin, Southern Song, Western Xia, Dali and the Western Regions. No other state could have done this. As Lenin said:

Not every appropriation of "foreign" territory can be described as an annexation, for, generally speaking, socialists favour the abolition of frontiers between nations and the formation of larger states; nor can every disturbance of the *status quo* be described as an annexation.¹

Nations and states under the rule of exploiting classes rely entirely on their positions of strength in confrontation with each other; there can be no peaceful coexistence, equality, alliance or other such concepts to speak of between the big and the small, between the strong and the weak. It is only natural that the powerful Mongols should seek external expansion. Mongolia in Genghis Khan's time was at a stage in which its primitive society was developing towards feudalism. At that time, war was regarded as labor in another form, for it brought captives for use as slaves, as well as large quantities of booty. To the Mongols war was a pleasure. Condemning them for aggression and expansion would be ineffectual and unrealistic. For wolves to prey on sheep is the law of the jungle, but it is no less the law governing a society ruled by exploiting classes. Things are totally different only when man has changed over from animals' conditions of existence to truly human conditions of existence, namely, in countries where socialism has won the day. A socialist

¹ V. I. Lenin, "Proposals Submitted by the Central Committee of the R.S.D.L.P. to the Second Socialist Conference," *Collected Works*, Progress Publishers, Moscow, 1964, Vol. 22, p. 175.

country does not encroach on others, nor does it tolerate aggression against it. Expansion by armed force is alien to socialism. The final goal of communists is to liberate the whole of mankind and help the oppressed masses to become arbiters of their own social relations. It is therefore necessary to spread Marxism-Leninism to every corner of the globe. As is widely known, theory becomes a material force when it grips the masses. This is an irrefutable truth to which mankind will turn for its own liberation, which will come in the long run. The assertion that socialist countries engage in armed expansion is sheer slander; it is an absurdity beneath contempt.

Nevertheless, the outcome of state expansion by the exploiting classes in ancient times should not be negated indiscriminately. Take the Yuan Dynasty (1271-1368) established by the Mongols. Although shortlived, the Yuan brought into existence a vast empire and opened up unprecedented prospects for economic and cultural exchange between China and Europe. Inspired by Marco Polo's travelogue about China, Europeans began to cast about for a navigation route to China until they found America, a great geographic discovery that accelerated the development of capitalism in Europe. The Mongols' armed expansion was a gigantic contribution to human history in the sense that it closed the gap between Europe and Asia and hastened the development of Europe along capitalist lines. It is therefore wrong to see only the destructive side of the Mongols' military expansion and neglect its tremendous achievements. Nevertheless, it does not follow that Yue Fei who led the Hans against Nuzhens at the end of the Northern Song and Wen Tianxiang who fought against the Mongols in the last period of the Southern Song are not national heroes. Yue Fei and Wen Tianxiang are national heroes, because they stood far above the ruling classes of their time who were rotten to the core. Unlike the decadent members of the ruling classes, they realized their responsibility to resist external encroachments and dared to call for defense of common interests against the invaders. They are worthy of the name of national hero, no matter whether they succeeded or failed.

During the Opium War of 1840, China was a stagnant feudal society and the aggressor country, Britain, was a developing capitalist society. Basing themselves on the principle that a decaying force should be eliminated by a developing force, some people allege that Lin Zexu was not a national hero, to whom no credit should be given because, they say, in resisting British aggression he was acting against the law of social development. In my opinion, this is too mechanical a view of history. In feudal times, if the economic and cultural levels of the conquering nation were lower than those of the conquered, the former had to elevate itself to the same plane as the latter if it was to stay in power. Conversely, a conquering nation must gradually raise the levels of the conquered to maintain its colonial rule. Generally speaking,

the tendency has been towards keeping both sides on the same level, which, in the final analysis, is a good thing.

In their rule over the conquered, capitalist conquerors are quite unlike the exploiting classes of former times. This is clearly explained by Marx in "The Future Results of British Rule in India" when he says:

The British were the first conquerors superior, and therefore, inaccessible to Hindoo civilization. They destroyed it by breaking up the native communities, by uprooting the native industry, and by levelling all that was great and elevated in the native society. The historic pages of their rule in India report hardly anything beyond that destruction. The work of regeneration hardly transpires through a heap of ruins.¹

"Levelling all that was great and elevated in the native society" is exactly the way capitalist conquerors effected their rule. The British did do some constructive work, but their aim was to keep Indians forever in the status of colonial slaves rather than to elevate their levels of civilization. The Qing government's resistance to British aggression during the Opium War conforms to the principle of safeguarding the common national interest against external attacks. By so doing, the section of the ruling classes headed by Lin Zexu initiated the later anti-imperialist movement of the Chinese people. China was reduced to the status of a semi-colony instead of a full colony precisely because the Chinese people had united with the progressive section of the ruling classes in waging unswerving struggles, of which the Yi He Tuan (Boxers) struggle was the most important, that forced the imperialist powers to recoil from the difficulties confronting them and temporarily pocket their ambition to carve up China. According to the mechanistic view which considers all resistance as running counter to the law of social development, feudal China should have surrendered itself to the tender mercy of capitalist Britain and sat idle while awaiting its doom. In that case, there would have been no other way for China than complete subjugation.

A few concluding remarks. The Han nationality with its upwards of 600 million people is the largest ethnic group in the world. All Chinese, whatever their nationality, should set great store by their national heritage. The laboring people are the basic productive force in human society at all its stages of development. Everything is easily done with an abundant labor force. Fraternal nationalities with a shortage of labor forces can count on the disinterested help of the Han people for joint development of productive forces. The Han nationality has become a huge community because it arose as a nation and established a united country more than 2,000 years ago. (In

¹Karl Marx and Frederick Engels, *Selected Works in Two Volumes*, Foreign Languages Publishing House, Moscow, 1951, Vol. I, p. 320.

the *Manifesto of the Communist Party*, mention is made of "nations of peasants" being dependent on "nations of bourgeois."¹ Here the "nations of peasants" refers to nations that were formed in the times of feudal societies, of which the Han nationality is one.) The unification of the country facilitated the continuation and consolidation of the nation, which in turn promoted the unification of the country. Since the Qin-Han period, therefore, China has basically remained a united country, the splits and divisions being temporary phenomena. The splits and divisions were to a larger extent caused by the intermingling of the backward nationalities and the Han people. In a region where two different modes of production, nomadism and farming, existed side by side, the nomads, despising the gentleness and fragility of the agricultural people and being oppressed by Han rulers, were bound to rebel whenever opportunity offered itself. Most wars and bloodbaths in Chinese history were national struggles, often resulting in many independent regimes and ushering in a dark period for the country. There were two sides to these dark periods, namely, that of merciless struggle and that of national fusion. The two took place at the same time and the end of each struggle marked the consummation of each effort at fusion. After fusing with fresh blood, the Han nationality developed further. Events in Chinese history, from the war between the legendary emperors Huangdi and Yandi and the war between Huangdi and the Jiuli tribal chief Chi You in remote antiquity to the Manchus' conquest of the country — almost all demonstrate that struggle between nationalities was unavoidable and culminated in the assimilation of minorities into the nation. (The Yuan was a shortlived exceptional dynasty, during which only part of the Mongols integrated with the Han people.) The major conflicts with national minorities in China's feudal times brought grave losses to the Han people. But seeing only the losses breeds national hatred. When viewed as part of an unavoidable process of national assimilation or fusion, the conflicts were beneficial to the belligerent parties concerned. Viewed in this light the losses were only temporary while the gains were enduring. Excessive hatred of the invaders is unnecessary; the hateful were the ruling classes in the Han regions that failed to strengthen the nation sufficiently against external attacks.

P.S. This article is based on lecture notes in certain colleges and is rough and inadequate. Although I believe in the principle "blame not the speaker," the "listeners" may think that the "speaker" should be castigated. I have rearranged the notes for publication. Colleagues from historical research circles should debate in accordance with the policy of "letting a hundred schools

¹Cf. Karl Marx and Frederick Engels, *Manifesto of the Communist Party*, Foreign Languages Press, Beijing, 1975, p. 38.

contend." I am ready to accept any constructive criticisms they may want to make. I am ready, too, to change my views if they are proven to be incorrect.

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Translated by Liang Liangxin

CHINESE PHILOSOPHY*

Yueh-lin Chin

I

Of the three main flows of philosophical thought, it has been maintained that the Indian is otherworldly, the Greek unworldly and the Chinese worldly. No philosophy is ever plainly worldly; to say that it is so is merely an attempt to caricature it in order to bring out certain features into striking relief. To those who know something of Chinese philosophy the word worldly merely emphasizes certain features in comparison with the Indian and the Greek schools of thought; but to those who do not know anything about it, that word is liable to be quite misleading. What is meant is probably that Chinese philosophy sticks to the kernel of its subject matter; it is never propelled by the instruments of thinking either into the dizzy heights of systematic speculation, or into the depth of a labyrinth of elaborate barrenness. Like machines in an industrial civilization, intellectuality in philosophy drives; and whether it drives us into blind alleys or not, it may lead us far away from the wide boulevards or spacious squares. Intellectually, Chinese philosophy has always been in the open air.

We are accustomed to think of Chinese philosophy as consisting of Confucianism, Buddhism and Taoism. It is rather as religions that these are exclusively mentioned. In the early stages both Confucianism and Taoism were only philosophies, and as such they were in the pre-Qin period members of a whole democracy of different schools of thought, the variety of which during that period was unparalleled in Chinese history. Since terms are inadequate, we shall refrain from any attempt at description. It is misleading enough to apply the familiar philosophical terms to Western philosophy, it is much worse to apply them to the Chinese. One might say for instance that there were logicians in the pre-Qin period; but if so, readers might be led to think that there were people who brooded over syllogism, or the laws of thought, or even obversion and conversion. The Ying-Yang-ists have been described in a recent

*This paper was written in Kunming in 1943 and was mimeographed for limited circulation. — *The author.*

article as the precursors of science, and not without foundation either, but then they were precursors of something which strictly speaking never arrived; and if as a result of this description readers imagine them to be ancient Kep-lers or Galileos, they entertain a distorted view of a whole brand of thinkers.

Confucianism and Taoism are indigenous to China, they are properly Chi-nese. Buddhism, however, was introduced from India and it might be wonder-ed whether it could be said to be Chinese. The introduction of a foreign philoso-phy is not quite the same as the importation of foreign goods. In the last century, for instance, the English were alarmed at the invasion of German Idealism. "The Rhine," they declared, "has flowed into the Thames." But however alarmed they might be, their Thames has not since become a mere Rhine; British Hegelianism while acknowledging its origin and impetus from abroad is distinctly English, though it is not so characteristically English as the philosophies of Locke and Hume. Buddhism in China, in the early stages, at any rate, had been modified by Chinese thought: indeed for a time it was robed in Taoistic garbs, and Taoism, it might be said, became its chief agency of dis-tribution. But there was something stubborn in Buddhism which resisted Taoistic manipulations, hence although it became Chinese to some extent, it is not distinguished by the features characteristic of the indigenous Chinese philoso-phy.

In the following sections we shall single out certain features for discussion. We shall refrain as much as we can from proper names, technicalities or de-tails.

II

One of the features characteristic of Chinese philosophy is the underdevel-opment of what might be called logico-epistemological consciousness. Un-doubtedly such a statement has been made frequently, and perhaps too fre-quently it has been taken to mean either that Chinese philosophy is illogical or that it is not based on knowledge. Obviously this is not what is meant. We needn't be conscious of biology in order to be biological, or of physics in order to be physical. Chinese philosophers could easily manage to be logical without a developed sense of logic; their philosophy could be founded on the knowledge then accepted as such, and yet devoid of a developed sense of epistemology. To be conscious of logic and epistemology is to be conscious of the instruments of thought. Not having a developed consciousness of epistemology and logic, the Chinese philosophers presented their ideas with a barrenness and disconnected-ness that might suggest to those who are accustomed to systematic thought a feeling of indeterminateness unexpected of philosophies, and possibly also dampening to the enthusiasm of the students of Chinese thought.

Not that there was no such consciousness. Perhaps inevitably from the na-ture of the impetus concerned, this consciousness started with what impatient thinkers are liable to dismiss as mere sophistries. The underlying reality be-hind the so-called sophistries, however, was only a switch of the muses from the problem of ultimate realities to those of language, thought and ideas, realizing perhaps that the latter must be tackled before the former could be solved. Such a switch took place in the pre-Qin period when a number of thinkers started to maintain the distinction between the universal and the par-ticular, the relativity of terms, the separation of hardness from whiteness, the doctrine of infinite divisibility of the finite, of the staticity of quickly moving arrows, etc., in the midst of speculations which were obviously more directly concerned with the problems of that turbulent age. Students of philosophy will inevitably think of the parallel in Greek thought. It was from similar doctrines arising out of reason itself that the intellectual finesse in Western philosophy was obtained; and it was by them that philosophy was in some sense converted into mental gymnastics. In China, however, the tendency was short-lived; admirable as it was for a beginning, it yet died a precocious death. The logico-epistemological consciousness remained underdeveloped almost to the present day.

Whatever the causes may be, and a large number may be suggested, the effect on philosophy and science is far-reaching indeed. Science in the West is linked up in an intimate way with Greek thought. While it is untenable to re-gard the former as a direct offspring of the latter, it is none the less true that the former owed part of its development to certain tendencies in Greek thought. Technique in experimentation was comparatively a late arrival in the history of European culture, and while it is of the utmost importance to science it is not its only necessary condition. Certain tools of thinking are equally required, and what was actually supplied might be most conveniently called mathematical patterns of thinking. The emergence of calculus was a great impetus to sci-ence, thus indicating that the instruments for handling data are just as impor-tant as their collection through observation and experiment. The patterns of thought to which Europeans had long been accustomed were Hellenistic. Hel-lenism is thoroughly intellectual; its intellectuality is characterized by devel-oping ideas and carrying them ruthlessly and relentlessly either to their sub-limities or to their absurdities. *Reductio ad absurdum* is itself an intellectual instrument. It was this element which was responsible for the early develop-ment of logic, which on the one hand supplied the tools of early science, and on the other gave Greek philosophy that admirable articulateness which was the envy of later thinkers. If the development of this logico-epistemological con-sciousness was partly responsible for the presence of science in the West, the lack of this development must be partly responsible also for the absence of science in China.

The effect on Chinese philosophy is equally far-reaching. While Chinese philosophy is not adorned with intellectual frills and ruffles, it is also not burdened or stifled by them. This is not meant to portray earthiness. There is hardly any philosophy less earthy than that of Chuang Tze. John Middleton Murray has somewhere said that while Plato was a good poet, Hegel was a bad one. On some such basis, Chuang Tze should be regarded as a great poet perhaps even more than a great philosopher. His philosophy is expressed in exquisite poetic prose in delightful parables, extolling as lofty an ideal of life as any philosophy in the West. There is a certain whimsicality that yet manages to be robust, a kind of finality that is not dogmatism, together with that liveliness and graspability which appeal to the understanding as well as to the emotion of the readers. And yet to those who are accustomed to the geometrical pattern of thought in philosophy, there is even in Chuang Tze a sort of intellectual bleakness or disconnectedness as well. Although deduction and inference must have been at the service of the thinker, there was no attempt to weave ideas into a closely knitted pattern. As a result, there isn't that systematic completeness which is so soothing to the trained mind.

But ideas that are worked out to their systematic completeness are liable to be such that we have to take them or leave them. Through them the author is irrevocably committed. They could not be eclectically taken without having their pattern revoked as well. Here as elsewhere the advantage or disadvantage is not entirely on any one side. It may be, as it has often been claimed, that the world will always be divided between Platonists and Aristotelians, and that probably in a number of senses; but other reasons aside, Aristotle, in spite of Aristotelians, may turn out to be much more short-lived than Plato, on account of the former's articulateness; for the more articulate an idea is, the less capable also is it of suggestion. Chinese philosophy is so brief and so inarticulate in terms of the interconnectedness of ideas that its suggestiveness is almost unbounded. The result is that for centuries annotations and interpretations never stopped. Much original thought was disguised in the cloak of ancient philosophies which were never revoked, nor yet, peculiar as it may seem, completely accepted. Whether the numerous neo-Confucianisms or neo-Taoisms in the different periods in Chinese history were recrudescences of the original impulses or not, they were not at any rate repetitions of the original thought. In reality there was no lack of originality, but in appearance there was an absence of what might be called free adventures of thought. We are not here speaking of the practical reasons why Chinese philosophy stuck to the beaten path from certain periods onward. Even long before some philosophies acquired the intolerance of religions, the tendency to clothe original thought in terms of existing philosophies was already in evidence. Whatever mundane reasons there may be, Chinese philosophy in the form in which it was presented was particularly suited to being made use of by original thinkers in

that it could gather original thought into its mold or structure almost without any effort.

III

Perhaps most people at all acquainted with Chinese philosophy will single out the unity of nature and man as its most distinguishing characteristic. The term "nature" is illusive and the more one grapples with it, the more it slips through one's fingers. In the ordinary sense in which it is most often used in our everyday life, it is not adequate to stand for the Chinese term "tian." Perhaps if we mean by it "both nature and nature's God," with emphasis sometimes on the one and sometimes on the other, we have something approaching the Chinese term. This doctrine of the unity of nature and man is a comprehensive one indeed; in its highest and broadest realization, it is a state in which the individual is identified with the Universe through the merging of the subject into the object or vice versa, by sticking to the fundamental identity and obliterating all obvious differences. To express this idea adequately requires a special set of terms which it is not the intention of this article to introduce. We may confine ourselves to the mundane consequences. If the ideal is approached to any appreciable extent, there won't be that unhealthy separation of a self or an ego from his fellow beings on the one hand, nor a demarcation of things human from things natural on the other. The resultant attitude both in Chinese philosophy and in popular thought towards nature in the ordinary sense is quite different from that in the West: Nature is hardly ever something to be resisted, to be struggled against, or to be conquered.

In the West, there is quite a pervading desire to conquer nature. Whether human nature is regarded as being "nasty, brutish and short" or human beings as angelically cherubic babes in the woods, they seem to be always battling against nature, claiming a sort of manifest destiny over the whole natural domain. The result of this attitude is a sort of anthropocentricity on the one hand and a certain malleability of nature on the other. The effect on science is tremendous. One of the incentives to the advancement of science is to acquire the power needed for the conquest of nature. Nature cannot be conquered without an adequate knowledge of it. It can only be made malleable for human beings by our making use of it through our knowledge of its laws. All the engineering marvels, all the medical achievements, in fact, the whole modern industrial civilization, including the armaments, for good or for evil, may be regarded in one sense at least as the conquest of nature by natural means towards a state of affairs desired by human beings. From the point of view which regards nature as something quite apart from humans, the issue is clear — victory so far belongs to the human beings; but from the point of view

which regards human beings as having a nature of their own and therefore also problems of mutual adjustment arising out of it, the issue is not so clear — it may even turn out that the victor is also the vanquished.

The separation of nature and man results in a sort of anthropocentricity which is clearly exhibited in Western philosophy. To say that man is the measure of things, or that the essence of a thing is the perception of it, or that understanding makes nature, reveals the attitude that nature is somehow not simply given. In the language of philosophy, there is a certain constructibility in the concept "nature" in which there is free play of intellect; and in the language of everyday life, there is a certain manoeuvrability over nature which human beings either do enjoy or want to enjoy. We are not speaking here of Idealism or Realism which are after all conscious constructions. We are speaking rather of the difference in attitude between China and the West such that while in the latter the world is almost taken for granted to be dichotomized into nature and man, in China it takes quite an effort to detach man from the nature of things. Of course different schools of thought in China interpret nature in different ways, attach to it different degrees of interest or importance; different thinkers of the same school, and the same thinker at different times may also have different notions of nature. But whatever the notion may be, man is not set apart from nature and in opposition to it.

Thus far we have merely touched on the nature of man. The partial conquest of nature in the West seems to have left human nature more assertive than before, and far more dangerous. The attempt to humanize science and industry is an attempt to temper human nature so that the results of science and industry would not be implements of cruelty, slaughter and general destruction. If civilization is to be preserved some such attempts at individual and social control are necessary and calling attention to them is surely a credit to a number of thinkers. We should however be careful about suggesting a conquest. In a sense and a significant one too, nature whether human or non-human has never been conquered. No natural law has ever been nullified or suspended for human benefit and at human will; what has been done is to bring about a state of affairs such that certain natural laws operate against certain others so that the results desired by human beings are sometimes realized. If we try to conquer nature by damming it up, nature will overwhelm us with vengeance; there will soon be leakages here and there and later there will be floods, landslides and explosions. The same is true of human nature. The doctrine of original sin, for instance, results either in psychological subterfuges which make human beings undignified, or else in explosions which make them destructive or anti-social.

While certain internal restraint through philosophy or religion and certain external restraint through law are required in any society and admitted by Chinese philosophy, it does not advocate the frustration of the functioning of the primary instincts. There is as a result something which, for lack of an ade-

quate term, might be described as natural naturalness or contented contentedness. By these terms we do not mean to insinuate that there are fewer instances of cruelty or barbarity in Chinese history than in that of any other nation; evidences of wanton destruction, or blood-thirstiness, or of desires running rampant seem to abound in Chinese history as anywhere else. What is meant is rather that there isn't that unnaturalness which Oscar Wilde saw in the naturalness of a Victorian. The Chinese may have something to say against unnaturalness, but they do not make a fuss over being natural on the one hand, and seem to be quite contented with their contentedness on the other. Perhaps in modern times we are accustomed to regarding contentedness as stagnation, as mental laziness, or as spiritual snuggery. The modern point of view is essentially one that encourages revolts against one's self, producing as a by-product such psychological wear and tear that ease and equanimity in life can no longer be maintained. It is a point of view that is opposed to the one we are trying here to describe. The Chinese are contented with their contentedness, exhibiting ideologically the attitude that each to himself is something that is given, and therefore something to be accepted; to borrow a phrase so admirably employed by F. R. Bradley, each has his "station and life," and in them or it he has his natural dignity. We are not speaking here of the heightened philosophical state attainable only by the few. Although Confucianism allows everybody the possibility to become a saint, failure to do so does not cause any psychological strain. Given this attitude concerning one's station and life, one is not merely at one with nature, but also at one with society.

IV

It is but a truism that individuals can not live apart from society. Both Greek and Chinese philosophies embody this point of view. From Socrates to Aristotle there was an extraordinary emphasis on the importance of a good political life, and all of those scholars are political thinkers as well as philosophers. The underlying idea seems to be that the fullest or the most "natural" development of an individual can only be attained through the medium of a just political society. Philosophy touches life just as intimately as literature and perhaps more intimately than a number of other subjects. Those who are born philosophers or those who happen to have philosophy thrust upon them through political or social encroachment upon their liberties are bound to take the above truth as one of the premises or active principles. The attempt to furnish what is now called *Lebensanschauung*, to understand life, to give it its meaning, and to lead a good life was a more primitive incentive to philosophy than what is currently valued as pure understanding. Since a good life was desired, the principle of the inter-relatedness of life and politics led philosophy

straight to political thought and philosophers became directly or indirectly connected or concerned with politics.

This tradition wasn't entirely carried on in the West, and one of the reasons why it stopped will partly be the subject of discussion in the next section. But in China the tradition persisted almost to the present day. Quite without exception, Chinese philosophy is at the same time political thought. One might say that Taoism isn't, but saying so is like saying that those who advocate economic laissez faire are not advocating an economic policy or not formulating economic thought. Surely anarchism is political thought even if anarchy sometimes means the absence of government. In political thought, Taoism might be said to be negative in what was advocated when compared with Confucianism. It regarded political measures of the kind advocated by the Confucianists as artificialities which created problems rather than solved them. This negative doctrine was based on something positive. The Taoistic political thought was both equalitarian and libertarian; it might even be said to be both carried to the extreme. With the doctrine of universal relativity carried to the sphere of politics, it was opposed to any kind of imposition of standards and political measures are in one way or another standardizations. Standards there may be, and yet standardizations need not take place, for the standards that are inalterably given in the nature of things need not be imposed at all, while those that need be imposed must inevitably be alien to the situation that gives rise to such impositions. Taoistic political thought was a sort of political laissez faire and laissez aller, it was negative only in the sense of condemning super-imposed political efforts, not in the sense of having entertained no political goal whatsoever. Like Confucianism, Taoism has its political ideal. That ideal might be described as a sort of equalitarian and libertarian bliss to be attained in a kind of Rousseauistic state of nature with perhaps certain European strenuousness edited out of its naturalness.

Compared to Taoism, Confucianism was much more positive in political thought. Confucius himself was a statesman as well as a philosopher. He abstained very wisely from the role of an original thinker, declaring that he was a transmitter of doctrines already entertained and a describer of institutions that existed in a bygone and somewhat golden age. Whether consciously or otherwise, he succeeded in endowing his creative thought with the objectivity of historical continuity. He might have described himself as a neo-Confucianist, for in giving his thought the impersonality already mentioned, he succeeded also in rendering it uniquely Chinese. Even without political backing it probably could induce Chinese thought to follow its trail, and with political backing it easily molded subsequent thought into its own pattern. That pattern is both philosophy and political thought woven into an organic whole in which politics and ethics are inseparable and in terms of which the man and his station and life are also united. The unity of nature and man is also a unity of ethics and politics, of the individual and the society.

Philosophy and political thought may be linked up in many different ways. One may erect a metaphysical system and deduce from it certain principles concerning politics, or one may plunge into politics and indulge in political thought which has no systematic bearing with his philosophy. Political thought may be internal to a philosophical system and external to the philosopher, or internal to the philosopher, but external to his philosophy. In either case, there is a sort of dislocation; either philosophy ceases to be politically potent, or political thought loses its philosophical foundation. British Hegelianism for instance furnished a political thought internal to the philosophical system, but so external to the philosophers, with the exception of T. H. Green, that neither it nor they could be said to have exerted any influence on English politics.

Confucianist political thought was internal both to the philosopher and his philosophy. Through the doctrine that internal saintliness or sagacity could be externalized into enlightened statecraft, every philosopher felt himself to be a potential statesman. It was in statecraft that one's philosophical ideals found their broadest realization. Since Confucianism has become a sort of unwritten constitution in China, the country has been governed more by flexible social control than by rigid legal discipline; and in such a body politic, the eminent philosopher and teacher was at least as much as, if not more of, an unofficial statesman, as a prominent lawyer in a country that is predominantly governed by law. A prominent Confucianist philosopher was a sort of uncrowned king or an uncommissioned minister of state, if not during his life, at least posthumously, for it was he who shaped and fashioned the Zeit-geist in terms of which life in any society was more or less sustained. It was thus that Chinese philosophers were sometimes said to have changed the customs and manners of the land, and it was thus that Chinese philosophy and political thought were significantly woven into a single organic pattern.

V

The unity of philosophy and politics lies partly at any rate in the philosopher. Chinese philosophers until very recent times were quite different from Western philosophers of today. They belonged to the class of Socrates and Plato. In his *Soliloquies* in England, George Santayana declared with some vehemence and more than a trace of protestation that he was a modern Socrates. Of all the present-day philosophers, he might indeed be singled out as a cultural influence of more than a technical significance, having gone through and beyond the technicalities of philosophy and stepped into the realm of humane letters. But frankly, there can be no more modern Socrates any more than there can be a modern Aristotle. Ever since Herbert Spencer, we have learned to be wise in checking our ambition to unify the different branches of knowledge through the medium of a single scholar. There is so much techni-

que developed in each branch of knowledge that it is well nigh impossible for the underlings that we are to be the masters of them all. We regret the passing of Socrates. A living encyclopedia may bring forth a certain unity to knowledge which may be efficacious towards its further advancement, but since knowledge could be nibbled at piecemeal and improved or advanced through the present method of the division of labor, the loss of such an unity need not be regretted. In some sense, the passing of Socrates is much more regrettable.

Not only is there a division of labor in the modern pursuit of knowledge, there is also that trained detachment or externalization. One of the fundamental tenets in the modern scientific procedure is to detach the researcher from the object of his research, and this can only be done by cultivating his emotion for objective truth and making it predominate over what other emotions he may happen to have concerning his researches. Obviously one cannot get rid of one's emotions, not even a scientist, but if one is trained to let one's emotion for objective truth dominate over his other emotions in his researches, one has already acquired the detachment needed for scientific research. In accordance with this procedure the modern philosopher becomes more or less detached from his philosophy. He reasons, he argues, but he hardly ever preaches. Together with the division of labor, the tendency towards detachment makes him a detached logician, or a detached epistemologist, or a detached metaphysician. Philosophers in former days were never professional. The emergence of professional philosophers may have done some service to philosophy, but it seems to have also killed something in the philosopher. He knows philosophy, but he does not live it.

That something is gained in philosophy after this method of approach is employed, there is no doubt. We do know more of the problems of each branch of philosophy than we did before. Although the personality of the philosopher cannot as yet be entirely divorced from his philosophy, a basis for objectivity is achieved which makes philosophy much more capable of cumulative effort than it ever was before. The advance in this direction is made possible by the improvements in the tools of expression: a kind of technique of articulation is being developed which cannot be ignored. Anyone may still enjoy the privilege of adopting any philosophy suited to his nature or pre-dispositions, but he can hardly express his ideas in any way he wants. Nor is the gain limited to philosophy; the philosopher has also gained an ideal of detachment. It might be described as a sort of sweet skepticism in which, to use familiar terms, Hebraic sweetness is seasoned with Hellenic light and Hellenic light is tempered with Hebraic sweetness. Anyone who is fortunate enough to approach this ideal will acquire the kind of rare charm in which skepticism doesn't make him cynical, nor does sweetness make him effusively or obtrusively good. He will not be militantly virtuous and may therefore lose that social or sociological efficacy or function expected of him, but considering the

evil that militantly good people may do, he is bound to be a negative asset and a positive value. The ideal is difficult of attainment. In being detached and externalized philosophy becomes a rather tortuous and thorny path; it has become so strewn with technicalities that their mastery requires time, training and a certain academic single-mindedness and before these are mastered one might lose one's way or else wither away in the process. Even when he succeeds to any extent, he is hardly a modern Socrates.

Chinese philosophers were all of them different grades of Socrates. This was so because ethics, politics, reflective thinking and knowledge were unified in the philosopher; in him, knowledge and virtue were one and inseparable. His philosophy required that he lived it, he was himself its vehicle. To live in accordance with his philosophical convictions was part of his philosophy. It was his business to school himself continually and persistently to that pure experience in which selfishness or egocentricity was transcended so that he would be one with the universe. Obviously this process of schooling could not be stopped, for stopping it would mean the emergence of his ego and the loss of his universe. Hence cognitively he was eternally groping, and conatively, he was eternally behaving or trying to behave. Since these could not be separated, in him you have synthetically the "philosopher" in the original sense. Like Socrates, he did not keep office hours with his philosophy. Neither was he a dusty musty closeted philosopher sitting in a chair on the periphery of life. With him, philosophy was hardly ever merely a pattern of ideas exhibited for human understanding, but also at the same time a system of precepts internal to the conduct of the philosopher and in extreme cases it might even be said to be his biography. We are not speaking of the calibre of the philosopher — he might be second rate; or of the quality of his philosophy — it might not be tenable; we are speaking of the unity of the philosopher with his philosophy. The separation of these has changed the social value of philosophy and deprived the world of one kind of colorfulness.

— *Written in English*

Ethnic Identification in China*

Hsiao-tung Fei

How many nationalities are there in China?

When Dr. Sun Yat-sen founded the Republic of China in 1912, he defined it as a "Republic of Five Nationalities," meaning the Hans, the Manchus, the Mongolians, the Huis and the Tibetans. While extending nominal recognition to several ethnic names, the Chiang Kai-shek government asserted that all minorities were but offshoots of the Hans. Ethnologists thought otherwise, but no comprehensive ethnic identification was possible under the circumstances.

The People's Republic of China, inaugurated in 1949, committed itself to ethnic equality as a basic tenet. But the principle would have been meaningless without proper recognition of existing nationalities. For how could a People's Congress allocate its seats to deputies from different nationalities without knowing what nationalities there were? And how could the nation effect regional autonomy for the nationalities without a clear idea of their geographical distribution?

Immediately after the founding of the People's Republic many minority groups, long oppressed by Han chauvinism under the Kuomintang regime, openly announced their identities and proposed names for themselves. By 1953 over 400 names had been registered with the government authorities.

But were there really so many nationalities in China? A preliminary examination revealed that some were different names of a single nationality; others were the names of sub-divisions; still others applied to different localities inhabited by members of the same nationality, and some were merely variations of translations in the Han language.

Beginning in 1953, extensive field work was carried out to ascertain the claims. By early 1957, 11 independent ethnic groups had been officially defined through exhaustive investigation and study as well as consultation with the leaders and masses of each group. To date the State Council (the Central

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People's Government) has confirmed and announced the nationality status of 56 ethnic groups, including such long-acknowledged ones as the Mongolians, the Huis, the Tibetans and the Hans.

The task of ethnic identification remains unfulfilled, as will be shown later in this article. But the picture is much clearer today than at any time in China's history.

I. The Ethnic Situation in China

Some Western scholars regard the Chinese as a homogeneous nation. Even in China, people used to say that there were no essential differences among the country's various nationalities in language, custom or ancestry. Actually, the ethnic situation in China is extremely complicated.

When Chinese ethnologists embarked on a large-scale identification of the country's nationalities in the early 1950s, they were confronted with the following circumstances:

- Some Hans had migrated to minority areas and their descendants had retained Han characteristics. Unaware of their origin, however, the latter registered themselves under a name given them by other residents in their locality. Examples were the Zheyuans of Yunnan Province and the Dans of Guangdong Province.
- Different groups of Hans had migrated to the same minority area at different times, and the earlier groups, long cut off from the rest of the Hans, had developed differences in language and custom from the more recent arrivals and were even discriminated against by the late comers. Thus the descendants of the earlier groups requested recognition as separate minorities. Examples were the Chuanqings of Guizhou Province and the Liuchias of Guangxi Province.
- In the days of national oppression, the upper strata of certain minorities were used by reactionary Han rulers to dominate other minorities. Seeing no difference between their oppressors and the Hans, after liberation the dominated groups refused to recognize the oppressor groups as minorities. This was the case with the Tujias in western Hunan Province.
- Some minorities had dispersed over history, migrated in all directions, come into contact with the Hans and been deeply influenced by Han culture. These groups had changed their language, lost many of their national characteristics and become economically inseparable from the Hans. But they still were discriminated against, lived in their own communities and considered themselves distinct minorities. An example was the She nationality in Fujian, Zhejiang and other provinces.

- Sections of single nationalities had broken off and migrated to different parts of the country. Although the breakaway groups had retained basically the same language, customs and historical legends as the parent nationalities, they had acquired different names in their respective localities, under which they registered after liberation. Examples were the Buzhuangs in Guangxi Province and Bushas and Bunongs in Yunnan Province.
- Sections of individual nationalities, distributed in a number of areas, had adopted the culture and life style of neighboring peoples. But they continued to speak their original languages and were known by the same names. An example was the "Xifans" in Sichuan and Yunnan provinces.
- Sections of nationalities which were scattered over wide areas had formed many disconnected communities, whose language and culture showed both similarities and considerable differences. The dispersed groups with the same ethnic origin had all along been known by the same name among other peoples and considered themselves one nationality. One example was the Miaos.
- In cases like that of the Daur of northeast China, opinions differed within a nationality as to whether it was an independent ethnic group or part of another group.

These complex circumstances were manifestations of certain characteristics of China's ethnic mosaic, which may be outlined as follows:

First, China's ethnic situation has gone through a long history of intricate changes.

Leaving aside the early beginnings of Chinese history, China's nationalities have experienced complicated processes of growth and decline, settlement and migration, integration and disintegration ever since a unified multi-national state was founded under the first emperor of the Qin Dynasty in 221 B.C.

Modern China's older generation has witnessed the enormous changes that have taken place among the Manchus just in this century. Tablets in the Palace Museum and the Summer Palace in Beijing bear inscriptions in the Manchu language which few Manchus can decipher today. But despite the fact that most Manchus can no longer read or write their language and have lost many other cultural traits, the overwhelming majority stoutly insist upon calling themselves Manchus. The number of people who registered as Manchus in the early years after liberation totalled 2,400,000, dozens of times their population in the 17th century when they came to north China from the northeast.

And if we turn back the pages of history, many once-flourishing nationalities, such as the Huns and the Khitans, have vanished so completely that their descendants are hardly traceable. The tangled origins of China's ethnic groups have left a legacy of research problems.

Second, China has a multiplicity of nationalities spread over a vast territory.

Contacts between China's nationalities led to their intermingling, and they spread over countless mountains and river valleys in a kaleidoscopic assortment of large and small communities.

The vast grasslands of Mongolia and Xinjiang extending westward to central Asia have always been roamed by equestrian peoples. From the eastern reaches of these grasslands came nationalities whose descendants are still found in Eastern Europe.

The many ethnic groups inhabiting the great Changjiang and Huanghe river basins gradually merged into a single nationality known first as Hua and then as Han. With the blood of many peoples mixed in their veins, the Hans grew to become the most populous nationality in the world. The Tibetans are another ancient nationality. They also emerged from various ethnic groups.

The most complicated ethnic situation is found on the Yunnan-Guizhou plateau in China's southwest. Among the high mountains and deep ravines crisscrossing the plateau, minority communities are distributed in a maze of pockets and layers. Residents in some of the secluded villages may be likened to those described by the famous ancient poet Tao Qian (A.D. 365-427) in his essay, *Land of Peach Blossoms*. He portrayed a community which lived in such isolation that generations were born and died without knowing the dynastic changes in the country.

Of the 400-plus names of nationalities registered with the government in the early post-liberation years, Yunnan accounted for more than 260. It is surpassed by no other region in the number of ethnic units and the complexity of their sub-divisions.

Thirdly, China's nationalities have experienced an uneven socio-economic development.

The state of the nationalities in China in the early post-liberation years provided researchers with a living textbook on the history of social development. Centuries of feudal rule, plus another century of oppression by imperialism, feudalism and bureaucrat capitalism, had obstructed the socio-economic advances of China's ethnic groups. Capitalism was hardly in evidence among any of the minority peoples; most were in the pre-capitalist stages of social development. Four million people remained under early feudal serfdom, another million were under slavery, and about 600,000 lived in societies with the primitive communal system of ownership betraying no clear signs of class divisions.

It should be noted that China pursues a policy of equality for all nationalities irrespective of their size or cultural attainment. The Chinese term "min zu" or "nationality" is used in a broad sense, applying to ethnic groups in various stages of development and in different periods of history. This is a departure from the European concept of "nation," also translated as "min zu"

in Chinese, which took shape during the ascendancy of capitalism. A special feature of modern European history is the rise of nation-states in Western Europe. While the multi-national states in Eastern Europe are marked by uneven development among different ethnic groups, they also have adopted the Western European concept of "nation." Therefore, they have had to use other terms for pre-capitalist ethnic groups, such as "clan" and "tribe" for those in primitive communities and "nationality" or "narodost" for those under slavery or feudalism.

II. Ethnic Identification: Two Case Studies

An ethnologist trying to identify a nationality in China must answer two basic questions.

First, is the group a national minority or is it part of the Han nationality?

Second, if the group falls into the category of national minorities, is it a nationality by itself or is it a part of a nationality?

The two cases described below should help explain how Chinese ethnologists go about their work.

Our first example concerns the Chuanqing people in Guizhou Province. "Chuanqing" means "clad in black," as distinguished from another group in the same region known as "Chuanlan," meaning "clad in blue." For simplicity, let us refer to them as the Blacks and the Blues.

The question of the Blacks cropped up as early as 1950, when a delegation from the Central People's Government arrived in Guizhou to look into the ethnic situation there. The Blacks, numbering more than 200,000, were the largest of 30-odd ethnic units which had applied for recognition as national minorities. But identification took time. The status of the Blacks was not clarified until 1955, when they were found to be part of the Han nationality through a field investigation lasting six months.

The Blacks applied for minority status on the basis of the following arguments:

- Their original language had been an "old-generation tongue," which differed from the language used by the local Han population.
- Most of them lived in their own compact communities in the countryside.
- They differed from the local Hans in religious belief and custom, worshipping at their own altar.
- Their womenfolk differed from Han women in that they wore wide-sleeved embroidered blouses, combed their hair in three parts, left their feet unbound and did not ride in a sedan chair on their wedding day.

The Blacks were discriminated against by the Blues, and armed clashes often flared up in pre-liberation days. After liberation practically all the Blues registered themselves as Hans. But the Blacks did not follow suit, knowing that if they acquired a minority status they would get preferential treatment from the government and be better protected against bullying by the Blues.

A point of interest was that the minority peoples in the region did not refer to the Blacks as Blacks, but rather as a special kind of Hans, calling them the "poor Hans" or the "rustic Hans." Nevertheless, the Blacks seemed to have certain features in their language, areas of settlement, economic life and psychological makeup which might qualify them as a national minority.

We first tackled the question of their language. Our findings showed that, while a small number of them could still speak the "old-generation tongue," practically all of them were speaking the Han language with an accent common to Guizhou Province. An analysis of the "old-generation tongue" revealed a complete identity with the Han speech and no traces of the languages of other nationalities. It was found to be a dialect originating in earlier dialects spoken in Jiangxi, Hunan and Hubei provinces. The Blacks presumably spoke it when they first came to Guizhou, and changed over to the local dialect only 50-60 years ago.

This linguistic analysis alone, however, did not warrant the conclusion that the Blacks were part of the Han nationality. People speaking the same language may belong to different nationalities. English is spoken by a great many nations in the world. In China, such distinct nationalities as the Shes, Huis and Manchus all use the Han language. But the analysis did provide a clue to the origin of the Blacks, showing that they had come from neighboring provinces in the east, a discovery confirmed by family genealogies, gravestone inscriptions, markings on historical relics, local chronicles and popular legends.

So we studied the history of the Blacks.

In the year 1381, the founding emperor of the Ming Dynasty sent his troops southward to wipe out the remnant forces of the Yuan Dynasty, which had just been overthrown, in Yunnan Province. As the army passed through neighboring Guizhou Province, it left some garrison troops there for land reclamation. People in China's interior began to migrate to this outlying province, among them Hans from Jiangxi Province performing forced labor in the army. These laborers settled in present-day Qingzhen in the province, which bordered on an area inhabited by the Yi nationality and marked the frontier of Han power at the time. They and their families were called "civilian households" as distinguished from the privileged "army households." While the army households were allocated land by the government authorities, the civilian households had to lease land from the Yis and were exploited as tenant farmers.

Although these immigrants found themselves on the lower echelons of frontier society, the proximity of the Han army enabled them to maintain com-

munities separate from those of the Yis. Neither were they assimilated by the Yis, because economically and culturally they were more advanced. When the power of the Yi headmen declined, they pushed into the interior areas of the Yis, which finally came under Han jurisdiction early in the Qing Dynasty in the middle of the 17th century. More and more Hans moved in to form compact communities.

We also traced the history of the Blues.

Arriving simultaneously with or after the Blacks, these Hans included quite a number of officials and merchants and settled mostly in cities and market towns. They enjoyed a higher political and economic status than the Blacks and looked down upon the poor people who had worked as tenant farmers under the Yis.

In early struggles against the Yi headmen, the two Han groups united. But the Blues gained the upper hand in the course of development of the feudal economy. The national market that took shape in China around the turn of the century upset the self-contained economy of the region. Modern commerce was largely monopolized by the Blues to the exclusion of the Blacks, who lacked contacts with the outside world. Outnumbered and economically weak, the landlords among the Blacks were in danger of being eliminated. Using the struggle against discrimination as a rallying call, they incited armed clashes which further divided the two groups.

On the other hand, as economic development brought the Blacks into closer contact with other Hans, their original regional characteristics gradually faded away. They became more and more indistinguishable from other Hans in language, dress and custom over the last five to six decades. Differences between the Blacks and the Blues blurred or even vanished in areas with better means of communication.

On the basis of these findings, we came to the conclusion that the Chuanqings or Blacks, originally members of the Han nationality, remained as such because they had neither been separated from the parent nationality nor developed into a different nationality. True, they had their own characteristics. But these were manifestations of the special features of Hans in certain regions in an earlier period, not the characteristics of a separate nationality.

Our second example concerns the Daur of northeast China, whose identity was a controversial issue for decades.

When systematic ethnic identification started in China in 1953, the Daur had a population of about 50,000. The biggest concentrations were along the banks of the Nenjiang River and its tributaries in Heilongjiang Province, a small number lived in the Hulun Buir League in Inner Mongolia, and a thousand or so lived in Tacheng in Xinjiang.

The question under debate was whether the Daur were a part of the Mongols. We approached the problem from two angles: their language and their origin.

The language used by the Daur was a variation of the Mongolian language, but it differed from current Mongolian speech. Analysis of the patterns of development of the Daur language led to the conjecture that it might have been a Mongol dialect in the 13th century. It came under the influence of the unified Mongolian language after the founding of the Mongolian Empire, but took a path of its own after the fall of the empire and the disintegration of the unified language. As the Daur came into close contact with peoples speaking the Tungus-Manchu language, they borrowed much from that tongue, increasing the differences between the Mongolian language and their own.

Much had been written about the origin of the Daur, but the data provided an insufficient basis for drawing a definite conclusion. The study of their language, however, led us to investigate the circumstances under which they developed an independent language. To solve this question, we had to examine historical records of the changes in their settlements.

Around the beginning of the 16th century, some Daur settled on the banks of the Jingqili River, an eastern tributary of the Heilongjiang River. By the early 17th century, large concentrations of them were living along the middle and lower reaches of the river. Their eastern neighbors were peoples speaking the Tungus-Manchu language, while the Buriat Mongols lived to their west. As the Russian Empire expanded eastward from Siberia, its reconnaissance parties came upon the Daur in the Jingqili River basin during 1643-46. The Daur carried on a struggle against the Russian invaders that lasted more than 40 years and ended with the signing of the Sino-Russian Treaty of Nerchinsk in 1689.

In the course of this struggle the Qing army adopted a policy of "clearing the fields and strengthening the ramparts," forcing the Daur as well as the Solun in the same area to abandon their settlements north of the Heilongjiang River and move to the west bank of the Nenjiang River. Then the Qing government incorporated the two peoples into the military-administrative "banner" organizations to augment the region's armed forces and military supplies. This development some 300 years ago had an important bearing on the formation of the Daur nationality, for it placed the Daur and the Mongols under different administrative systems and thus further separated them.

The origin of the Daur remains unclear today. But reliable historical records indicate that for 450 years they lived in communities separate from those of the Mongols. They maintained the closest relations with the Tungus-Manchu-speaking Solun. Politically, they were chiefly under the control of the Tungus-Manchu-speaking Manchus. While the Daur were separated from the Mongols by historical circumstances and developed a distinctive language, they also resisted assimilation by the Tungus-Manchu-speaking peoples in spite of the proximity of the latter.

But why did some of the Daurs living in northeast China subscribe to the view that they were a part of the Mongols? The answer was likewise to be sought in history.

After the Daurs came under the "banners" during the Qing Dynasty, members of their upper strata attached themselves to the Manchu rulers, and quite a number acquired prominent posts. The 1911 Revolution which overthrew the Qing Dynasty deprived them of their Manchu backing, and they started a movement for Daur-Mongol integration to strengthen their position. Many of the claims that the Daurs and the Mongols were one and the same people dated from that period.

Again, during the years of Japanese occupation, the Japanese imperialists prepared to invade Mongolia and publicized the same claims among the Daurs for purposes of aggression, and the effects continued to be felt after China's liberation.

Our comprehensive study of the history of the Daur people resulted in the identification of their status as a separate nationality. The conclusions provided them with a correct understanding of their position and met with their general approval.

III. The Remaining Questions

Although the composition of China's big family of nationalities is now basically clear, some questions remain to be solved. These fall into three categories:

- The status of national minorities in Taiwan and the southeastern areas of Tibet, where conditions are not ripe for identification through field investigation.
- The unidentified status of some nationalities in other parts of the country.
- The identified status of some nationalities which requires re-examination.

Groups in the second and third categories have an aggregate population of less than 100,000, which is 0.2 per cent of the total population of China's national minorities.

The nationalities whose status is not yet established include "Tibetans" of Pingwu County, Sichuan Province; the Dengs in Zayu County in the southeastern part of the Tibet Autonomous Region, and the Xiaerbas in Dinggye and the Tingri (Xegar) counties to the south; the Kuongs in the Honghe Hani and Va Autonomous Prefecture in Yunnan Province, and the relatively unknown Bens, Kongges, Sandas, Akes, Buxias, Buguos, Chemans, Dengjiaos, Kezhis, Beijias, Jieduos, and other groups in the same areas.

I shall now deal with some of these remaining questions of ethnic identification.

1. The "Pingwu Tibetans"

The "Pingwu Tibetans" are a group of a few thousand people living on the border between Sichuan and Gansu provinces — the home of the giant panda. Many are in Pingwu County, Sichuan Province, and the rest are in Wenxian County, Gansu Province.

Before liberation they were oppressed by the Kuomintang regime and tribal chieftains. In 1935 the Red Army passed through their districts in the course of its Long March, and later Kuomintang massacres left behind a sadly depleted population of some 500. Persecution forced many of the survivors to change their names and attach themselves to a large Tibetan tribe in Songpan, and they were henceforth referred to as "Xifans," meaning "west aborigines."

After liberation, a team for nationalities work was sent here by the Northern Sichuan Administrative Office in 1951. Local people of the upper strata told the team that the "Xifans" were Tibetans, and they were temporarily identified as such.

In 1964 Nisu, a woman representative of the "Pingwu Tibetans," came to Beijing to attend the celebrations of the 15th anniversary of the People's Republic. She was introduced to Chairman Mao Zedong, who asked her which nationality she was from. Nisu was too excited to say anything, and somebody answered for her, "the White Horse Tibetans of Sichuan." Two close-ups of her appeared in *Glorious Festival*, a full-length color documentary on the celebrations. While everybody in Nisu's hometown rejoiced at the news of her reception by the Chairman, some expressed doubt at the name "White Horse Tibetans."

In fact, Tibetans of other areas did not recognize the Pingwu group as Tibetans, and addressed them as "Xifans." But the Pingwu people considered this an insulting name and refused to accept it. According to a recent report, they are now calling themselves "Dabus."

Linguistically, the differences between their language and the Tibetan language are greater than those between the various Tibetan dialects, and their grammar and ways of expression betray signs of similarities with the languages of the Qiangs and Pumis. They are more primitive than the Tibetans in their religious beliefs; they make fetishes of the sun, the moon, mountains and rivers, hilltops and rocks, rather than worshipping any single divinity. Though Lamaism has penetrated some of their areas, it has not become universal.

These facts point to the possibility that the "Pingwu Tibetans" may not be Tibetans at all. But what is their nationality? On the basis of the regions' historical records, some historians believe that they might be the descendants

of the ancient Di people. Yet records of the Di people are found to be lacking after the Wei (A.D. 220-265) and Jin (A.D. 265-420) dynasties.

To solve this problem, it will probably be necessary to broaden the scope of our research to include the entire corridor from Gansu in the north to Zayu and Lhoyu in Tibet's southwest. The history and geography of this region and the languages spoken here should be studied in connection with the identification problems which have already surfaced. This corridor is a border land between the Hans and the Tibetans and also between the Tibetans and the Yis. Political power was in the hands of one nationality or another at different periods of history. This is the corridor in which the Qiangs, Dis and Rongs were once active. At present the eastern sector is occupied by a Han community and the western sector by the Tibetans. It was precisely in this Tibetan sector that we found "Tibetans" speaking a Tibetan language not quite the same as that used in Tibet proper. The Tibetan spoken by the Jiarongs in northwestern Sichuan is obviously different from that spoken in Lhasa. South of the Jiarong region, there remains a language which has become secondary to the common local language but is still being spoken in families and intimate communities. The Living Buddha Gangs dKar, who was a professor at the Central Institute of Nationalities, came from Muya in Kangding (Dardo) County, which is called *Minyak* in Tibetan. The people here generally speak Tibetan, but at home they communicate in a different dialect which has not yet been identified by linguists. It is worth noting that the Tibetan name *Minyak* is similar to the Tibetan name of the basic nationality of the Western Xia Kingdom (A.D. 1038-1227) — the Dangxiang Qiangs. These people are referred to as *Miyaos*, pronounced *Mjeiaks* in ancient times, in the "History of the Dangxiangs" in the *History of the Tang Dynasty* (A.D. 618-907). Some people assert that the area between the Jinsha and Dajin rivers in the Ganze Tibetan Autonomous Prefecture is the cradle of the Dangxiang Qiangs. The *History of the Tang Dynasty* states that the land of the Dangxiangs, "alias Miyaos, jut into that of the Tufans and came under Tufan subjugation." In other words, after part of the Dangxiangs in the area had departed for the north, the remainder came under the rule of the Tufans. It is worth studying whether the "dialect" now spoken in this region is in any way connected with the ancient language of the Dangxiang Qiangs.

East of Kangding are the Qiangs, already recognized as a single nationality, who live on the upper reaches of the Minjiang River as a more or less isolated ethnic group. Further east on the upper reaches of the Fujiang and Jialing rivers we find the "Pingwu Tibetans," who are asking to be identified. South of Kangding there is another minority living between the Yalong and Jinsha rivers which, like the "Pingwu Tibetans," used to be called "Xifans." Since liberation, the part of them living in Sichuan have been called Tibetans, while the other part, living in Yunnan, have been known as Pumis. In actual fact, the language spoken by these "Tibetans" are different from the Tibetan lan-

guage but similar to the Pumi language, which is close to the Qiang and Jiarong languages. Going west from here and crossing the Lancang River, we meet the Nus in the Nujiang River valley who have already been recognized as a single nationality. The Nus, however, speak different languages. A part of them speak a language similar to that of the Dulong to their west, and both are close to the Jingpo language spoken in areas to the south. The Jingpo and Qiang languages are now considered two branches of the Tibetan-Burmese family parallel to the Yi language. A closer study will have to be made of the historical connections between all these languages.

A trip across the Dulong River and the nearby mountain ranges beyond the west banks of the Nujiang River takes us to Zayu, an area inhabited by the Deng people, whose ethnic identification we shall discuss under the next heading.

Taking Kangding as the center, we have drawn the outlines of a corridor extending from east to south where we find a whole chain of long-standing historical and linguistic problems, and a break-through at one point may clear up the entire picture. Fortunately this corridor lying between the Yi and the Tibetan communities provides us with much living historical evidence, and a solution is likely sooner or later.

2. The Dengs in Zayu

The Dengs are a group of 10,000-20,000 people living in the Zayu area on the southeastern tip of Tibet. Although they have been called the "Dengs" since liberation, their true name remains to be established.

The settlements of the Dengs are on the eastern end of the illegal MacMahon line, and that is the reason why only part of their community was liberated in 1950. A 1976 census in Zayu placed the Deng population at 977. They were scattered in seven production teams under four people's communes. All the other production teams in the communes were Tibetan.

The Dengs are divided into two branches, each with its own name and language. One branch calls itself Darangs, the other Gemans. The Assams of India call the former "Digalu" and the latter "Miju." In English they are called "Mishmi" together with the Yidus along the Danba River. According to their own legends, the Darangs were originally part of the Yidus and came to Zayu seven to eleven generations ago. The Gemans came from Burma nine generations ago. There are fewer Gemans than Darangs in Zayu today, the ratio being 1:3. Their languages are similar to those spoken by the Dulong and Jingpo peoples in Yunnan Province. The Gemans and Darangs speak Tibetan as well, and they are merging their languages.

It is also known that the Zayu area was once inhabited by a group of people called the "Jiongs." Remains of the terraced fields they built shows that they were excellent farmers. About six generations ago they were conquered

by the Tibetans, after which some moved away and the others were absorbed into Tibetan life. As in the case of the Dengs, their ethnic identity remains unclear, and so does their relationship with the Dengs.

As a clue to the ancestry of the Dengs, we have found a group the Tibetans called "Zhas," whose language seems to be a mixture of Geman and Tibetan. Numbering only about 300, the Zhas are not followers of Lamaism and do not intermarry with the Tibetans, even though they call themselves Tibetans for fear of discrimination. Since the Geman language is akin to the language spoken by the Dulongs in Yunnan, the presence of the Zhas suggests that the ancestors of the Geman could have come from that province.

Geographically, the Zayu area is separated from the Nujiang River valley in Yunnan Province only by a mountain ridge. In his *History of the Aborigines*, Fan Chuo of the Tang Dynasty (A.D. 618-907) wrote about a trail leading to this area from Yunnan. Could the ancestors of the Dengs and other groups, whom we still have to identify, have come here by that trail? This is a problem we should look into.

3. The "Kuongs" in Yunnan

The "Kuongs" are a people distributed over the Ailao Mountain region in Yunnan Province, which extends to Jinping near the Sino-Vietnamese border in the south. They are divided into two groups.

About 2,000-3,000 live in Xinping and Zhenyuan in the north. With a production level similar to that of the neighboring Yi and Hani peoples, most of them have amalgamated with the Yis and no longer insist on being treated as a separate people.

Another group which numbered 3,600 in 1971, inhabits the jungles in Luchun and Jinping in the south and in Mengla in the southwest. This group is more primitive in its methods of production. It is the group that has asked for identification of its ethnic status.

"Kucong" is a name given by the Hans. The "Kuongs" call themselves by "Lahus" and other names. Their sub-divisions are referred to by the Hans as Yellow, White and Black "Kuongs" or Lahus.

Two tendencies have emerged in the research on the status of the "Kuongs."

One is to list them under the Hani family and regard their sub-divisions as branches of the Hanis, which denies them any status as an independent group. The basis of this assumption is a comparison between a number of "Kucong" terms and their equivalents in the Hani language. A 1955 study, for instance, showed an almost 60 per cent coincidence between the two.

The other tendency is to regard them, or at least part of them, as a more primitive branch of the Lahus found in Lancang County of Yunnan Province and in northern Thailand near China's borders. This argument also is based

on language study. A recent report compares the "Kucong" language with the Lahu language spoken in Lancang and concludes that the two coincide in basic grammar and vocabulary and show only slight differences in pronunciation.

There is an earlier belief that part of the "Kuongs" is close to the Hanis and the other part is akin to the Lahus. If this be the case, one has to explain the differences as well as the connections between the two groups and answer why the two have joined with each other as "Kuongs."

Language is an important measure in ethnic identification, but not the only one. And even apparent similarities or differences between two languages cannot determine whether they belong to the same family. Classification of languages should be based mainly on historical analysis. Unfortunately this is an area where Chinese scholarship is rather weak, particularly with respect to minority languages. We still have a long way to go to meet the country's needs in the study of the nationalities.

— Translated by Wang Huimin
and Wu Zhenfang

The First National Congress of the Communist Party of China: A Verification of the Date of Convocation and the Number of Participants

Shao Weizheng

The First National Congress of the Communist Party of China, which announced the founding of the Party, marked a turning point in China's modern revolutionary history and was a major event in the history of the international communist movement. It has naturally become an important subject in the research on CPC history.

For years, the date of the congress and the number of participants have been subjects of controversy, both in China and abroad.¹ While the anniversary of the Party's founding is celebrated on July 1, that is recognized as a ceremonial date. And while most of the earliest writings on the congress said that 13 people attended,² it has been widely claimed, since the founding of the People's Republic of China in 1949, that there were 12, or even 11.³

¹Participants in the First Party Congress and Chinese and foreign historians have made various assertions about the date of the congress, e.g.:

June 1921: See V. N. Kuchumov and others of the Soviet Union, *The Communist International and the Birth of the Communist Party of China*;

July 1, 1921: See Zhang Guotao, *My Recollections*, and Li Da, *Reminiscences of July 1*;

July 1921: See Henk Sneevliet (also known as Malin), *Report to the Executive Committee of the Communist International*, and Zhou Fohai, *The Bygones*;

July 20, 1921: See Chen Gongbo, *The Communist Movement in China*;

July 27, 1921: See Guo Hualun, *On the History of the CPC*; and

Towards the end of July 1921: See Chen Tanqiu, *Reminiscences of the First CPC Congress*.

²See P. Mif, *Heroic China, Fifteen Years of the Communist Party of China*, New York, 1937; *History of the Revolutionary Movement in China*, by the Yanan Committee for Research on Modern Chinese History, 1938; Hua Gang, *History of the Liberation Movement of the Chinese Nation*, 1940; and *Communism and the Communist Party of China*, by the Propaganda Department of the CPC Central Committee, 1948.

³In 1927, Zhang Zuolin, a Chinese warlord, confiscated a number of documents while searching the Soviet Embassy in Beijing. Among them was a book which said the First Congress "was attended by 11 delegates."

The First Party Congress was held in secret over half a century ago, and few of its documents can be found today, which makes research on the subject difficult. But in recent years it has become possible to conduct a factual investigation based on reminiscences of people who attended the congress and records concerning the occasion. In this situation, China's historians are duty-bound to clarify the facts for Party members, the masses, foreign friends and future generations.

I. The Date of Convocation of the First Congress

For many years, China has marked the anniversary of the founding of the CPC on July 1. It is generally believed that the First Party Congress opened on July 1, 1921. In fact, however, the date is wrong.

According to available data, commemoration of the Party's founding began as early as 1938 in some liberated areas of China and took place in June or July on no particular date.¹

In June 1941, the CPC Central Committee issued a circular to mark the 20th birthday of the Party and the fourth anniversary of the start of the Anti-Japanese War. Because of the war and the Guomindang blockade, it was impossible to verify the exact date of the convocation of the First Congress. The Party Central Committee designated July 1 as the birthday of the Party, since the First Congress had taken place sometime in July 1921 and it was customary in China to set a commemoration day on the first of the month.

Following this decision, celebrations of the Party's birthday took place in Yanan, then the site of the Party headquarters, and at various anti-Japanese bases on July 1, 1941.² July 1 has been observed as the Party's birthday ever since.

Comrade Mao Zedong began his article, "On the People's Democratic Dictatorship," with the words, "The first of July 1949 marks the fact that the Communist Party of China has already lived through twenty-eight years."³ Speaking of the First Party Congress, Comrade Dong Biwu said,

¹See reports in *Xin Zhonghua Bao (New China)*, organ of the Government of the Shaanxi-Gansu-Ningxia Border Region, June 15, 25 and 30 and July 5, 1938.

²See *Jiefang Ribao (Liberation Daily)*, July 1, 1941. The issue devotes the whole of the second page to the commemoration of the occasion, carrying a special editorial and articles by Zhu De, Lin Boqu and Wu Yuzhang. Earlier issues of the daily also carry reports on commemorative activities by Party and government organs and mass organizations.

³*Selected Works of Mao Zedong*, FLP, Beijing, 1961, Vol. IV, p. 411.

"Some records are missing. I remember the Party's program was put forward at the congress. July 1 was set as the Party's birthday afterwards. No one can tell the exact date of convocation."¹ The words "marks" and "set afterwards" used by Comrades Mao Zedong and Dong Biwu respectively indicate that July 1 is a symbolic date.

Research on the date of the convocation of the First Party Congress is not aimed at changing the commemoration of July 1 as the Party's birthday. We should continue it, though the congress did not open on that date.

The date of the convocation of the First Congress can be verified by examining the travels of the participants, peripheral incidents and documentary evidence.

1. Travels of the Participants

In 1921, the CPC sponsor group in Shanghai notified each communist group around the country to send two delegates to Shanghai for the First National Congress. The delegates set off and arrived at different times.

The Shanghai delegates, Li Da and Li Hanjun, were already in the city.²

Those who arrived in Shanghai before July 1 included Zhang Guotao, Wang Jinmei and Deng Enming.³ But most of the delegates arrived after July 2.

Mao Zedong and He Shuheng left Changsha for Shanghai on the afternoon of June 29. Xie Juezai wrote in his diary that day, "Shuheng, accompanied by Renzhi,* left for Shanghai at 6:00 p.m. for OOOOO." Xie recalled in 1952:

One evening, it looked like rain. To my surprise, I was told that Comrades Mao Zedong and He Shuheng would leave for Shanghai. And they refused to let us see them off on the docks. Later on I learned that they were going to the CPC First National Congress. It was just this day 30 years ago.⁴

Wang Dingguo, Xie's wife, said in a reminiscence article, "My husband couldn't write explicitly about this historic event because of the tense situa-

¹ Interview on the CPC First Congress and the Hubei Communist Group, August 4, 1971.

² Li Da, "Recollections on the Founding of the CPC and Its First and Second Congresses."

³ Zhang Guotao, *My Recollections*.

⁴ Xie Juezai, "My First Meeting with Comrade Mao Zedong," in *Xin Guancha (New Observer)*, No. 11, 1952.

* Courtesy name of Comrade Mao Zedong. — *Trans.*

tion in Hunan. For fear that he might forget it, he drew a number of circles in his diary as a reminder."¹

In the 1920s there was no direct train or ship from Changsha to Shanghai. Leaving Changsha by ship, Mao Zedong and He Shuheng would have to change ships at Wuhan. It would take them about five days to get to Shanghai if they did not stop on the way. So they must have arrived there after July 4.

After reaching Shanghai, and before the congress started, Mao Zedong visited Hangzhou and Nanjing. The journal *Shaonian Zhongguo (Young China)* said in a column called "News About Society Members": "Mao Zedong went to Shanghai from Changsha during the summer vacation and is now visiting Hangzhou and Nanjing."²

In a talk with Edgar Snow, Comrade Mao Zedong stated that he had gone to Shanghai in the fifth month of the year for the founding congress of the CPC. In the 1920s, both the solar and the lunar calendars were used in China, even among intellectuals. It is likely that he was referring to the fifth month on the lunar calendar. June 29, 1921, the day on which he left Changsha for Shanghai, was the 24th day of the fifth month by the lunar calendar. This recollection probably conformed to fact.

Liu Renjing recalled starting south from Beijing with Deng Zhongxia, Gao Junyu and some others towards the end of June 1921. In early July they attended the annual meeting of the Young China Society in Nanjing and, when the meeting was over, stayed there for two or three days before some of them left for Shanghai to attend the First National Congress of the CPC. "A Brief Record of the Nanjing Conference" carried in *Shaonian Zhongguo* says:

The society's annual conference this year, held in Nanjing, lasted three and a half days from July 1 to July 4. The 23 people attending the conference were:

Wang Keren, Tai Shuangqiu, Yang Xiaochun, Fang Dongmei, Chen Qitian, Yun Daiying, Yang Gongren, Jiang Xichang, Li Rumian, Chen Yusheng, Gao Shangde, Zhao Shuyu, Shen Junyi, Liu Hengru, Chen Zhongyu, Shen Zemin, Zhang Wentian, Zuo Shunsheng, Ruan Zhen, Liu Renjing, Deng Zhongxie,* Mu Jipo and Huang Rikui.

At the July 1 session held in the Jiming Temple, in view of the fact that members from Beijing — Huang Rikui, Deng Zhongxie and Liu Renjing — had not arrived in time for discussion of the important questions

¹ The article appears in the *Gongren Ribao (Daily Worker)* of Beijing dated December 23, 1978.

² *Shaonian Zhongguo*, Vol. III, No. 2, dated September 1, 1921.

* A slight variation from the name of Deng Zhongxia.

scheduled for the first day, Gao Shangde suggested inverting the agenda items for the first and second days, and the motion was unanimously carried.

Two speeches by Liu Renjing are included in the minutes of the following day's session,¹ proving beyond any doubt that he and the others had arrived in Nanjing by July 2 and had attended the annual conference of the Young China Society. The column "News About Society Members" says:

Both Gao Junyu and Liu Renjing came south for the Nanjing conference. Mr. Gao has returned to Beijing University, while Mr. Liu plans to stay in Shanghai to study the German language.

It goes without saying that "studying the German language" was an excuse used by Liu to cover his plan to attend the First National Congress of the CPC in Shanghai. His reminiscences conform to the records of the time. There can hardly be any doubt that he arrived in Shanghai around July 7.

Another participant in the First National Congress, Chen Gongbo, wrote an article called "Ten Days in Shanghai" for the magazine *Xin Qingnian* (*New Youth*) after attending the congress. The article says:

I had a bit of a heat stroke before the summer vacation and wished to go somewhere for recuperation. Besides, I had organized an academic society in Shanghai last year and wanted to complete certain formalities. In addition, I had not been able to enjoy my honeymoon because I was busy with a number of other things. For these three reasons, I left for Shanghai on July 14.²

The "academic society" in this passage refers to the Communist Party, and the "formalities" means its First National Congress. According to his article, Chen Gongbo left Guangzhou on July 14 and arrived in Shanghai on July 21. He also said, "I went to Hangzhou by train on July 31."³ Chen Gongbo later turned a traitor to the revolution and to the Chinese nation. But this article, written right after the First Congress, was different from the memoirs he wrote later, such as his *Cold Winds*, in which he distorted facts.

Zhou Fohai returned to China for the First Congress from Japan, where he had been studying at the No. 7 College in Kagoshima. The "News About Society Members" in the *Shaonian Zhongguo* says, "Zhou Fohai has returned from Japan for the summer vacation and is staying at No. 6, Lane Yuyang in

¹ *Shaonian Zhongguo*, *op. cit.*

² *Xin Qingnian*, Vol. IX, No. 3, published in Guangzhou on July 1, 1921. In those days periodicals were often published behind schedule. Chen Gongbo returned to Guangzhou in early August. This issue of the journal was actually published in August, if not later.

³ *Ibid.*

Shanghai."¹ Zhou himself recalled, "In a letter from a comrade in Shanghai, I learned that the congress was going to be held in July. It happened to be the summer vacation and I returned to Shanghai."²

Zhou Fohai's arrival in Shanghai should have been in the second half of July for three reasons. First, it was during the summer vacation, which usually started at the beginning of July. Second, Zhou had left Japan for China only after receiving the letter from Shanghai at the start of the vacation. Thirdly, mail and travel between China and Japan had to take some time.

Bao Huiseng's arrival in Shanghai was also fairly late. He recalled:

I left Shanghai for Guangzhou on May 10, 1921. At that time, Li Hanjun was in charge of the Party organization in Shanghai. He could not leave himself and asked me to go and see Chen Duxiu in Guangzhou. Chen Duxiu asked me to stay in Guangzhou for some more days and I remained there for about two months working with a newspaper. Later a letter came from Li Hanjun in Shanghai asking Chen Duxiu to return to Shanghai and requesting Guangzhou to send two people to attend the congress there. Chen Duxiu said he could not go and asked Chen Gongbo and myself to attend the congress, and the proposal was accepted by others. Chen Gongbo set out with his bride one day earlier than I did. They first went to Hong Kong and then to Shanghai by liner. I started on July 15 by sea direct for Shanghai and arrived there about the 20th.³

Bao Huiseng's account coincides with the reminiscences of Chen Gongbo. Bao arrived in Shanghai about July 20.

No direct records have been found about the specific time Dong Biwu and Chen Tanqiu got to Shanghai. Their own recollections are vague on this matter. But Chen Tanqiu's memories may help us fix the time. He said, "In the latter half of July 1921 nine guests suddenly arrived at the girls' school on Pubai Road in the French Concession in Shanghai. They were all lodged upstairs in the building. Several of the new-comers were delegates from communist groups in various parts of China, who had arrived in Shanghai for the formation of the Communist Party of China."⁴

¹ *Shaonian Zhongguo*, *op. cit.*

² Zhou Fohai, *The Bygones*, Shanghai, 1944.

³ This account was given by Bao Huiseng when the writer of this article interviewed him on June 20, 1979. In many memoirs Bao says the First National Congress was convened in July but gives no specific date of its convocation, nor the date of his arrival in Shanghai. During the interview, he thought back and verified the date of his arrival.

⁴ Chen Tanqiu, "Memories of the First Congress of the Party," written in July 1936 in commemoration of the 15th birthday of the Party. The article appeared in the *Communist International* published in Moscow.

According to Bao Huiseng, Dong Biwu and Chen Tanqiu arrived in Shanghai about the same time as he did. So we may fix the date as around July 20, pending the discovery of more conclusive material.

The movements of the delegates tell us that only five were in Shanghai on July 1, 1921, or less than half the total number attending the First Congress. But according to the recollections of the persons concerned, all delegates attended the first meeting. Therefore, the opening session could not have been held on July 1 or even in early or mid-July. The formal opening with all the delegates present could only have been in the last 10 days of July.

2. Peripheral Incidents

Let us next look at incidents which may help us determine the date of the First Congress.

Participants in the First Congress recalled that after the last meeting in Shanghai started, French police barged in. The meeting was moved to a gaily-painted boat in the South Lake in Jiaxing County, Zhejiang Province. The congress concluded the same day.¹

According to recollections of Chen Gongbo and Zhou Fohai, at dawn on the day after the last meeting of the congress in Shanghai, a woman named Kong Aqin was murdered in Shanghai's Oriental Hotel. From the date of the murder, we can infer the closing date of the congress.

Chen Gongbo writes in his "Ten Days in Shanghai":

There was something about this trip which I can never forget all my life, and that was the murder in the Oriental Hotel. I stayed in Room 41, and the murder took place next door in Room 42. Just past five o'clock in the morning of July 31, I heard a deafening shot in my dream, followed by a shrill and desperate cry for help. . . . God knows why the body was not found until past six in the evening. The murderer had fled. . . . The man was named Qu Songlin, the woman Kong Aqin. He was a servant in a foreign business firm, she a worker in a silk filature.²

In his *Cold Winds* Chen Gongbo records in detail how the meeting held in Li Hanjun's house was subjected to search and interrogation by the French police, after which he returned to the Oriental Hotel, "only to find that one trouble followed another. . . . At dawn I suddenly heard a shot in my sleep. Then there was a grievous cry. From a newspaper in Hangzhou I learned that the murder was a lovers' tragedy. The woman was named Kong Aqin, a

¹Recollections by Dong Biwu, Chen Tanqiu, Zhang Guotao, Bao Huiseng, Chen Gongbo and Zhou Fohai.

²*Xin Qingnian*, Vol. IX, No. 3.

worker in a silk filature. The man, whose name I have forgotten, was a servant in a foreign business firm."¹

Zhou Fohai refers to the same incident in *The Bygones*:

At that time Gongbo was spending his honeymoon with his bride. They stayed at the Oriental Hotel. After the policemen had left Li Hanjun's house, he dared not return to the hotel directly but made a detour through several entertainment establishments for fear of being shadowed. But a murder of passion occurred in the hotel room next door to him, in which two shots were fired and a woman killed. Gongbo and his wife were scared out of their wits.²

On August 1, 1921, the Shanghai newspaper *Xin Wen Bao* carried a report under the headline, "Premeditated Murder in Oriental Hotel." It said:

Several days ago a man took a woman to the Oriental Hotel on Yinghua Street, Nanjing Road. The man called himself Zhang and booked Room 32 on the fourth floor. Yesterday (July 31) morning he left the room alone and was about to go off when a waiter stopped him and demanded the unpaid fee. Zhang said that the woman was still in the room and that the two of them would not go without paying the money. Then he stalked off, and was still not back by 10 o'clock that night. The waiter became suspicious, opened the door of Room 32, and found that the woman had been murdered.

The same newspaper carried on August 2 a follow-up story on the murder, which said:

A check of the hotel register showed that the man went under the name of Zhang Bosheng. Later investigations established the murdered person as Kong Aqin, 22. . . . The murderer had once been sentenced to four months' imprisonment in a foreign jail for embezzling money, and is now a servant to a British doctor. The pistol which he used to kill the woman had been stolen from the house of his master who had left Shanghai for a summer vacation in the interior of China.

Another Shanghai newspaper, the *Shen Bao*, published a story on August 1 under the headline, "Young Woman in Modish Attire Murdered in Oriental Hotel," and the content was similar.

The accounts given by Chen Gongbo and Zhou Fohai concur with the newspaper reports.

A story in the August 2 issue of the *Shanghai Shenhua* (*Life in Shanghai*) stated, "The day before yesterday (July 31), the French police notified

¹"The Communist Party and I," in *Cold Winds*, Shanghai, 1945.

²*The Bygones*, op. cit.

Chinese organizations that, under the new regulations, they are not allowed to hold any meetings unless they have obtained approval from the police 48 hours beforehand." It seems that the new regulations were aimed at the Communist Party's First Congress, although the French police did not have enough evidence to single out the Communists. The police issued the regulation the day after they harassed the First Congress held in the French Concession, tailed the delegates and searched the meeting place.

From the records of the two incidents — the murder and the French police order — we can infer the date of the last meeting of the First Party Congress in Shanghai. The murder of Kong Aqin was discovered on July 31. The French police harassed the First Congress the previous evening, or July 30. The police authorities issued their notice the next day, or July 31. So we can be sure that the last meeting of the congress in Shanghai was held on the evening of July 30.

According to reminiscences of Dong Biwu, Chen Tanqiu, Bao Huiseng, Li Da and Zhou Fohai, the last meeting in Shanghai was interrupted by French police harassment, and the congress was resumed the next day on the South Lake in Jiaxing, Zhejiang Province. The memory has been confirmed by Wang Huiwu, Li Da's wife and a native of Jiaxing, who arranged for the congress to continue its work on the South Lake. Zhou Fohai recalled:

When the congress reached the sixth evening, all activities were discovered by detectives of the French authorities in Shanghai and, when discussions were going on, a suspicious man broke in, glanced around the room and left. We sensed that things were not going well and dismissed the meeting. . . . At midnight we met again at Chen Duxiu's home and decided to continue our meeting on the South Lake in Jiaxing the next day.¹

Zhang Guotao, in *My Recollections*, mentions an interval of one day before the move to the South Lake. But this version is inaccurate. The meeting had already lasted a long time, the French police had begun to interfere, and the delegates all wished to finish as early as possible.

Most of the delegates recalled that they went to South Lake the next day. The French police had left the meeting in Shanghai around 10 o'clock. Some delegates gathered at Chen Duxiu's and Li Da's houses at midnight and decided to change the meeting place. (People in Shanghai were used to staying up late: the city was known as "a city without night.") The following day, Wang Huiwu took the early train to Jiaxing and the delegates took the second train.

¹ *Collected Memoirs of Chen Gongbo and Zhou Fohai*, Hong Kong, 1971.

The above indicates that the closing session of the First Congress was held on the South Lake on July 31, the day after the last meeting in Shanghai on July 30.

3. Documentary Evidence

Since Party activities were threatened by White terror in the early days after the Party's founding, few documents belonging to that period survived. After China's liberation in 1949, some documents were collected from abroad and translated into Chinese, representing some of the most valuable historical data we have on early Party history. Among them is an article entitled "The First National Congress of the Communist Party of China."¹ It is undated and bears no author's name, appearing to have been written soon after the closing of the First Congress by one of the participants. The article says, "The National Congress was scheduled for June 21. But it was not until July 23 that all the delegates from Beijing, Hankou, Changsha, Jinan and Japan arrived in Shanghai, whereupon the congress opened." Here it is definitely stated that all the delegates had arrived by July 23, which corresponds to the travels of the delegates we have outlined. The same article says:

The sixth meeting of the congress was held at a comrade's house at night. No sooner had the meeting started than a detective broke in. The man apologised, saying he had entered the wrong house. But the circumstances did not allow the meeting to continue. The appearance of the detective did not cause any loss to the Party, although policemen searched the house without notice soon after he left. This alerted us. We had to go to a small town nearby to continue the congress.

The article also says that the congress adjourned for two days after the second meeting while the Party's program and work plan were being drafted.² This means that the First Congress lasted 8 days — 6 for meetings in Shanghai and 2 for the drafting of documents. The case of Kong Aqin indicates that the last of the Shanghai meetings was on July 30. Going eight days back from July 30, we see that the opening date was July 23.

¹ The copy was in the keeping of the Communist International and was translated from Russian into Chinese.

² Dong Biwu and Zhang Guotao recalled that they had taken part in drafting the Party's program and work plan. (See "Main Questions Concerning the First National Congress of the CPC—Interview with Comrade Dong Biwu, a Delegate to the First National Congress of the CPC" and Zhang Guotao, *My Recollections*.) Copies of "The First Program of the Communist Party of China" and "The First Resolution of the Communist Party of China" are available in Russian and English, and the content is similar. The statement here about the two-day adjournment for the drafting of the Party's program and work plan is corroborated by reminiscences of delegates and extant literature.

We can conclude, therefore, that the First National Congress of the Communist Party of China opened on July 23 and closed on July 31, 1921.

Going by those dates and the congress materials, we may make out the agenda of the First Congress as follows:

Date	Place	Sequence of Meetings	Agenda
July 23	Shanghai	1st	Opening ceremony. Opening speech. Adoption of the agenda of the congress.
July 24	"	2nd	Reports on work by delegates from various places.
July 25		adjournment	Drafting of the Party's program and work plan.
July 26		adjournment	"
July 27	Shanghai	3rd	Discussion of the Party's program and future work.
July 28	"	4th	"
July 29	"	5th	"
July 30	"	6th	(Interrupted by French police harassment)
July 31	Jiaxing	7th	Adoption of the Party's program. Discussion of the work to be undertaken. Election of the Central Committee. Closing of the congress.

II. The Number of Participants in the First Congress

Historians place the number of participants in the First National Congress of the CPC variously at 11, 12 or 13.

The claim that there were only 11 participants is not supported by convincing argument or documentary evidence. Moreover, the proponent of this view cannot be considered an authority, for he did not attend the con-

gress himself. This version is not tenable, and we shall not discuss it in this paper.

Analyzing the evidence for contentions that 12 or 13 people attended the First Congress, we can identify 11 as indisputably having participated. They were Mao Zedong, Dong Biwu, Chen Tanqiu, Wang Jinmei, Deng Enming, Li Da, Li Hanjun, Zhang Guotao, Liu Renjing, Chen Gongbo and Zhou Fohai.

There is agreement that He Shuheng was there, although one person concerned with the congress questions He's status as a delegate in his reminiscences.¹ But there is controversy over whether Bao Huiseng attended at all. So apart from ascertaining He's legitimacy as a delegate, we cannot settle the question of the number of delegates until we determine whether Bao was one and the background of his participation.

1. Background to the Congress and Choice of Delegates

To determine Bao's participation and He's qualifications, we must first examine the background to the emergence of delegates to the First Congress of the CPC.

On June 3, 1921, the Dutchman Malin (the real name was Henk Sneevliet), the representative of the Communist International to China, arrived in Shanghai.² He had been assigned to the post in August 1920 and had left for China in April 1921. Nikolsky, a representative of the Profintern (the Red Trade Union International), also arrived in China in June that year. Party organizations already had been set up in Shanghai, Beijing, Changsha, Wuhan, Jinan, Guangdong and other places. Some were called the Communist Party, others called themselves Party branches, or used other names to disguise their activities. Conditions were ripe for the National Congress. When Malin and Nikolsky arrived in Shanghai, they contacted Li Hanjun and Li Da, who were in charge of the Party organization there. Malin suggested that the National Congress be convened as soon as possible to announce the formal founding of the Communist Party of China. He and Nikolsky exchanged views with Li Dazhao and Zhang Guotao, who were in Beijing, and Chen Duxiu and others in Guangzhou. Shanghai was chosen as the site of the founding congress, and Li Hanjun and Li Da wrote to the various Party organizations informing them to send two delegates each.

¹ See Zhang Guotao, *My Recollections*, Hong Kong, 1971.

² A Dutch writer, Dov Bing, writes in his "Sneevliet and the Early Years of the CCP": "On 3 June 1921, Sneevliet arrived in Shanghai and immediately started to busy himself with Comintern business." "Sneevliet arrived on the Italian Lloyd Triestino ship *Acquila* and stayed at the Oriental Hotel, Nanking Road. He called himself Andreson." "Sneevliet left the Oriental Hotel, Nanking Road, on 14 June 1921, and went to live in a boarding house at No. 32, Markham Road." (See *The China Quarterly*, Oct./Dec. 1971.)

Since Party activities were underground and Party members lacked experience and had no rules to follow, the delegates to the First Congress emerged without going through strict organizational formalities. According to recollections of people concerned, most of the Party organizations did not elect their delegates. Some delegates were named by their leaders, some were chosen after consultations among members, and others went to the congress secretly. They were not examined for credentials during the meeting. Because all the delegates were sponsors of the Party, they were on equal terms. The question of examination of qualifications and acceptance of delegates did not arise. Since the central organs of the Party had not been set up and besides it was the first gathering of delegates, this situation was nothing to be surprised at.

In *My Recollections*, Zhang Guotao refused to recognize He Shuheng's qualifications as a delegate. He wrote:

Before the congress started, several delegates discussed the qualifications of delegates; they thought that He Shuheng, who neither knew Marxism nor worked well, should not participate in the meeting; and they chose me to inform Mao Zedong of this decision. He immediately asked He Shuheng to go back to Hunan with the excuse that there was something urgent for him to deal with. Therefore, there were only 12 delegates to the congress.

An examination of facts shows that Zhang's contentions are groundless for three reasons.

First, Zhang denies He's participation by saying that he "neither knew Marxism nor worked well." This is untrue. He Shuheng, born in 1877, joined the Xingmin (New People) Society in 1918 and became one of the leaders of the organization. In the autumn of 1920 he was one of the sponsors of the Society of Russia Study and the Party organization in Hunan, and was head of the popular education center in Hunan, in charge of the newspaper *Hunan Popular News*. He worked to spread Marxism in China by setting up Party organizations and educating young people. When He attended the First Congress in 1921, he was in his 40's and his command of Marxism was better than the average delegate.

Second, the Party organization in Changsha sent two delegates to the congress according to the notice from the sponsor group in Shanghai, and there was no reason why one delegate should have been dismissed.

Zhang himself wrote that "Mao Zedong and He Shuheng represented about 10 Party members in Hunan," and that there were ". . . a total of 13 delegates."

Third, there was no procedure of checking delegates' credentials at the First Congress. In sum, Zhang's remarks about He's qualifications were in-

tended to tally with his version of 12 participants, but do not conform with the facts.

2. Delegates' Recollections of the Number of Participants

Most of the participants in the First Congress of the CPC have written or dictated their reminiscences; only He Shuheng, Wang Jinmei, Deng Enming and Li Hanjun did not. Malin's memoirs give neither the number of participants nor a list of names of those attending the congress, and will not be quoted here.

(1) In talks with American correspondent Edgar Snow in 1936, Comrade Mao Zedong said, "There was only one other Hunanese at the historic First Meeting in Shanghai. Others present were Chang Kuo-T'ao, Pao Hui-sheng and Chou Fu-hai. Altogether there were twelve of us."¹ At the opening of the Party's Ninth National Congress in 1969, Comrade Mao Zedong said:

There were only 12 delegates at the First Congress. There are still two here. One is Dong Biwu and the other is myself. Several delegates gave their lives to the revolution. They were Wang Jinmei and Deng Enming from Shandong, Chen Tanqiu from Hubei, He Shuheng from Hunan and Li Hanjun from Shanghai. Four betrayed the revolution and became traitors to China or counter-revolutionaries. They were Chen Gongbo, Zhou Fohai, Zhang Guotao and Liu Renjing. Zhang and Liu are still alive. There was still one called Li Da, who died two years ago.

(2) In his talk with Nym Wales in 1937, Comrade Dong Biwu said:

The Central Chinese Communist Party had been founded in May 1921, when Ch'en Tuhsiu arrived in Shanghai for this purpose, together with Li Ta-chao. I was not present at this meeting but I joined the First Conference held in Shanghai in July 1921. Each province that was represented sent two delegates, and the returned students from Japan sent one delegate — Chou Fu-hai, who later betrayed and joined the Kuomintang. Hupeh Province sent Ch'en Tan-ch'iu and myself. Hunan sent Ho Tsao-hen — later killed while serving with the Red Army at the same time as Ch'ü Ch'iu-po, about 1935 — and Mao Tse-tung. Peking sent Chang Kuo-t'ao and Liu Jen-ching, now a Trotskyist. Shanghai sent Li Han-ching, who was executed in Hankow in 1927, and Li Ta, now a liberal who became a professor in Pingta University. Kwangtung sent Ch'en Kung-po, who later betrayed and became Minister of Industries in the Nanking government, and Pao Hui-sheng, who also became an official of the Kuomintang — in the Department of Home Affairs. Shantung sent Teng En-ming and Wang Ching-mei — both executed later. Two delegates from the Comintern also attended this conference. One was

¹ See Edgar Snow, *Red Star Over China*, Random House, New York, 1938, p. 141.

from Holland — we called him Malin in Chinese. The other was a Russian whose name I have forgotten.¹

Dong Biwu told some visitors in 1971:

At the First Congress there were two delegates each from Shanghai, Jinan, Hunan, Hubei and Beijing. Guangdong had one delegate, but actually two came to the meeting. One was Bao Huiseng, a journalist. He was not a full delegate, but a non-voting one. Therefore, some said that there were 12 delegates at the First Congress, and others said that there were 13.

(3) Comrade Chen Tanqiu said in 1936:

The delegates (to the First Congress) from the Communist group in Changsha, Hunan, were Mao Zedong and He Shuheng; the delegates from Wuhan were Dong Biwu and myself; and the delegates from Jinan, Shandong, were Wang Jinmei and Deng Enming. Wang and Deng were lively young men. Wang died later, the hard work had worn him down. Deng was arrested and died in jail. One delegate from Beijing was Liu Renjing, who later became a Trotskyite and was expelled from the Party. . . . The delegate representing students and overseas Chinese in Japan was Zhou Fohai. . . . Very soon he took part in anti-Party activities in Guangdong and was expelled from the Party. Apart from the nine delegates mentioned above, there were Zhang Guotao, who represented Beijing, Li Hanjun and Li Da, who represented Shanghai. Li Hanjun was expelled from the Party at the Fourth National Party Congress because he supported the view of Right opportunists and had had some dealings with the Northern warlords. He was executed by a warlord in Anhui after the Wuhan Government betrayed [the revolution]. Li Da quit the Party after the May 30 Movement in 1925, an anti-Japanese movement led by the Communist Party of China in Shanghai. Another delegate from Guangdong was Chen Gongbo. He helped Chen Jiongmeng, a reactionary warlord in Guangdong, in a rebellion against Dr. Sun Yat-sen. He was repeatedly warned by the Party and was finally expelled from the Party. Later he became a famous Guomindang activist.²

(4) In 1955, Li Da recalled:

At the end of June, 12 people from various places came to Shanghai to attend the congress. Changsha: Mao Zedong and He Shuheng; Wuhan:

¹See Nym Wales, *Red Dust, Autobiographies of Chinese Communists*, Stanford University Press, Stanford, California, 1952, p. 39.

²See Chen Tanqiu, "Recalling the First Party Congress, Written in Memory of the 15th Anniversary of the Founding of the Party in 1936," published in the *Communist International*, Moscow, June 1936.

Dong Biwu and Chen Tanqiu; Shanghai: Li Da and Li Hanjun; Beijing: Liu Renjing and Zhang Guotao; Jinan: Wang Jinmei and Deng Enming; Guangdong: Chen Gongbo; and Tokyo: Zhou Fohai.¹

On March 18, 1957, in "A letter to the Museum of the Chinese History on Bao Huiseng's Representation," Li Da said:

Bao Huiseng was not a delegate to the congress chosen by his local Party organization. At that time Bao was a member of the Wuhan group. The delegates of the Wuhan Party organization were Chen Tanqiu and Dong Biwu. Bao also came to Shanghai and lived in the same place as the delegates. When the meeting started on the evening of July 1, he attended the meeting with other delegates and no one rejected him. That was the fact.

(5) In 1966, Zhang Guotao recalled:

The delegates from Shanghai were Li Hanjun and Li Da, representing the nine Party members there; from Beijing were Liu Renjing and I, representing 15 members; from Wuhan were Dong Biwu, Chen Tanqiu and Bao Huiseng, representing eight; from Hunan were Mao Zedong and He Shuheng, representing ten; from Guangdong was Chen Gongbo, representing seven; from Shandong were Wang Jinmei and Deng Enming, representing eight; and Zhou Fohai, from Japan, represented two Party members among the Chinese students studying there. The delegates totalled thirteen, representing 59 Party members.²

(6) In 1943, Zhou Fohai recollected:

Party work developed rapidly. Organizations were set up in Shanghai, Hankou, Changsha, Beijing and Guangzhou as we had planned the year before, and we even had a branch in Jinan. Chen Jiongmeng was then presiding over the government in Guangdong, he had not turned renegade. He invited Chen Duxiu to be Chairman of the Educational Commission of Guangdong. Thus Chen Duxiu was not able to come and preside over the congress. The delegates were Chen Gongbo from Guangdong, Zhang Guotao and Liu Renjing from Beijing, Mao Zedong and an elderly gentleman surnamed He from Changsha, Chen Tanqiu and Bao Huiseng from Hankou and Li Da and Li Hanjun from Shanghai. I forgot the name of the delegate from Jinan. Ding Mocun was also in Shanghai, though he was not a delegate. He was an activist of C.Y. (the Communist Youth). I was the delegate from among the Chinese students studying in Japan. In fact there were no members in Kagoshima, and

¹See Li Da, *My Recollections of the Process of the Initiation of the Communist Party of China and the First and Second National Congresses*.

²See Zhang Guotao, *My Recollections*.

Shi Cuntong was the only one in Tokyo besides me. So I represented the two of us. The Third International sent Malin to China as the supreme representative.¹

(7) In 1935, Chen Gongbo recalled:

In early July when the Law School and the Normal College began summer vacation, my wife and I came to Shanghai by way of Hong Kong. We stayed at the Oriental Hotel. Some of the delegates stayed at the Bowen Girls' School, and some at other places. I then came to know Zhou Fohai, Li Heming (Li Da), Li Hanjun, Zhang Guotao and Bao Huiseng. Mao Zedong might be counted as my closer acquaintance, for he had once worked in the library of Peking University. Neither Chen in the south nor Li in the north of the Communist Party—Chen Duxiu and Li Dazhao, then well-known Communists—attended the congress. Chen Duxiu did not come to Shanghai because he was in charge of the Educational Commission in Guangdong, and Li Dazhao did not come south because he was head of the library of Peking University. . . .²

(8) In interviews with this writer in April and June 1979, Liu Renjing recalled:

Bao Huiseng did attend the congress but he was not a delegate. Bao said he was a delegate from Guangdong, but I do not have such an impression. As I remember, he just happened to drop in as the meeting was on. The First Congress of the Party had no formalities, so there was no differentiation between full delegates and non-voting delegates. It was only natural that nobody objected to Bao's attendance.

To sum up, all eight mentioned Bao Huiseng in their recollections, and all said that Bao attended the First Congress.³

They presented four versions of how Bao attended the meeting and where he came from, however:

- a) Mao Zedong and Chen Gongbo did not mention where Bao came from.
- b) Dong Biwu and Chen Tanqiu said Bao was a delegate from Guangdong.
- c) Zhang Guotao and Zhou Fohai believed Bao was a delegate from Wuhan.
- d) Li Da and Liu Renjing said Bao happened to drop in and was a non-voting delegate.

¹ See Zhou Fohai, *The Bygones*.

² See Chen Gongbo, *Cold Winds*.

³ In cases where a person presents different memories of Bao's presence at the First Congress, the earlier version is adopted in this study.

3. Bao Huiseng and His Own Recollections

To determine whether Bao attended the First Congress of the CPC and where he came from, it is necessary to probe into his personal history and his activities around the time of the congress. The following account is based on his memoirs and interviews with him by this writer.

Bao Huiseng was born in Huanggang County, Hubei Province in 1894. He died on July 2, 1979. At various times, he was known by other names: Bao Huisheng, Bao Huaichen, Bao Yiyu and Bao Yide. His pen-name was the Old Man of Qiwu. He lived in Wuhan most of the time up to late 1920. He became a journalist after graduating from the First Provincial Normal School of Hubei.

In mid-September 1920, Bao Huiseng was admitted into the Party on the recommendation of Liu Bochui, who had been assigned by Chen Duxiu to enroll new members in Wuhan. They held their first meeting at Dong Biwu's residence on Fuyuan Street in Wuchang, and the interim Wuhan Party branch was set up. Its headquarters was at No. 5 Duogong Ancestral Temple in Wuchang, under the cover of a lawyer's office. Bao Huiseng was a leading member. He participated in sponsoring the Society for the Study of Marxist Theory, helped organize the Socialist Youth League and worked in the labor movement.

In January 1921, Bao came to Shanghai with several other young people. They were on their way to the Soviet Union to study, but did not make the trip because the sea route to Haishenwai (Vladivostok) was cut off and they were short of money. So Bao himself stayed in Shanghai at the Party headquarters at No. 6 New Yuyang Lane, Joffrey Road, in the French Concession, and took part in educational and propaganda work.

In December 1920, Chen Duxiu went to Guangdong at the invitation of Chen Jiongming to take charge of education work there. The Party work in Shanghai was left to Li Hanjun and Li Da. The representative of the Communist International, Voitinsky, had left China for home, some of the core members of the Party were leaving Shanghai one after another, and the Party was facing financial difficulties. Li Hanjun once told Bao Huiseng that the "backbones" had left and the Party had run out of funds so it would be difficult to keep on. Unable to leave Shanghai himself, Li sent Bao to Guangzhou in May 1921 with his suggestion that either Chen Duxiu come back to Shanghai to take charge or the Party's headquarters move to Guangzhou.

In Guangzhou, Bao stayed at the distribution department of the magazine *New Youth*. Chen Duxiu rejected Li's suggestion, and asked Bao to stay on in Guangzhou. Then Su Xinfu, publisher of *New Youth*, helped Bao find a temporary newspaper job. Bao stayed over two months, working in the Guangzhou Party organization. Around the middle of July he came back to Shanghai to attend the First Congress.

Bao recalled:

The seven Party members in Guangzhou were Tang Pingshan, Chen Gongbo, Tan Zhitang, Liu Ersong, Chen Duxiu and I, and a teacher named Li. Tan Pingshan, Chen Gongbo and Tan Zhitang were all Peking University graduates. Tan Pingshan was the branch secretary, Chen Gongbo was a law professor, head of the Propaganda Training Institute, and editor-in-chief of the *Guangzhou Daily*. The paper was run by Chen Duxiu, and I was one of its contributors. Tan Zhitang was a teacher and Liu Ersong a high school student. The Party members met once a week.

One day, Chen Duxiu called a meeting at Tan Zhitang's house. He told us he had gotten a letter from Li Hanjun in Shanghai. The letter said that the Third International and the Red Trade Union International had sent two representatives to Shanghai, that the inaugural meeting of the Chinese Communist Party would be held, that Chen Duxiu should come back to Shanghai and that the Guangzhou branch should send two members to the meeting. He also sent 200 yuan as the fare.

Chen Duxiu said, first, he could not go, at least not right away, for he was president of the preparatory course of a university and was trying to get funds for constructing school buildings. If he went, the efforts would be in vain. Second, Chen Gongbo and Bao Huiseng might go. Chen knew quite a lot as a journalist and head of the Propaganda Training Institute, and his editing work could be taken over by Tan Zhitang. I belonged to the Hubei unit, and could go back to Wuhan after the meeting. As for others, they were busy and could not leave.

Chen Duxiu was the senior and we were all his students, so nobody had any objections. Some people said Chen Duxiu was high-handed, like a patriarch. By then, that was somewhat true. But later on, he mainly complied with the Third International, and Chen could no longer be a patriarch even if he wanted to.

Thus I boarded a ship to Shanghai, and stayed at No. 6 New Yuyang Lane. Chen Gongbo had just gotten married and took his bride to Shanghai on a steam liner and stayed at the Oriental Hotel. When we met, he asked me to send a telegram to Guangzhou reporting our safe arrival.¹

In August 1921, Bao Huiseng began working at the Secretariat of the Federation of Labor of China in Shanghai. He also was editor-in-chief of *Labor Weekly*. Soon branches of the labor organization were established in other parts of the country in succession, and Bao Huiseng became head of the Changjiang (Yangtze) branch.

¹ See Bao Huiseng, *The Chen Duxiu I Knew*, carried in *Dang Shi Yen Jiu Zi Liao (Research Literature on Party History)*, No. 3, 1979, compiled by the Department for Research on Party History of the Museum of the Chinese Revolution.

In September 1921, in compliance with directives from the Third International and the Central Committee of the CPC, Chen Duxiu resigned his post in Guangdong and went to Shanghai to do Party work. He was soon arrested by French policemen at No. 2 Old Yuyang Lane. Also arrested were his wife Gao Junman, Bao Huiseng, Yang Mingzhai and Ke Qingshi. They were released one after another through the efforts of Malin and well-known figures in Guangzhou and Shanghai.

After October 1921, Bao Huiseng returned to Wuhan, lived at Huangtupo, Wuchang, and began to concern himself with Party work in the Wuhan area.

During the period of cooperation between the Guomindang and the Communist Party, Bao worked at the Huangpu Military Academy. In 1927, after the Great Revolution failed, he quit the Communist Party and became a Guomindang official. His career from 1922 to 1949, having nothing to do with the present topic, will not be discussed here. After liberation, before 1957, he was a research consultant and counsellor in the Ministry of the Interior. Later in April 1957, he became a counsellor in the State Council in Beijing.

Bao Huiseng wrote several memoirs,¹ including reminiscences of the first period of cooperation between the Guomindang and the Communist Party, the Huangpu Military Academy, Chen Duxiu and Malin. Teachers and researchers in Party history visited Bao frequently and compiled many notes on the interviews.

Bao's memoirs are full of details, most of which can be verified and many of which could not have been written by people who did not personally experience them. The memoirs have been published either for the general public or for internal circulation. Moreover, the 1954 survey of the site of the First Congress provides further evidence. At the request of the departments concerned, Bao Huiseng undertook a special tour to Shanghai to survey the site of the First Congress and made suggestions for turning it into a museum. It would have been ludicrous to take his advice unless he had been at the congress.

The historical materials available affirm that Bao Huiseng took part in the First Congress. It is understandable that some other participants (Comrades Dong Biwu and Li Da, for example) did not mention Bao out of a desire

¹ Among these are:

Memoirs About the Time Both Before and After the First Congress of the Communist Party of China, I, II.

A Few Suggestions and Recollections After Surveying the Shanghai Museum of Revolutionary History.

Supplementary Notes on the Survey of the Shanghai Museum of Revolutionary History, I, II.

Memoirs on "February 7."

Things Seen and Heard Both Before and After the Founding of the Communist Party of China.

to stand by the prevalent belief that only 12 people attended. But in replies to letters of inquiry and in private conversations, they testified that Bao was indeed there.

Furthermore, Bao's career in the early days of the Party makes it reasonable to think that he was qualified to participate in the First Congress. He was an original member in Wuhan and an area head, and he had connections with Chen Duxiu, Li Hanjun and Li Da, all key figures in the founding of the Party.

As to Bao Huiseng's quitting the Party later, that is another matter.

Bao Huiseng originally was a Party member in Wuhan. In the first half of 1921, he took part in Party activities first in Shanghai and later in Guangzhou, and from Guangzhou he went to Shanghai to attend the First Congress. He was the only one among the participants who had such a background. His movements have added to the complexity to the question of how many delegates there were. This complexity has given rise to two versions concerning the number of participants in the First Congress, i.e., 12 or 13, and four possible interpretations of Bao Huiseng's participation:

- a) He was a delegate from the Wuhan area;
- b) He was a delegate from Guangzhou;
- c) He attended the congress because he was in the area, as a non-voting delegate.
- d) He was chosen by Chen Duxiu to attend the congress.

Taking these theses one by one, we can conclude as follows:

First, Bao Huiseng could not have attended the First Congress as a delegate from Wuhan. The Shanghai Party group which initiated the convening of the congress notified each area to send two delegates. The fact that Comrades Dong Biwu and Chen Tanqiu were delegates from Wuhan is beyond any doubt; since Wuhan could not have sent three delegates, Bao Huiseng could not be a delegate from Wuhan. Furthermore, in the first half of 1921, Bao Huiseng did not work in Wuhan; and he went to Shanghai not from Wuhan, but from Guangzhou to attend the First Congress.

Second, there is no convincing evidence that Bao Huiseng was a delegate from Guangzhou. Although Bao himself and two other participants said he was a delegate from Guangzhou, and Bao did start from Guangzhou to attend the First Congress, the point is still questionable. For example, in the article "The First National Congress of the Communist Party of China" one passage says that "Twelve delegates from seven places, including Shanghai, attended the First Congress, one delegate each from two places, and two delegates each from five places." That Shanghai, Beijing, Changsha, Wuhan and Jinan each sent two delegates is beyond doubt. And the two places which sent one delegate each were Guangzhou and Japan. In his memoirs, Chen Gongbo only said that Bao Huiseng attended the congress, but did not men-

tion that he was a delegate from Guangzhou. If Guangzhou sent only one delegate, it must be Chen Gongbo, not Bao Huiseng; Bao Huiseng went, after all, to Guangzhou later and did not stay there long.

Third, it would be absurd to think that Bao Huiseng attended the congress as a result of happening to be at the meeting place. The Party's First Congress was convened in strict secrecy. A casual visitor would not have been allowed in. Even if we assume Bao did attend one or two meetings of the congress solely because he happened to be there, how do we explain that he happened to be at the meeting place consistently, from the opening to the closing on the South Lake?

As for the assumption that Bao Huiseng attended the congress as a non-voting delegate, that is only an inference from later practice. Actually the First Congress lacked strict procedures, no distinction was made between full delegates and non-voting ones, and equal rights were given to anyone who attended. Bao Huiseng expressed his views on the Party's program, the labor movement and Dr. Sun Yat-sen at different meetings of the congress. He also took part in the final election. So he cannot be regarded as a non-voting delegate.

Fourth, it conforms to historical fact to say that Bao Huiseng was appointed by Chen Duxiu to attend the First Congress. Bao Huiseng knew Chen before he joined the Party, and they had frequent contacts. Bao had the qualifications to attend the First Congress, and Chen had plans for Bao's work afterwards. Since Chen Duxiu could not go to Shanghai for the congress himself, he appointed Bao Huiseng to attend the congress.

After the First Congress, Bao Huiseng went back to Guangzhou to relay the directives of the representative of the Communist International and the Bureau of the Party Central Committee requesting Chen Duxiu to go back to Shanghai to take charge of Party work there.

Besides, judging from the prestige and position of Chen Duxiu at that time, he might well appoint Bao Huiseng to attend the First Congress.

To sum up, the participants in the Party's First Congress were: Mao Zedong, He Shuheng, Dong Biwu, Chen Tanqiu, Wang Jinmei, Deng Enming, Li Hanjun, Li Da, Zhang Guotao, Liu Renjing, Zhou Fohai, Chen Gongbo and Bao Huiseng — 13 in all.

— Translated by Qin Xinmin and others

THE TAIPING PEASANT WAR AND THE TRAGEDY AT NANJING

Li Kan

September 2, 1856 was a dark, tragic day in the history of the Taiping Heavenly Kingdom. On that day the Eastern King, Yang Xiuqing, was murdered by the Northern King, Wei Changhui. For the next two months the slaughter continued, ending in Wei's own murder. Thousands of peasant fighters spilt their blood within Nanjing instead of dying in battle against Qing forces. The death of Yang Xiuqing, Wei Changhui and the others had not been in sacrifice for the ideals of the "Heavenly Kingdom." They had lost their lives on the swords of their own "Heavenly Kingdom" brothers. Moreover, the brilliant and prestigious strategist Shi Dakai not only had to withdraw from Nanjing because of the crisis created by the fratricidal strife but then had to flee with his troops because of it, thus weakening the strength of the Heavenly Kingdom. In a single, uninterrupted motion, the Taipings had rolled up the Yangzi, sweeping north and south, and haughtily established a region for the Heavenly Kingdom in Southeast China. Now, by becoming bogged down in suicidal killings and chaotic splitting, their kingdom nearly collapsed. The fratricidal strife at Nanjing was the chief cause of this sudden somersault from victory to defeat.

As people look at the record of the Heavenly Kingdom, they cannot help but sigh with sympathy and feel bitter regret. Many scholars who have tackled the history of the Taiping Heavenly Kingdom have looked hard at the fratricidal strife at Nanjing and have examined closely the historical source materials relating to it. They have many views about the rights and wrongs of the great splits in the leadership of the Taiping Heavenly Kingdom. But do we know to this day who was the person guilty of precipitating this great tragedy? Some think that it was Yang Xiuqing's soaring ambition, his insistence on being the ruler, and his stubborn disposition that brought about his murder. Others think that fault lay with Wei Changhui as a landlord class element whose "secretive and devilish plotting," suspicious nature, murder of the Eastern King and bathing of Nanjing in blood bogged down the peasant insurrectionary troops so that he brought about single-handedly a fra-

atricidal strife which was in fact a counter-revolutionary rebellion. Still others think that Shi Dakai should be blamed. When he came under suspicion and faced danger, Shi did not keep the larger interests of the Taipings at heart. Instead he fled, causing further splits and harming the cause of the movement. And Hong Xiuquan, the Heavenly King, especially during the Nanjing period, hid in his palace and would not attend to affairs of state. By just concerning himself with proselytizing his religion, he let his power seep away and gave the ambitious too much leeway.

Despite their different approaches, these analyses all place responsibility on individuals — Hong, Yang, Wei, or Shi. Each view has foundation and makes sense. The trouble is that judgements about individuals will always differ and the results are too subjective. Focusing on individual responsibility does not resolve the difficult questions. For example, how, after starting an insurrection, risking lives, and spilling so much blood on the battlefield against the Qing could this drama of struggle and contradictions amongst the Taiping leadership break out? Or how could a leadership that had sound collective objectives suddenly find themselves unable to continue to support them or to remain true as the natural leaders of the peasant class? How could they suddenly reverse themselves and perform the grim drama of a mutually inflicted suicide?

My point is that, the fratricidal strife at Nanjing involved deeper social and class causes, besides the particularistic and subjective factors enumerated above. As Engels pointed out: "But wherever accident superficially holds sway, it is always governed by hidden inner laws and it is only a matter of discovering these laws."¹ If we take the tragic fratricidal strife at Nanjing and apply to it the scrutiny and techniques of the social historian, we shall see that it was neither precipitated by the class background of a single leader nor a product of the character, morality, or thought and charisma of a single person. What happened was unavoidable — inherent to the nature of old style peasant wars. This essay is a preliminary attempt to investigate the fratricidal struggle at Nanjing from both sides — peasant war and leadership.

I

The immediate cause of the fratricidal strife was power-hungry Yang Xiuqing's usurpations. Invoking his special position as spiritual medium for the Heavenly Father, Yang threatened to flog Hong Xiuquan in the name of the Almighty and at another time forced out of Hong a promise to grant him the title of "Wan Sui" ("ten thousand years"). Politically and spiritually, Hong

¹ Frederick Engels, *Ludwig Feuerbach and the End of Classical German Philosophy*, FLP, Beijing, p. 46.

could never assume the impossible and intolerable position of puppet Emperor. In order to stop Yang Xiuqing, Hong secretly ordered Wei Changhui and Shi Dakai to return from Jiangxi and Hubei respectively. Wei was the first to arrive, killing Yang by surprise attack. But Wei himself was no less ambitious than Yang Xiuqing, which in turn led to his murderous massacre of all of Yang's followers — young and old, men and women. Late in September, Shi Dakai returned to Nanjing and the situation got worse. Wei failed in an attempt to lay murderous hands on Shi, but succeeded in murdering his entire family after Shi had fled Nanjing. Late in November, "having heard that Shi was returning to Nanjing to avenge the death of his family," Hong Xiuquan killed Wei Changhui, thus concluding this cruel drama of fratricidal strife and killing.

The damage and harm done was irreparable. From the point of view of leadership, of the core leaders of the original Jintian Uprising, Feng Yunshan and Xiao Chaogui had died at Quanzhou and Changsha, and now Yang Xiuqing and Wei Changhui had perished in an internal struggle, with Shi Dakai fleeing Nanjing soon thereafter. With the exception of Hong Xiuquan, the Taiping Heavenly Kingdom lost the core of its initial, strong leadership. From a military point of view, the Taipings had lost their most able commander, Yang Xiuqing, and over 20,000 of their best troops. In addition, Shi Dakai had fled with a number of crack units.

In his "confession" Li Xiucheng cited ten major mistakes that the Taipings made. Of these, two related to the fratricidal strife at Nanjing:

An error was committed when the Eastern King and the Northern King engaged in mutual slaughter. This was a great error. . . . It was an error when the Yi King (Shi Dakai) was not in harmony with the sovereign. Sovereign and minister were suspicious of each other. Shi left taking with him all the good civil and military personnel in the court. This error had very serious consequences.

In fact these "ten great errors of the Heavenly Dynasty" not only tore apart Taiping leadership and crippled Taiping military strength, but more fundamentally, it broke the confidence of the people in the Taiping Heavenly Kingdom.

It was this — the collapse in revolutionary spirit — which was the worst consequence of the fratricidal strife at Nanjing. The creditability of the lofty rhetoric with which the Taipings had inspired people, such as "Heavenly Father, Heavenly Son," "Heavenly King," "True Sovereign," or other awe inspiring phrases like "Wind of the Holy Ghost," and "Disease Redeeming Lord," was destroyed by the "brothers" in the strife. Likewise such political slogans as "collectively support the True Sovereign" and "Everlasting Happiness under the Heavenly Father" became ridiculous. The glorious ideals of the "Heavenly Kingdom" lost their value. Yang Xiuqing and Wei Changhui, who

were once praised by the "Son of Heaven" Hong Xiuquan as "Qing Bao" (Brother Yang Xiuqing) and "Zheng Bao" (Brother Wei Changhui) respectively, had died in the strife. Imagine this happening to "old brothers" who earlier had suffered, risked death together, and had once said:

Thus all the people in the empire may enjoy together abundant happiness of the Heavenly Father, Supreme Lord and Great God. There being fields, let all cultivate them; there being food, let all eat; there being clothes, let all be dressed; there being money, let all use it, so that nowhere does inequality exist, and no man is not well fed and clothed.

In a peasant war as in politics what could be more fatal than losing the confidence of the people?

When the Taiping leadership was split by fratricidal strife, not only did it disillusion the people, but it gave hope to the feudal classes leading the Qing Dynasty's anti-revolutionary forces. As soon as Xiang army commanders and provincial governors/governor-generals heard the news, they sent "celebratory" messages to one another and adopted a more confident attitude. When Emperor Xianfeng, who had been deeply depressed by the situation, saw the memorial reporting the news, his spirits revived and he called for "taking advantage of the Taipings' internal strife to wipe them out one after the other." Zeng Guofan announced that "as soon as there is a great turnabout in the west, we shall dispatch more troops to the east and clean out the vermin there."¹

Although they rejoiced too soon, the reactionary ruling classes were correct in seeing the fratricidal strife at Nanjing as a great turning point in their favor. They had been fighting the Taipings for five to six years, spending millions of taels, suffering defeats repeatedly, kept on the run all the time, and yet they never harmed the Heavenly Kingdom's Eastern, Northern, or Yi King in the least. Now, without the Qing forces losing a single soldier or life, the Taipings themselves had killed the men they most feared. Little wonder these classes became jubilant and more firm in their anti-revolutionary resolve. Despite the later efforts made by Hong Xiuquan and new generals, Chen Yucheng and Li Xiucheng, to save the situation — especially militarily — the revolutionary tide had turned. After the fratricidal conflict at Nanjing, the Taipings were doomed to failure.

Why did such fratricidal strife and splits occur in 1856, when the Taipings were at the zenith of their power? What were the causal factors that led to the tragedy? These are important questions which deserve our serious thought and study.

The period from January 11, 1851, the day of the uprising at Jintian, to March 20, 1853, when the Taipings occupied Nanjing, was just over two years.

¹ Zeng Guofan's *Collected Memorials*, *juan* XI.

Along with the speed with which the uprising developed, the existence of a sound political and military organization as well as the creation of theories and declarations about guiding principles were unprecedented in the history of Chinese peasant wars. It was precisely these elements which have enhanced the stature of the Taiping Heavenly Kingdom to such a point that it is often called the apex of the old style peasant wars.

The period which followed, from 1853 to 1856, was crucial to the success and failure of the Taipings and was fraught with contradictions. The speed with which the Taipings took Nanjing was a surprise to themselves as well as to their enemies. It was a time when the life-death struggle between landlord and peasant, revolutionaries and counter-revolutionaries was at its highest and most heroic level. The Taipings were bidding for empire-wide power by launching both northern and western expeditions, and at the same time by proclaiming the equalitarian "Land System of the Heavenly Dynasty." Despite the full alignment of the ruling classes against them, the Taiping armies prevailed, pushing the Qing feudal regime into a severe crisis. The high tide in the peasant war spread to all corners of China. By 1855, the northern expedition had failed, but the western expedition had defeated the Xiang Army at Hukou in Jiangxi. Moreover, by summer 1856 the Taiping armies had terminated any Qing threat to Nanjing by controlling the North and the South of the Yangzi and garrisoning troops along the river in Anhui, Jiangxi, and Hubei. Not bad for an uprising that emerged suddenly from nowhere.

There were also problems. Corrosive elements were at work behind the scenes. The peasant military government, which had been created in the crucible of battle, daily became more feudal. Both the encroaching thought of the landlord class as well as the petty and factional nature of peasant small producers made inroads into the "small heavenly halls" of the Heavenly Kingdom's leadership. Increasingly the leaders became drunk on personal power and sumptuous living. Their relationships with each other, which had been based in the beginning on "sleeping and eating together, suffering together and discussing together what should be done . . ." and which had as a goal the "destruction of heresy" and "annihilation of demons," deteriorated into a crude power struggle.¹ This feudalization of the Taiping leadership and polity is best understood by discussing the cases of Hong Xiuquan, Yang Xiuqing, Wei Changhui, and Shi Dakai individually.

From the beginning, Hong Xiuquan was in the habit of comparing himself to Liu Bang (founder of the Han Dynasty) and Zhu Yuanzhang (founder of

¹Zhang Dejian, *Ziqing Huizuan (Collected Intelligence Reports on the Rebels)*, in Xiang Da et al. (ed.), *Taiping Tianguo (Taiping Heavenly Kingdom)*, Shanghai, 1952, Book III, p. 172.

the Ming).¹ As the son of the Taiping heaven, he wanted to become the emperor of a new heavenly dynasty. As God's emissary on earth, he intended to establish a long family dynasty in which "the one above rules over all." To this end he recruited intellectuals from the landlord class to write essays and treatises of justification. Examples were treatises on "Establishment of a Heavenly Capital at Jinling," "Denouncement of the Demons' Den as the Criminals' Region" and "Affixing the Imperial Seal on Proclamations." As for content, regardless of subject, they had a common concern, which was to propagandize Hong Xiuquan as the "truly mandated son of heaven," who had personally received authority from God to rule eternally over the mountains and streams:

The Capital is called the Heavenly Capital, in consonance with Heavenly mandate, the State is called Heavenly State, in consonance with God's will. . . . Gracious and august is our sovereign, who possesses all within the four seas . . . he brings consolation and peace to ten thousand states. . . . The whole world having come to our Sovereign as one body, it is appropriate that thousands and hundreds of generations of boundless happiness should be founded. . . . For eternity and that the foundation be laid for the prolongation of the virtuous reign for myriads of years.² China being a great nation, it became necessary that someone possessing correctness and dignity should be constituted the lord of all the people. . . .³ Now the mouth of the Heavenly King is the heavenly mouth and his words are the heavenly words, when imperial declarations are proclaimed, all under heaven will know it. . . . Then the ruler will be enlightened and his ministers virtuous. Hounds and pheasants will be sent as tribute, coming across the sea and over the mountains. None will dare not to come with offerings; none will dare not to come to seek acknowledgement.⁴

Within the Heavenly Kingdom, Hong Xiuquan could not in practice "put heaven and earth under one sovereign." Although he had the title Heavenly

¹In a poem in 1850 Hong Xiuquan wrote:

"In recent times the murky atmosphere has greatly changed;
We know that Heaven means to take heroic leadership . . .
The founder of the Ming sang an ode on the Chrysanthemum
The emperor of the Han held out wine in esteem to the singing wind."

²He Zhenchuan, "Treatise on Establishment of a Heavenly Capital at Jinling," *Taiping Tianguo Yinshu (Published Tracts of the Taiping Heavenly Kingdom)*, Jiangsu People's Publishing House, 1979, Book II, p. 417. (Franz Michael ed., *Taiping Rebellion*, Seattle, 1971, Book II, p. 253 for translation.)

³Zhong Xiangwen, "Denouncement of the Demons' Den as the Criminals' Region," *ibid.*, Book II, p. 441. (Michael, Book II, p. 280.)

⁴Wu Rongkuan, "Affixing the Imperial Seal on Proclamations," *ibid.*, Book II, p. 457. (Michael, Book II, p. 296.)

King, his mouth was neither the "Heavenly mouth" nor his words the "Heavenly words." At his side was the man who in reality held greater power, Yang Xiuqing.

Within the Heavenly Kingdom there was no one who was feared more than Yang Xiuqing. Spiritually, it was through him that the Heavenly Father descended to earth, thus giving Yang a mandate to rule which for many seemed higher than that of the Heavenly King. Not only "as his reputation for authority gained ground, did he not heed the jealousy around him," Yang Xiuqing behaved increasingly as the head of a dynasty and, like Hong Xiuquan, was "in possession of all within the four seas."¹ He asked examinees to write a poem on: "Within the Four Seas There Is the Eastern King." His supporters and followers publicly admonished: "To keep worshipping the Heavenly Father as our father for ever, we must make the Eastern King our earthly king as early as possible."² The incident in which Yang threatened to beat Hong Xiuquan and tried to intimidate him into publicly saying "Wan Sui" ("ten thousand years") to Yang humiliated Hong further and brought their power struggle into the open.

Even the enemies of the Taipings understood the situation. By 1855 they could see that Yang Xiuqing

capitalized on his contributions and Hong Xiuquan was the dictator in all but name only. . . . With his treacherous mind concealed, Yang in fact feigned respect for Hong as leader while trying to usurp his power. If successful, Yang will kill Hong.³

Wei Changhui was never as powerful as Yang Xiuqing. Nevertheless he "treacherously and openly showed respect for Yang, while secretly trying to seize power." His ambition was such that "he will soon swallow Yang."⁴

Compared to Yang and Wei, Shi Dakai was more loyal and honorable. It was he who demonstrated early his unhappiness with Yang Xiuqing's power-seeking and dictatorial moves. After the execution of Wei Changhui, Shi returned to Nanjing on November 17, 1856. "When the whole court, without a dissenting voice, elected Yi King (Shi Dakai) to direct and manage the government, everyone was delighted." But Hong Xiuquan was still suspicious of Shi and "unhappy" about him directing everyday administration. And so Hong refused to work closely with Shi and "oppressed" him by "relying on An King and Fu King (relatives)."⁵ This not only increased the confusion and disillusionment of the people, it made Shi Dakai lose hope in ever establish-

¹ Li Xiucheng's Confession.

² Zhang Dejian, *op. cit.*, Book III, p. 247.

³ Zhang Dejian, *ibid.*, Book III, p. 46.

⁴ Zhang Dejian, *ibid.*, Book III, p. 48.

⁵ Li Xiucheng's Confession.

ing a unified Heavenly Dynasty so that he left permanently with 40,000 troops.¹ If only Hong Xiuquan had had enough political and military sense to unite and work with one as farsighted and respected by the troops and the people as Shi Dakai, they might have been able to recover from the crisis and restore hope to the Heavenly Dynasty.

Needless to say, when Shi Dakai led his troops away a second time, it seriously weakened the Taiping Heavenly Kingdom. As such, it was an erroneous and divisive move. But we should not blame one person alone. In fact, in the context of the growing contradictions between Hong, Yang, Wei, and Shi and the feudalization of Heavenly Kingdom politics, Shi Dakai's exit was just one scene in the tragic drama of Nanjing.

Another underlying cause of the power struggle at Nanjing was the leadership's increasingly corrupt and decadent life style. After rising in Guangxi and quickly taking Nanjing, the richest city of the lower Yangzi, the leadership began paying too much attention to their "small heavenly halls." In other words, when they entered Nanjing, they commandeered the residences of Qing viceroys, generals and officials, and those of rich merchants and the like as their private residences. If they did not consider these luxurious enough, they forced men and women laborers to work day and night on the construction of new official residences. The revolution sanctioned no such step! "The official mansion of the governor-general of Jiangsu, Jiangxi and Anhui became the palace of the Heavenly King, and another mansion at Huang Ni Gang became the Eastern King's."

Hong Xiuquan and Yang Xiuqing had many concubines along with extravagant residences. Behind the Heavenly King's palace was a large women's quarters where "no matter what was desired in food, clothes or jewelry, they would be brought in. There were scores of women attendants, creating quite a stir when appearing in the streets."² Yang Xiuqing's appetite for luxury was similar. "Whenever he went out all manner of flags and banners were hoisted, so that the boisterous atmosphere of a market fair was created."³ Each of the Kings had over 1,000 retainers and servants serving them personally. Yet, in contrast to this, they dictated an extremely severe and feudal code of conduct for the people called the Taiping Ceremonial Regulations. It stipulated that when high officials went out, their soldiers and subordinates must clear the route for them or kneel down by the roadside; any violation was to be punished by decapitation. Thus, the leadership who had once fought and suffered with their troops on the battlefield, now became daily more separated from the masses and the ordinary soldier. The writer of the *Collected Intel-*

¹ Hong Rengan's Confession.

² Zhang Dejian, *op. cit.*, Book III, p. 110.

³ Zhang Dejian, *ibid.*, Book III, p. 46.

ligence Reports on the Rebels noted that as the Taipings "proceeded down the Yangzi, the older bandits all took up prominent posts." The result, he continued, was that "they become obsessed with wealth and luxury, lead a pampered life, and are interested only in women and gain. Their trusted subordinates are estranged from them and look at them with growing suspicion."¹

The Taiping leadership ruled the masses as an aristocracy. To enforce their position in the hierarchy, they ordered extremely cruel and brutal punishment of those who violated their laws. Besides beatings, whippings, and beheadings, there were horrible punishments with names like "burning by heavenly light" and "tearing apart by five horses." Looking at the relevant documents today, one can see that the victims were not anti-revolutionaries, but mostly revolutionary soldiers. The aim then of such punishments was obviously to bolster the power position of the leadership at the expense of innocent people. A few examples will illustrate the point. A groom working under the King of Yen, Jin Rigang, had inadvertently offended a relative of Yang Xiuqing. Acting as judge, Duke Huang Yukun decided that the groom should be whipped but not flogged. His leniency created a big stir:

The bandit of the East (Yang Xiuqing) was angry, ordering the bandit of Yi (Shi Dakai) to arrest Huang Yukun. Hearing this Yukun resigned and so did Count Chen Zhengyu and Jin Rigang himself. This made the Eastern bandit even madder. He demanded the flogging of Jin Rigang by 100 blows, Zhengyu by 200, and Yukun by 300, plus the execution of the groom by "five horses". [In another case] Wei Changhui's elder brother got into a housing dispute with a brother of a concubine of the bandit of the East. Again the bandit of the East became angry and wanted to kill this fellow. He demanded that the bandit of the North (Wei Changhui) judge the matter, requesting that he (the brother) be "torn apart by five horses".²

In another instance, a Taiping senior official was flogged and then executed because he had offended a trusted follower of Yang Xiuqing.³ As for what constituted a crime which merited whippings and floggings, they "definitely included such small infractions as eating, drinking, smoking and dressing in ways which violated the regulations. Horrible punishments also awaited those who did not properly wait on officials, serve their tea, or call their horses correctly."⁴ Imagine then in the context of all this the leadership's hypocrisy in persisting to speak to their "brothers" about equality and "collective pleasure under Heaven."

¹ Zhang Dejian, *ibid.*, Book III, pp. 172 and 292.

² *Taiping Heavenly Kingdom*, Book IV, pp. 669 and 671.

³ "Book on the Principles of the Heavenly Nature," *Taiping Heavenly Kingdom*, Book I, pp. 387-88.

⁴ Zhang Dejian, *op. cit.*, Book III, p. 265.

As Hong Xiuquan and Yang Xiuqing became more greedy in seeking feudalistic privileges and more decadent and corrupt in life style, the interests of the masses were forgotten. At first the people welcomed Yang Xiuqing's initial proclamation upon entering Nanjing urging them to "remain at peace in their occupations." He said: "Let scholars, farmers, artisans and merchants vigorously attend to their occupations" and "peacefully abide in their native region and follow usual employment."¹ But the way in which this proclamation was in fact put into practice dissolved families, separated men and women within the masses, and basically prevented artisans and merchants of the city from returning to their occupations. The result was much disruption in social and economic life, along with disillusionment and chaos. When Yang Xiuqing issued another proclamation in 1854 he recognized this:

In the estimation of you people, you imagined that we were wasting your patrimony and separating you from your relations, so you were apprehensive lest all your goods be annihilated and your wives and children scattered; indeed the lamentations on this account have not yet ceased.²

These inhumane policies were changed later because of dissatisfaction and refusal to comply on the part of the Taiping troops and the people. But these regulations and the discrepancies in life styles were just symptoms of the gap between those above and below. The Taiping Heavenly leadership no longer had any reason to unite with the masses and so their relationship disintegrated.

The Taiping "Heavenly Kingdom" was created by means of peasant war. By knocking out the feudal Qing rulers the Taipings performed an important revolutionary function. But throughout Chinese history there have been other similar peasant military regimes and in each case they reversed themselves, returning in the end to a feudal polity. The Taipings were no exception. A hard look at the facts shows that during the period from the taking of Nanjing in 1853 until the fratricide and breakup in late 1856 the Taiping polity was in the process of becoming more feudalistic. Thus the fratricide at Nanjing itself was a dramatic turning point as well as a necessary product of this process of returning to a feudal polity.

II

The degeneration of the Taiping Heavenly Kingdom was tied intimately to the deterioration of the leadership's thinking. Taiping leaders like Hong

¹ "Proclamation Urging People to Remain at Peace in Their Occupations," *Taiping Heavenly Kingdom*, Book II, p. 692.

² "Proclamation to the People of the Heavenly Capital," Michael, II: 463.

Xiuquan, Yang Xiuqing, Feng Yunshan, Xiao Chaogui, Shi Dakai, Chen Yucheng, Hong Rengan and Lai Wenguang were typical of peasant small producers of the time. Although brave and heroic, in the end they could not surpass the limits of the period and their class. It proved impossible for them to root out the influence of landlord class thinking around them. Moreover, as the movement and their power expanded in whirlwind fashion, their class point of view became increasingly blurred. Their feeling for the poor peasant declined appreciably after the occupation of Nanjing.

Thus the consciousness guiding the decisions of the Taiping Heavenly Kingdom's leadership changed from that of an ordinary commoner to that of a new ruling aristocracy. These men never recognized that their victory was won by the strength of the broad masses of people. Credit for the victory instead was given to the will of "Lord God in Heaven." God had created the Taiping leaders so that they could "descend to earth to rule and save mankind." The more Hong Xiuquan and Yang Xiuqing were obsessed with absolute power and wanted the people to think of them as gods and saviors, the farther they drifted away from the people. Their propaganda departed further and further from truth and reality. Hong was "the true sovereign ruling all" and Yang "the interpreter of the heavenly mandate, the right hand man of the true sovereign."

As the political picture worsened, relations between peasants, ordinary officers and soldiers and the leadership were no longer those of "brothers and sisters." They gradually turned into relations between "monarch and subject" or the "rulers and the ruled." In Nanjing the leadership fashioned a feudal dictatorship to their own design. This is clearly manifested in the severe and autocratic way in which they tried to regulate society through a series of "Heavenly Kingdom proclamations." For instance, on the eve of the Taiping army's occupation of Nanjing, Hong Xiuquan hurriedly issued an edict on the "Enforcement of Separation Between Men and Women and Correct Addressing of the Queen." In it he stipulated that:

Henceforth external discussions (by men) shall never be permitted to take place inside, and internal discussions (by women) shall never be permitted to take place outside. . . . Those ministers who discuss the Queen's surname or name, rank or station, shall be beheaded without mercy. . . . It is not that I am desirous of making severe restrictions; I only wish to embody the holy will of the Heavenly Father and Heavenly Elder Brother, in beheading evil and sparing the good. Should there even be an occasional departure from this rule, this also would not do at all.¹

¹ Hong Xiuquan, "Proclamation on the Enforcement of Separation Between Men and Women and Correct Addressing of the Queen," Michael, II:110.

A minister who uttered an imperial concubine's name or even lifted his eyes to look at her countenance, had committed a great crime and thus was labelled "evil" and beheaded. This kind of ridiculous order embodying the "Holy will of the Heavenly Father and Heavenly Elder Brother" was typical of Hong Xiuquan's nonsense about the "Heavenly Father and Heavenly Elder Brother." Moreover, after establishing Nanjing as his capital, Hong "avoided going out and stayed deep within the palace, never venturing beyond its gates, so that people never saw his face."¹

This kind of incredible deification of himself, besides blinding him, cut Hong Xiuquan off from his "ministers." It also meant that he no longer did any useful work. In April 1854, at a crucial time militarily for the Taiping Heavenly Kingdom, Hong issued through Yang Xiuqing a "Proclamation on the Sincere Worship of God"! It did nothing to encourage his troops and the people in battle nor provide any practical solutions to the real political and economic problems of the Taipings. Hong's whole emphasis was on the empty worship of God.

*Morning and evening worship the Father
In spirit worship Him
Spiritual worship is of first importance
This doctrine is profound
Spiritual worship is the real service,
Bodily exercise is vain;
Let each one purify himself with sincerity,
This is valuable as gold.
Upholding Heaven with a sincere mind,
Divest yourselves of hypocrisy
Constantly obey the Heavenly Law,
Let there be no mistake. . . .²*

By such rhetoric, Hong had in fact neutralized himself. Hidden inside of his palace, he was separated from his troops and the people.

The real power of course was concentrated in the hands of Yang Xiuqing. Yang too proved neither willing nor able to halt the feudalization of the Taiping polity. But initially he said otherwise, as in this excerpt from a "Proclamation to the People of Nanjing" in May 1854:

But you do not consider that from old to the present time, whenever dynasties have been changed, the troops that have been employed to punish offenders have, when cities were taken, killed all whom they found therein, burning all without distinguishing pebbles from precious stones,

¹ Zhang Dejian, *op. cit.*, Book III, pp. 44 and 171.

² Yang Xiuqing's "Proclamation on the Sincere Worship of God," Michael, II: 460-61.

so that blood flowed in torrents, and neither dog nor fowl was left alive. How different from our Heavenly Dynasty, which has not unnecessarily deprived a single person of life, but on the contrary has fed and clothed you as if you had been part of ourselves.¹

In practice under Yang Xiuqing, however, administrative distinctions between the Taiping leadership and the landlord class became blurred. In 1855 a senior army officer posted a proclamation stating:

You rural people, the rich amongst you should contribute money as well as tribute to help our troops. The poor people should devote their energies (and offer their services), so that together we can destroy the heinous devils, and together support the true sovereign.

In the same year tribute collector Liu made statements like: "Acting on royal decrees, I have come to this region to collect taxes both in money and in kind." "You grain-producing households must also heed the heavenly order and temporarily follow old practice and pay taxes in full." "As for paying land taxes, head taxes, fish taxes, and the like, no matter how rich or poor the person, all taxes must be paid fully, without hesitation or delinquency."² If these are typical notices urging collection of grain taxes, regardless of wealth, one should not be surprised by Hong Xiuquan's edict of 1860 in which he said:

Before our heavenly troops pacified the area, you feared us and ran. Now that we are here, you welcome us and return to farming. Because this is newly acquired territory for us, there is no accumulation on your part (for taxes). I am aware of and sympathetic to the difficulties of the people. As for the old taxes in money and in kind that you now owe, local officials will give you a reduction on the merit of each case. A small reduction would give the people more leeway and improve the quality of their life. Understand our kindness, trust us, and return peacefully to your occupations.

If you are not conversant with Taiping terminology, I am afraid that it would be difficult to distinguish the edict above from the oppressive edicts on taxation issued by feudal emperors. In 1862 a man named Huang who was in charge of military and civilian government for Changzhou city proclaimed:

All land taxes, grain taxes and other prescribed levies must be paid in full by every landowner. If there is rain or drought, and the tenants borrow seed or money, then both the landowner and the tenant are in it together, and should work in harmony. After the Heavenly Dynasty subdued Jiangsu and restored order, we began to collect taxes. The former magis-

¹ Yang Xiuqing's "Proclamation to the People of Nanjing," Michael, II:465-66.

² Tribute Collector Liu's announcement about early payment of taxes.

trate Xiung had issued a decree to the effect that, since the landlords had fled, their tenants should pay taxes for them and settle accounts with them when they return, for those landlords that remained they should pay in full and collect rent as before. Do not disobey this. . . . If there are tenants who appropriate rent (for themselves) and refuse to pay it, then they will be sent for punishment.¹

This quotation takes the side of the landlord and supports feudal relationships between landlord and tenant. Thus the equalitarian, anti-feudal ideas in such documents as the "Land System of the Heavenly Dynasty" were rejected very early by the Taipings themselves in their public statements.

Another manifestation of the deterioration of Taiping political thought was their reversal in attitude towards Confucius and other classical thinkers. Initially, "the evil books and devilish talk of Confucius, Mencius, and the one hundred schools" had been condemned and banned. But in 1853 Hong Xiuquan permitted expurgated versions of the Confucian classics:

. . . all ghostly, strange, devilish and false words will be expunged completely. Only retain the true and correct words. Copy well and return it. Later I shall examine it and then have it engraved and published.²

In revising "the ghostly, strange, devilish and false words" — that is the writing of landlord *literati* — they just changed some of the characters which were regarded as taboos. For instance they changed "Kongzi" (Confucius) to "a man named Kong," "Zi said" to "a man named Kong said" and revised traditional superstitions, sacrifices, and good luck charms.³ The revision was from a taboo and religious point of view, and did not change the political content of the four books and five classics. This was because the peasant class itself had not reached the stage of having scientific intellectual tools. Invoking God and the Bible did little to seriously undermine Confucius or Confucian thought.

In fact later it became clear that not only was the reading of Confucius, Mencius and the thinkers of the hundred schools of thought permitted, it was encouraged. In his introduction to "Imperial Regulations Governing Scholarly Ranks" Hong Rengan stated:

As for other books dealing with worldly affairs, they have already been imperially approved and revised. The Heavenly Father formerly sent down a sacred edict saying that: "works of Confucius and Mencius need not be completely discarded. There is a great deal of teaching which

¹ "Notice Concerning the Collection of Rent from Tenants by Changzhou Administrator Huang."

² "Edict on the Revision of the Rhyme Book."

³ *Taiping Heavenly Kingdom*, Book IV, p. 79, and *Wang Shituo's Diary*, juan II.

agrees with the Heavenly principle and way." Since these have been made definitive by the royal pen of the true lord, scholars will all profit by reading them. If a scholar really prepares and studies them, then he will write beautiful essays and compose splendid articles. As to reciting and learning books and history and perusing essays and articles, studying by saturating ourselves by our eyes and immersing ourselves by our ears is the way to search our minds. Behaving with propriety in the family through understanding the classics and putting them to practical use will help us in our service to our government.¹

Yang Xiuqing affirmed Confucian beliefs by saying: "The mandate of heaven is natural, and to follow one's nature is the only way, thus it is natural to serve one's father with all energy and to serve the sovereign with one's self. This is not devilish talk, all of which should not be rejected."² Hong Rengan thought:

If the scholars in their studies do not think to follow the filial piety, brotherly love, loyalty and faithfulness of Yao and Shun or to observe the benevolence, righteousness, and moral principles of Confucius and Mencius but only worship Confucius and Mencius with sacrifices, build temples in commemoration of the various sages . . . how could the now dead sages bestow fame or wisdom upon man?³

All of this demonstrates the Taiping leadership's unswerving support for feudal theories of morality.

Li Xiucheng, Shi Dakai, Hong Rengan, Lai Wenguang and others were all captured. Some humiliated themselves before the enemy; others stood firm. To make a close analysis and criticism of their behavior is not a concern of this essay. But their "confessions" had one thing in common: they all regarded themselves as subjects of a feudal sovereign.

Parts of Li Xiucheng's confession are believable, especially his story of how he as a poor peasant participated in the Society for the Worship of God, joined its military force in rebellion, and then rose from an ordinary soldier to a high level Taiping commander. Li revealed the process of change his thinking underwent. At the outset he clearly perceived the battle lines between the Guangxi peasants and the enemy against which they were rising:

Members of the local corps [under the landlords] and God Worshipers were distinguished from one another. The God Worshipers would form themselves into one group and local corps men would form them-

¹ Michael, III:883.

² Zhang Dejian, *op. cit.*, Book III, p. 327.

³ "A Hero's Return to Truth," Michael, III:321.

selves in another group. Each party pursued its own course and endeavored to overwhelm the other and the pressure finally led to the uprising.

Li himself joined the uprising because:

The Western King who was stationed at a village near my home, issued an order to the effect that those who worshipped God need not be afraid and run away. They could have meals together instead of running away. Since my family was poor, when we were given food we did not run away. When they were about to move the camp, all the God Worshipers were ordered to burn their homes on their departure. We were a poor family and lacked food, and therefore we followed him. The villagers were ignorant as to the distance they would have to go, and when they had gone some hundred and ten li (some thirty-five miles), they found they were unable to turn back, being pursued in the rear by (Qing) troops. Who would not have been afraid in such a situation?¹

Thus he says himself that his participation in the revolution was "confused" and "ignorant."

The preconceived design of establishing a government and of fulfilling a long-range program was known only to the Eastern King, Yang Xiuqing, the Western King, Xiao Chaogui, the Southern King, Feng Yunshan, the Northern King, Wei Changhui, the Yi King, Shi Dakai, and the Chancellor of the Heavenly Department Jin Richang (Jin Rigang). Aside from these six persons, none was aware of the fact the Heavenly King intended to reign over the rivers and mountains.²

After Li took "heavenly title and power as a commander, giving orders for troops to follow," and especially after he got the title of the King of Zhong (Loyalty), he was no longer an "ignorant follower," nor "just a minor officer, who wasn't doing much," as he claimed. He had become a major official of the "Hong family's Heavenly Dynasty." He felt that "in taking responsibility for governing, I saw the chaos of the country and, although I was ignorant, tried with all my heart to offer sincere advice to a blindfolded sovereign, urging him to rely on the wise, relieve the suffering of the people, create strict laws, reward the virtuous and punish the evil, and bring universal good to the people according to ancient practice." These words can hardly be construed as those of a leader of a peasant uprising speaking to other leaders. They sound like a minister of a feudal dynasty submitting sharp and direct criticism to his monarch.

If one looks again at Li Xiucheng's "ten mistakes of the Heavenly Dynasty," the emphasis is on military strategy and the relations between mon-

¹ Michael, III: pp. 1393 and 1396.

² Michael, III: p. 1392.

arch and ministers as the factors which brought down the "Heavenly Kingdom." Li was concerned especially with the "monarch's thinking" and "monarch-minister relations" — they take up five of his "ten errors": 1) The error of the Yi King and the emperor not getting along, and leading to suspicion between the two; 2) the emperor did not trust his ministers, using his family members instead to serve him; 3) the emperor did not concern himself with state affairs; 4) the emperor granted too many titles and ranks; and 5) the emperor did not recognize talent. So of the many "errors" of the Heavenly Dynasty, none had anything to do with the estrangement of the leadership from the peasantry, nor their increasing corruption and decadence. Why, when this was so obvious?

Li Xiucheng put his loyalty to Hong Xiuquan and the Taiping Heavenly Kingdom in traditional terms: "As long as I was his minister, even though the Heavenly King was inept, and hurting the country, I had no other choice but to be loyal." "If my sovereign were still at my side, I would have committed an act of disloyalty by doing such a thing [by bringing together the remaining Taipings for surrender to the Qing court]. But since the sovereign has died and the kingdom has fallen," he was willing to perform the above act to "return the goodness [of Zeng Guofan]." It seemed that Li never paid any attention to whether or not the defeat or victory of the Taipings, or his own fate, would have an impact on the life of the peasantry.

Hong Rengan's confessions showed his revolutionary integrity, but that did not originate in the class consciousness of the peasantry. Hong spoke much about the "loyalty" of a "minister serving his monarch." He said: "Since my appointment I have felt it my duty to exert myself strenuously to carry out the work before me as a return for favors received." He often compared himself to Wen Tianxiang of the Song Dynasty, saying: "Every time I peruse his biography in the history, and the "Ode of the Upright Spirit" composed by him, I am filled with emotion and invariably give way to tears. I feel that I can but imitate Wen, the minister of state." Thus by comparing himself to minister Wen of the Southern Song feudal dynasty, was he not characterizing his loyalty to the "Hong family monarchical dynasty"?

Lai Wenguang at the end of his confession stated: "In the case of *junzi* (superior men) of old, when the country perished the family disappeared, and when the emperor was molested, the ministers died. This great principle is obvious. . . . I cannot but die in order to show my gratitude to my country and preserve the integrity of a minister." Thus one can see, that Li, Hong and Lai served a feudal dynasty as self-appointed "loyal ministers and officials." They did not see themselves as warriors representing the peasant class. But this kind of feudal morality and thinking did not mean that they consciously betrayed the peasant class. Their self-image reflected the turning of the Taiping Heavenly Kingdom towards a feudal polity.

In the past there has been the point of view that argues that the fratricidal struggle within the Taiping leadership, especially the contradiction between Hong Xiuquan and Yang Xiuqing, represented a two line struggle. Comrades who take this view insisted that Hong and Yang differed greatly over such major issues as the Land System of the Heavenly Dynasty, collection of taxes, opposition to Confucian feudal thought, and advocacy of revolutionary equalitarian principles.

The facts are that on these issues Hong and Yang not only agreed but Hong communicated his views through Yang, who made most of the important policy statements. There were some questions about which they differed, like the choice of Nanjing as the capital city and Hong's maltreatment of some women officials in his palace. But such differences of opinion hardly constituted a "two line struggle."

Moreover, this point of view obscures what the actual "struggle" between Hong Xiuquan and Yang Xiuqing was about. Even if the differences between them had involved major questions of principle, they should have had no reason to resort to arms. But they were fighting over political power, which was an entirely different matter. Under the dictatorial form of government established by the Taipings, theirs was a feudal, monarch-minister relationship. Religiously speaking Hong Xiuquan recognized "the Eastern King as the beloved son of God, on an equal level with me." But in terms of the realities of political life, he was the monarch and Yang the minister. When Yang tried formally to become Hong's equal, there was trouble. Hong Xiuquan definitely did not want to be a puppet Heavenly King, nor did he want to give up his Heavenly throne. Clearly the Taiping leadership couldn't possibly practice the democratic centralism of a proletarian political party. Their power struggle took the form of mutual killing and self-destruction. Thus the causes and factors affecting the tragedy at Nanjing were many, but a two line struggle was not among them.

The Taiping Heavenly Kingdom for which so many lost their lives was from the beginning a Heavenly Kingdom for a small minority and never a "paradise" for the peasantry at large. How could it be otherwise in semi-feudal and semi-colonial China of the nineteenth century? Under the objective laws of historical development, it was impossible for Hong Xiuquan and his associates to create "miraculously" a Taiping Heavenly Kingdom under the dictatorship of the peasantry. To put it in another way, the Taiping leadership spoke theoretically about an equalitarian society but it was impossible for them historically to take that road by means of the Heavenly Kingdom. The Taiping was the last of the old style peasant wars in Chinese history. It was also the largest in scale and the most comprehensive and profound theoretically.

Historically there has been little distinction between the military and feudal autocratic natures of regimes created by peasant wars. Nor is it easy to separate the equalitarian thought of peasant small producers from their

feudal, authoritarian thought. When poor peasants could no longer bear suffering and class oppression, they rebelled against the feudal system. At that time what was important in the peasant war was the establishment of a military administration and new forms of government which would recruit people to their side in the struggle against the feudal rulers. But once the enemy was beaten, a big change occurred, especially if the government controlled large areas or the whole country. Thus an organization which had originally supported peasant interests gradually turned into an organization for ruling the people and in the end into a new feudal dynasty. Such was the case with Liu Bang in establishing the Western Han and Zhu Yuanzhang in establishing the Ming Dynasty.

The Taiping Heavenly Kingdom did not have the capability, objectively, of becoming a feudal dynasty like the Han and the Ming. But by the end they had in fact gone a long way down that road. Initially demands of the exploited, oppressed and powerless peasants for equalization of wealth and power were important weapons of the Taipings. But when the leadership gained national power and "ruled the four seas," equalitarian principles were no longer politically or economically important to them. Returning to the old feudal and familial socio-economic base, the leadership's ruling class thought naturally followed feudal, autocratic lines, leading to a fratricidal power struggle amongst themselves and the tragedy at Nanjing.

III

The fratricidal struggle amongst the Taiping leadership was therefore the result of the deterioration of their thought and the gradual feudalization of the Heavenly Kingdom's polity. But, because of this, we should not reject or deny the historically great revolutionary contribution of the Taipings in their initial opposition to feudalism. The problem is how to analyze the Taiping movement properly so as to demonstrate its special anti-feudal contribution.

The Taipings fought a peasant war, the goal of which was the overthrow of Qing feudal rule. By such phrases as "wipe out evil," "kill the devils," "punish the foreign invaders by the mandate of heaven," and "all under heaven is one family which in unity seeks the great peace (taiping)," they urged violent opposition by peasants to class and racial oppression. It was a peasant war of unprecedented scale for the Qing Dynasty, and a rare one in the whole of Chinese history.

When the Taipings broke into the heart of China, the rich Yangzi river valley, Qing officials despaired:

In the use of troops everything has gone badly. At first our troops just guarded, but did not pacify the area; then they fled and did not even

guard. At first we lost sub-prefectures and counties; then we lost prefectural seats. At first the prefects fled the cities under the pretext of preserving their strength and retreated step by step; later they would retreat over a thousand li. At first, when they wanted to retreat, they would ask for permission from the court; later they would flee before being allowed to do so. . . . The bandits' influence is increasingly rampant, and the localities are falling to them ever faster. The situation is unprecedented.¹

The bandits are up in arms on all sides, giving the enemy a chance to sweep from Hubei to Anhui and then reach Nanjing in only about 10 days. They use our army funds to bribe our spies. They use our cannon and firearms to attack our cities and fortresses. Thus Nanjing, Zhenzhiang and Yangzhou fell in succession. . . . Salt, grain, copper and lead and tariff benefits are not getting through. Henan and Jiangxi are also under enemy rule.²

Even the chief adversary of the Taiping peasant war, Zeng Guofan, after finally taking Nanjing in 1864 recognized the enormity of the Taiping achievement:

Since the Hong rebels began in Guangxi until today, it has been fifteen years—and they occupied Nanjing for twelve of those years. . . . their rebellion spread over 16 provinces and more than 600 cities. . . . The ringleaders and sworn-followers all refused to capitulate. After we broke into Nanjing, none of the 100,000 and more bandits surrendered, many burning themselves to death together. The obstinacy of the rebels is absolutely unprecedented, today or in ancient times.³

Why then did the Taipings succeed in expanding their influence so quickly, to the point of taking Nanjing and engaging Qing troops in such a long and bloody struggle?

The major reason was the corruption of the Qing feudal rulers and the heroic stand of the people against feudal oppression. Qing official Chen Qingrong recognized the facts and blamed greedy and corrupt officials, arguing in a memorial that they and their runners

should be punished first, for their harsh and tyrannical rule. . . . (They forced the ordinary people) to sell their wives and children. With nothing to eat, life became increasingly difficult, and who paid any attention? As soon as the bandits approached, there was a collecting of provisions and organizing of militia, but it was all controlled by the rich gentry.

¹ "Joint Memorial by Members of the Hanlin Imperial Academy," in *Selections from Taiping Heavenly Kingdom Source Materials*, Beijing, 1961-63, Book V, pp. 18-19.

² "Memorial by Shandong Censor Fang Jun," *ibid.*, Book V, p. 23.

³ Zeng Guofan's *Collected Memorials*, *juan XXV*.

The rich households profited, acting as jackals to the wolfish officials. The common people looked askance at them, the poor coveted their wealth. They had never had any sympathy for the rich, so how could they be expected to help them? Even before the bandits came, the masses were alienated; when they did arrive, the poor wreaked vengeance on the rich.¹

It was this kind of cruel political oppression and economic exploitation which precipitated peasant resistance and was recognized in initial Taiping proclamations by such phrases as:

There are floods and droughts and unheard of suffering and yet they sit by and watch this happen. . . . Corrupt officials and greedy runners are running rampant, exploiting the people and taking all wealth, so that the tears of men and women are shed everywhere. . . . Official posts are sold for money, sentences may be revoked through bribery; the rich are in power, the upright people despair. . . . (Our goal is to) free China from humiliation and to drive out the alien rulers, so as to bring happiness to all under the great peace (taiping).²

The Taiping troops who initially participated in the insurrection "were all from poor peasant families who eventually grew into a colossal army,"³ for the Taiping calls for resistance to feudal oppression reflected the genuine demands and interests of the peasantry at large. The poor peasants were socially the most oppressed by feudal rule. Once their fierce hatred for the corrupt feudal officials, greedy runners and rich landlord gentry ignited into revolutionary fury, it was bound to destroy the ruling mechanisms of the landlord class and break the power of feudalism.

As the struggle between the revolutionary and anti-revolutionary forces proceeded, in places occupied by Taiping troops the local Qing officials and gentry elements either were killed or fled howling like lost dogs. The landlords remaining in the villages did not dare to collect rent. The Taiping troops confiscated money, grain, and goods from the rich landlord gentry and used them as provisions. The existence of feudal government had been terminated, but there was nothing yet to replace it. Only after the Taipings settled in Nanjing did they establish a government to replace Qing dynastic rule:

At first when the bandits took a sub-prefecture or county, they took all the wealth, brutalized the people and left, not giving a thought to establishing civilian government. But after occupying the Jiangning area, they have delegated some troops to attack and take prefectures, sub-pre-

¹ *Selected Taiping Heavenly Kingdom Source Materials*, Book V, pp. 290-91.

² "Received from Heaven: A Call to Arms."

³ Li Xiucheng's Confession.

fectures and counties and have divided their troops to install local officials at all these levels.¹

Although the Heavenly Land System was not put into practice in areas occupied by the Taipings, it was a concentrated expression of peasant opposition to the feudal agrarian system. The Taiping leadership were not aware that they represented the peasant class in its struggle to the death with the landlord class and their feudal system. Yet the struggle conducted by them was a great peasant war against feudalism in Chinese history.

However, opposing feudalism is not the same as destroying feudalism. The fact that the Taipings dealt a big blow to the Qing Dynasty's feudal rule does not mean that they transformed the feudal system. Hong Xiuquan wanted to establish a "new Heavenly Dynasty" and not to replace the feudal system with a completely new society. The revolutionary fervor of the Taiping Heavenly Kingdom was that of a peasant military insurrection. In the violence of the storm, the landlord class received a telling blow, and the feudal order was temporarily disrupted, but there was no overthrow of the social and economic base of the feudal system. Only the superstructure was destroyed and soon it was repaired and resurrected on the original base.

Thus, after the storm, in places where the Taipings retained firm control, village life gradually returned to its original state. "The soldiers, farmers, craftsmen, and merchants peacefully resuming their occupations" was a common Taiping saying of the time. With the aforementioned "paying of taxes according to the old practices," institution of the "Heavenly Land System" was practically pigeonholed. From the source materials available, we can see that this guiding program of revolutionary resistance to feudalism was of little practical use or significance. Even the "System" itself, proclaimed in 1853 and again in 1860, was not widely known. That expert collector of intelligence on the Taiping Heavenly Kingdom, Zhang Dejian, wrote in his report:

Of the bandits' false books, there is one important title which I can not find — that is "The Heavenly Dynasty's Land System," which contains material about bandit taxation. Agents I have sent to capture bandit books and bundle them back, have brought many, but not this book. Similarly, bandits who have deserted to us have not seen it. Perhaps the bandits have not yet published it?²

The *Huizuan* was published in 1855, two years after the publication of the "Heavenly Dynasty's Land System," yet the reactionary agents who "bundled up" many Taiping documents never saw this book.

In the writings of others from the landlord class about the Taiping Heavenly Kingdom either in Nanjing or other places, the contents of "The Heavenly

¹ Zhang Dejian, *op. cit.*, Vol. III, p. 109.

² Zhang Dejian, *op. cit.*, Vol. III, p. 260.

Dynasty's Land System" or it being put into practice was never mentioned. If the "Heavenly Dynasty's Land System" was generally practiced and well known, why did not these landlord class scholars launch an attack on the revolutionary document? Or we may say that, even if the "Heavenly Dynasty's Land System" were put into practice, it could not have changed the atomized economy of the small producers in the countryside, which was precisely the economic base of feudal rule. Pretty ideas about "owning land and having food in common" or "nobody will go hungry and there will be no inequities" were like empty mirages on the open sea of a small peasant economy based on private ownership.

Once the Taipings were in Nanjing, especially in the later period of their government, it became comparatively common for them to permit landlords to collect rent and recognize the landlords' ownership of the land. In many places political power at the grassroots was in the hands of landlord elements. Numerous Taiping proclamations supported the interests of landlords, like this one by Taiping high official Ma Bingxing, in which he said:

As for landowners, it is desirable for them to pay taxes in kind in proportion to their holdings. As for the tenant farmers, it is even more desirable that they pay their rents in full. Now, when it is urgent to collect taxes in grain from the landowners, it is precisely the time when the tenant farmers should no longer delay their payment of rent. If there are those who employ pretexts for the purpose of delaying, once they are accused, their resisting payment of rent shall be treated in the same manner as resisting payment of taxes.¹

Another instance was a "notification" in which chief general (of Jiangsu) Deputy Commandant Deng Guangming gave landlord Shen Qingyu of Shimen open guarantees, warning the masses:

In the prefectures, departments, and districts in the various provinces occupied by our Heavenly Dynasty, there are families that have wealth. They do not dare show themselves, but willingly suffer hardships, largely because people have resentment in their hearts and because (the rich) have been subjected to extortion and injury in a hundred ways. When I speak of this, I feel that it is both pitiable and detestable. . . . For this reason I have prepared this certificate of protection for Shen Qingyu to keep, which will serve forever as genuine credentials for the purpose of protecting his family. Henceforth, if any unlawful rural administrators use force to try to borrow funds or collect heavy taxes from him at their will; or if there are local bullies or swindlers, or elder or younger brothers in the army, who extort and demand money from him because he pos-

¹ "Notification Warning Local Delinquents and Urging Tenants to Pay Their Rents" (Michael, III:995).

esses titles conferred by the demon dynasty, who deceitfully take money from him because he has contributed to the demon military provisions and rations, or who desire to take revenge for a previous resentment over having been insulted by him during former Qing times; or if any officers and soldiers passing by set up quarters (in his house) and make disturbances; or if there are unyielding farm tenants who protest the rate of rent collection and refuse to participate in tax payment, causing him to be unable to remain at peace in his occupation, even though he bears his suffering with patience and says nothing in spite of his anger, all these malpractices inflict harm of no small proportion. From this day on, if there are still such incidents, it is expected that the said Shen Qingyu will gather his courage and, taking this certificate, go to the office of the corps superintendent to accuse (the offenders). If the corps superintendent should fail to take up the case, then he must come to the city and, at one of the four gates, beat the big drum put there by this commandant. I shall certainly look into the facts and make investigations, once and for all avenging the wrong.¹

With such obvious instances as these official "notifications" which support the landlord class in its oppression of the peasants, it is not difficult to understand the cruel process of deterioration in Taiping local government. In class society there is always an antithesis between wealth and poverty, earthly paradise and living hell—a unity of opposites. The few who "enjoyed wealth" left behind the rest in suffering, while a minority built an "earthly paradise" on the foundation of the majority's "living hell." The "new heaven, new earth, new world" that Hong Xiuquan wanted to create proved in fact to be a restoration of the "old heaven, old earth, and old world."

The increasingly blurred class lines in the Taiping approach to peasants and local government were a reflection of the growing feudalization of the Heavenly Kingdom's central government. By the end there was little qualitative difference between the Qing and Taiping policies. This is clear from the statements of the Taiping leaders themselves, especially in the later period, like the following appeal to the enemy troops by Hong Rengan:

Regardless of whether they are new brothers or old, all are treated equally. Great merits receive great rewards, and small merits receive small rewards. All persons, from the Wang, the Hou, the generals, and the chancellors down to the soldiers, women, and children are given sufficient food and clothing. . . . As regards giving common support to the true Sovereign and each establishing distinguished merits, you will enjoy glory in this generation and the records shall be passed on to later

¹ "Deng Guangming's Notification (Guaranteeing Protection) to Shen Qingyu of Shimen" (Michael, III:1021).

generations. This is the opportunity of a thousand years, and your honor and your merits will be unlimited. Great peace and unification is imminent, and in three to five years you will all be meritorious officials, the founders of a dynasty. Every one of you will then be granted a fief. You will be dressed in silk clothes and return home with honors, and your native places will be glorified. All this is to be done by great men, whose aspirations are to establish merits and accomplish feats.¹

And it was no accident that in his work "A Hero's Return to Truth" Hong Rengan explained the programs and policies of the Taipings by stressing opposition to Manchu rule and said nothing about combating landlord class oppression.

We must remember, however, that this was not what the Taiping leadership had wanted or planned in the beginning. Initially, the Taipings in theory and thought greatly exceeded the levels of previous peasant wars in history and the process by which they delivered a big blow to feudalism went much deeper and was more ferocious. Still, returning to an earlier point, the results were no different than any other peasant war. Throughout Chinese history peasant wars have on occasion delivered a big blow to feudal rulers and some have overthrown an old feudal monarchical dynasty and replaced it with a new feudal monarchy. But no peasant war ever effectively undermined the feudal system and established a "New Heavenly Dynasty" under the dictatorship of the peasant class.

To sum up, we should not discard or reject the great significance of Taiping resistance to feudalism nor the contribution of its leadership. Historically, theirs was not the task of overthrowing the feudal system and establishing a new social system. As leaders of the peasant class and at that stage in history, Hong Xiuquan and the others had reached the highest level of which they were capable of attaining in theory, military affairs, and politics. To have gone higher would have meant exceeding the class and historical limits of the times. To demand that they should have achieved what was impossible in their time — the adoption of the historical attributes of a proletariat and its party — is to lose sight of historical materialism and scientifically seeking truth from facts.

The Taiping Heavenly Kingdom was the acme of the old style peasant war in Chinese history. It also marked an important stage in modern China's bourgeois-democratic revolution of the old type. The Taiping struggle against feudal rulers and foreign invaders demonstrated the peasants' revolutionary potential. But the historical experience of the Taipings also tells us that if there is only the peasantry as the main force of the revolution and no leadership by a vanguard class and political party, then the revolution will not

¹Gan Wang Hong Rengan's "Proclamation to Qing Officials, Troops and Militia" (Michael, III:868).

succeed. Hong Xiuquan and the other Taiping leaders initially acted in opposition to feudalism but by the conclusion of the struggle not only had they not defeated feudalism, they personally as peasant leaders became corrupted and swallowed by feudalism. The peasant class had fervently demanded liberation from feudal oppression, but the peasants could not free themselves. Although the Taiping Heavenly Kingdom failed, their heroic and bloody sacrifice strengthened class solidarity and pushed the course of the Chinese revolution to a higher stage.

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— *Translated by Stephen MacKinnon*

Recent Developments in the Study of the Taiping Heavenly Kingdom – A Review of the 1979 Academic Symposium in Nanjing

Wang Qingcheng

An academic symposium on the Taiping movement was held in Nanjing from May 25th to June 2nd, 1979. It was an event of great importance in the study of the history of the Taiping Heavenly Kingdom. A total of 260 researchers, amateur and professional, from 28 provinces and regions participated in the symposium and submitted 210 papers. The following reviews the highlights of the symposium.

One conclusion of the symposium was that the history of the Taiping has been neglected or wrongly interpreted for too long a time. Only about half a century ago, when literary and historical materials began to surface after the fall of the Qing Dynasty, did it become possible for scholars to begin investigating and studying the history of the Taiping Heavenly Kingdom. The results of this initial work deserve our respect, although the number of researchers who undertook the task were few.

After the founding of the People's Republic of China, both the state and scholarly circles paid great attention to research work on the history of Taiping Heavenly Kingdom. There was much compiling and sorting out of Taiping historical relics and materials. Analysis of the issues became deeper and broader. By the 1960s there were hundreds of researchers working on the Taiping movement. Then the line of extreme left and the schemes and intrigues of Lin Biao and the Gang of Four stifled serious study of Taiping history. This was a great loss. Finally, with the elimination of the Gang of Four, we broke away from the spiritual shackles and established the Society for Taiping Historical Studies. With the support of the Academy of Social Sciences and other concerned bodies in Beijing and Nanjing, researchers from all over the country met in May in Nanjing, formerly the capital of the Taiping Heavenly Kingdom. It was a grand occasion of unprecedented dimensions.

Ten scholars from Japan, Great Britain, Australia, Canada, the Federal Republic of Germany, the United States and Belgium were invited to take part in the symposium. These guests either submitted academic papers or gave

lectures. Some brought with them valuable new historical materials or supplied copies of same. For the first time since liberation, Chinese and foreign scholars gathered together for academic exchanges on the study of Taiping history.

It is quite impossible to comment in this article on the content of so substantial a meeting. Six central issues raised on the symposium are discussed here only briefly.

I. New Understanding of the Thinking of Hong Xiuquan and the Upsurge of the Taiping Movement

Among the 200-odd papers submitted to the symposium, more than 30 dealt with the social-political thinking of the Taiping Heavenly Kingdom. For instance, how did Hong Xiuquan and other leaders of the Heavenly Kingdom understand the feudal society around them? How did they view the ruling class and the people as well as foreign friends and enemies? What were their ambitions? Chinese historians have made many-sided studies of these issues. But in the past, there was the tendency to place undue emphasis on the thought and position of Hong Xiuquan, considering him always correct and revolutionary. At the symposium, this shortcoming was pointed out in quite a number of papers. The revolutionary and progressive elements in Hong Xiuquan's thinking were analysed more practically and realistically. At the same time the feudal qualities in Hong Xiuquan's thinking and their negative influence on the movement were also recognized.

New views regarding the initial stages of Hong Xiuquan's thought, i.e., the development of his thinking before the Jintian Uprising, were put forward. Previously the generally accepted view was that Hong Xiuquan had become anti-Qing and revolutionary in his thinking as early as 1837. After he failed the civil service examination in 1843, Hong read Liang Fa's *Good Words for Exhorting the Age*, distorted its meaning, and embraced the western Christian God, transforming Him into a spiritual weapon for propaganda and revolutionary mobilization. In his *Doctrines on Salvation*, *Doctrines on Awakening the World* and *Doctrines on Arousing the World*, he propagated democratic thoughts about economical and racial equality. He also stood for equality between men and women. Thus Hong laid the theoretical foundations for the Taiping movement. Speakers emphasized as well that evaluations of Hong's personal thinking involve an understanding of the Taiping upsurge as a process and the essentials of the revolutionary movement as a whole.

At the symposium many papers developed these viewpoints but there were also important differences of opinion. For instance, Wang Yumin of the

Research Institute on Religion at Nanjing University, argued in his paper, *Significant Changes in the Religious World Outlook of Hong Xiuquan Before and After the Jintian Uprising*: "Hong Xiuquan did not put forward any revolutionary or progressive views before the Jintian Uprising, he was an out-and-out orthodox preacher of Christianity." "In 1850, in order to avoid harassment from robbers, members of Bai Shang Di Hui (Society for the Worship of God) moved into one compound. The smashing of idols by members of the Bai Shang Di Hui led to armed clashes with landlords' armed corps. Later, because of suppression by the landlords' armed corps and Qing troops, they were forced to take up arms and start an insurrection. Thus began a vigorous peasant revolutionary movement with the people supporting Hong Xiuquan as their Heavenly King." Li Wenran from the Historical Museum in Guangxi Province argued differently in his paper, *An Analysis of Hong Xiuquan's Early Thinking*. On the one hand he held that writings such as *Doctrines on Salvation* "possessed a distinct affinity with the people, thus developing the inherited theory of peasant revolutionary war and bringing it to a new height in Chinese history." On the other hand, he said that "the Taiping insurrection was a reaction to military suppression by the Qing ruling class and not the result of a predetermined program for an uprising worked out by Hong Xiuquan some six or seven years in advance."

Wang Qingcheng from the Institute of Modern Chinese History of the Academy of Social Sciences in Beijing, in a paper entitled, *Hong Xiuquan's Thinking — Its Early Stages and Development*, probed the early life and work of Hong Xiuquan. Wang demonstrated that in his youth Hong Xiuquan was just an ordinary intellectual who craved fame and social prestige. In 1843, he was impressed by Liang Fa's *Good Words for Exhorting the Age* and began to worship God and Christ and to rebel against idol-worship. He did not, however, resolve to make revolution or to oppose Qing rule. Wang analysed the Christian writings of Hong Xiuquan, *An Ode of the Hundred Correct Things*, *Doctrines on Salvation*, and *Doctrines on Arousing the World*, and compared them with the *Good Words for Exhorting the Age*. Hong's writings were neither anti-Qing, anti-feudal or revolutionary, nor an embodiment of modern ideas about democracy and equality. Wang argued that because of the social decadence and turmoil of the time and his own career frustrations Hong in anger began to question the old world and old faith. So he accepted Liang Fa's preaching and cast aside all notions of personal scholarly fame or an official career. He became devoted to proselytizing the good tidings of God and to saving a sinful society. At this point, Hong's thinking was not anti-Qing, only critical of traditional ideas and society. Wang considers Hong Xiuquan's return to Guangxi as the turning point in his early career. In Guangxi there were vigorous class struggle and the activities of Feng Yunshan at Zijingshan, both of which boded well for the future. This spurred Hong Xiuquan to change his self-image from one of re-

ligious identification (as a saviour) to a monarchical ambition as founder of a kingdom. Such documents as *Doctrines on Arousing the World*, and especially *Taiping Days* (Tai Ping Tian Ri) issued in 1848, demonstrated this transformation in his thinking. Wang concluded that Hong Xiuquan changed his mind about pacifism and a life of poverty and acceptance of fate. He began to adapt his general "salvation" program to fit the interests of peasant war.

At the symposium, Prof. Shinji Kojima of the University of Tokyo expressed his admiration for the efforts performed by Chinese colleagues in their studies. He stated that in regard to Hong Xiuquan's thinking and its transformation, many important issues were being put forward at the symposium, yet the genuine content of Feng Yunshan's propaganda among the peasants at Zijingshan was not being probed adequately. The key document was the *Book of Laws of Heaven* (Tian Tiao Shu). It contains prayers such as, "clothing and food in abundance, no calamities and no suffering," which were a very important part of Hong's preaching about God.

II. Probing the Question of Taiping Religion

The Taiping movement represented the high tide of peasant revolution in the history of modern China, but it was also colored by a foreign religion, Christianity. Some researchers argue that the Taipings led a kind of religious revolution. The majority, however, do not agree, emphasizing that this was a great peasant war opposing feudal rule. Still, for a long time, historians have avoided the question of religion, overlooking its influence on the movement or simply condemning its presence. This has hurt our overall understanding of the history of the Taipings. In recent years efforts have been made to correct this and thus at this symposium, there were papers dealing with relationships between the movement and religion.

Xu Rulei from the Research Institute on Religion at Nanjing University in his paper, *The Christian Religion of the Taiping Heavenly Kingdom*, compared Liang Fa's orthodox proselytization of Christianity with those religious aspects of the Taipings: "God," "the Holy Trinity," "Heaven, Hell and the Last Judgement," "Code of Ethics," "the Gospel," and "Holy Ceremonies." He commented that although Liang Fa greatly influenced Hong Xiuquan, the differences between them were also large. What Hong Xiuquan founded, Xu concluded, was a new religion, which he used as a weapon for launching a peasant uprising.

Huang Yen, from the Guangdong Institute of Philosophy and Social Sciences, concluded in *An Investigation on the Emergence of the Religious Form of the Taiping Heavenly Kingdom Based on Social Historical Condi-*

tions, that Christianity was welcomed by neither the ordinary people nor the *literati* after the Opium War but that the Taiping integrated their religion with peasant revolution. He said, due to their poverty, the peasants began to lose faith in the traditional supernatural beings. The Taiping God seemed a good substitute because He promised them no calamities and no suffering. This was the reason why the peasants welcomed the Taiping God instead.

Li Fan of Beijing Normal College maintained in his paper, *The Taiping Revolution and Religion*, that the Society for the Worship of God represented a new religion created to suit the needs of peasants who had already accepted the doctrines of Christianity. This new religion did nothing concrete for the people, serving instead as a sort of opium. Inevitably it doomed the Taiping people's revolution.

The ambassador of the Federal Republic of Germany to China, Dr. E. Wickert, has a research interest in Taiping history and spoke at the symposium. He maintained that more attention should be paid to religious issues, so as to really understand the cause and origin of the Taiping Heavenly Kingdom. He pointed out that Hong Xiuquan had become more and more confused theologically. Sometimes it is quite impossible to understand him. "It is hard to say whether spiritually Hong Xiuquan was influenced by the illusion of ascending to Heaven, or whether he was suffering from the symptoms of paranoia." He held that this side of Hong Xiuquan's character should be investigated objectively. It would be worthwhile.

Mr. Prescott Clarke, senior lecturer at Australia's Monash University, introduced in his lecture the results of his studies in the early contacts of the Taipings with Christianity. The title was *The Coming of God to Guangxi, — A Consideration of the Influence of Karl Gützlaff and the Chinese Union During the Formative Period of the Taiping Movement*. Mr. Clarke argued that the influence of Christianity did not come from orthodox Western missionaries, it came from the Chinese Union, an organization set up by Gützlaff, a Prussian missionary. In the forties of the 19th century Gützlaff organized a Chinese Union to facilitate the propagation of Christianity by the Chinese themselves. The membership was up to 2,000 for a time. The writer held that "in the forties of the 19th century, many of the Union members had been sent into Guangxi and it seems probable that they formed part of the nucleus of the original Society for the Worship of God. Contemporary records strongly suggest that Feng Yunshan and other early leaders were members of the Chinese Union, and that Feng Yunshan had been baptized by Gützlaff." Owing to conflicts among the missionaries, Gützlaff and the Chinese Union became discredited, but large numbers of Union members joined the Taiping movement after 1850. Clarke said that Gützlaff claimed that Christianity would lead people to a communal brother-

hood of equality. It is possible, therefore, that some of the original Taipings were attracted by the egalitarianism and communalism of the Chinese Union.

III. The Nature of Taiping Government and Politics

New questions about the nature of both the government and politics of the Taiping Heavenly Kingdom were raised at the symposium.

Luo Ergang, in his paper, *A Research on the Governmental System of the Taiping Heavenly Kingdom*, explained that the Taiping Heavenly Kingdom was nominally a monarchy in which the "king" (the Heavenly King) was regarded as head of the state and the "army adviser" as head of the government. The Heavenly King, who "presided over court sessions without administering state affairs," held a symbolic position only, while the army adviser held actual state power. He maintained that this kind of governmental system reflected the democratic nature of the peasantry. Prof. Luo said, "Later when the nominal monarchy was eliminated and the organizational form of the regime began to run counter to the fundamental nature of the state, the anti-feudal peasant regime inevitably became more feudal step by step." His paper held that the elimination of the nominal monarchy was of great significance leading to the rise and fall of the Taiping Heavenly Kingdom.

Some papers were devoted to discussion of the class nature of the Taiping regime. A prominent question was the degree to which the Taiping regime was feudal. Sun Zuomin of the Institute of Philosophy and Social Sciences of Shandong Province said in his paper, *An Inquiry into the Nature of the Political Regime of the Taiping Heavenly Kingdom*, that the regime established in Nanjing by the Taipings wielded new, feudalistic power. Peasant war by itself was incapable of establishing a true peasant regime. Other papers argued that the peasant regime of the Taipings was in the process of feudalization. In other words, it had a double character: representing the interests of the peasants on the one hand and imprinting feudalism on the other. Li Kan from the Zhonghua Book Company probed the causes and nature of the fratricidal strife between Hong, Yang and Wei in Nanjing against the background of the progressive feudalization of the Taiping regime. His paper, *The Taiping Peasant War and the Tragedy at Nanjing*,* maintained that the chief causes for fratricidal strife amongst the leadership of the Heavenly Kingdom should not be sought only in the class origin, personal morality, or ideology of a few Taiping leaders like Hong Xiuquan, Yang Xiuqing, Wei Changhui and Shi Dakai. Instead, Li argued, the question should be looked at in terms of the feudalization process of the Taiping regime and the

* See p. 130 in this issue. — *Trans.*

ideological deterioration of its leadership. He held that, shortly after the Taipings established their capital in Nanjing, the power struggle began amongst the leadership and a rigid hierarchy was set up along with the institution of severe laws and harsh penalties. Many leaders began to hanker after personal power, prestige and luxury. They were thus divorced from the rank and file and became rulers standing high above the masses. It was the feudalization of the regime and the ideological deterioration of the leadership that led to fratricidal strife and the split. This split was basically not a "political line struggle," but a power struggle.

Japanese professor Shinji Kojima discussed the basic nature of the Taiping regime in a lecture, *A Review of Japanese Studies on the History of the Taiping Heavenly Kingdom*. In his opinion, the Taiping movement was a peasant war. In world history, examples of peasant regimes established on a national scale through peasant wars were found only in China. Elsewhere peasant regimes were regional and limited in scale. However, he said, a peasant regime inevitably had a transitional and complex nature. He pointed out, "As isolated and dispersed small producers prior to modern times, the peasants could not possibly build up a political regime on their own and had to seek protection of their interests through an administrative power standing above them. Therefore to determine the class nature of this administrative power, we have to find out whose interests its policies and practices represented." In his opinion, the practical policies of the kingdom were extremely complicated and full of contradictions.

While stating that "the peasant regime began to turn feudalistic after establishing its capital in Nanjing," he also stated that "it is difficult to assume a change in the class nature (of the Taiping regime) at a certain fixed time, because historical data is inadequate on the actual situation in areas under the Taiping regime from the time when Nanjing was made the capital until around 1860. Thus there is enormous room for further study."

IV. Economic Policies of the Taiping Heavenly Kingdom

Progress was demonstrated at the symposium in research on various economic aspects of the Taiping Heavenly Kingdom.

In his paper, *A Comparison of the Land Tax Policies of the Taiping Heavenly Kingdom and the Tax Reduction Measures of the Qing Dynasty*, Peng Yuxin of Wuhan University discussed the evolution of Qing and Taiping land tax policies and how these changes affected the rise and fall of the two regimes. In his opinion, the Taipings took strong measures against the landlord class, although they recognized original landownership when they first

"imposed grain levies according to the old rules." It was because of political changes within the regime that a rightist tendency in economic policies emerged. Thus the Taipings later not only recognized the landownership rights of the landlord class but also made concessions to the landlord class. Peng said that when the Qing forces were engaged in fierce battles with the Taipings, land taxes were reduced in six provinces — Hunan, Hubei, Jiangxi, Anhui, Jiangsu and Zhejiang. Taxes on surplus grain were reduced or discounted in the former four provinces and taxes on the normal harvest were also reduced in the latter two. These measures helped the Qing government to win support from landlords and small landowners. They were of considerable significance in winning the war against the Taipings and in restoring Qing rule in areas where their armies had triumphed.

Liu Yao from the editorial department of *Historical Studies* attached special importance to the role of the Taiping Revolution in promoting the growth of national capitalism in China. His paper was entitled *The Historical Role of the Taiping Revolution as Seen Through Changes in the Rural Economy in the Middle and Lower Reaches of the Changjiang*. From an analysis of the economic policies of the Taiping regime, he concluded that the regime's land system reflected in one form the egalitarian ideals of the Taipings and their demand for equal division of land and abolition of private handicraft-industry and commerce. He also pointed out that this program could not possibly win the support of the self-supporting and well-to-do peasants. It obstructed the development of a commodity economy in the cities as well as in the countryside, and aroused strong opposition from merchants and craftsmen. The paper said the leaders of the Taiping regime, in winter 1853, gave up their attempt to establish public landownership, recognized private landownership by collecting taxes in cash and in kind from the landowners, and restored industry and commerce in the cities. This fundamental change in policy was progressive because it promoted the development of the commodity economy in cities and rural areas and gave impetus to the budding of capitalism in China. In the author's opinion, the policies of the Taiping regime promoted the development of capitalism in China.

V. Inquiries into the Strategies of the Taiping Heavenly Kingdom

In his paper, *An Inquiry into the Question of Whether the Taiping Army Had Intended to Storm Northward or Southward at Its Initial Stage*, Dr. Huang Yuhe, senior lecturer at the University of Sidney in Australia, maintained that as early as the initial stage of the Taiping Revolution in Guangxi, there was controversy over strategy. Hong Xiuquan advocated marching

eastward (to Guangdong), while Yang Xiuqing was for heading north. Fighting eastward at that time was the better strategy. Hong Xiuquan, a native of Guangdong, appreciated the size and vast influence of San Ho Hui (Triads) as well as the wealth of the city of Guangzhou and the Pearl River Delta. He also had illusions about Western aid. So it was natural for him, before the uprising actually took place at Jintian, to suggest marching to Guangdong. But Yang Xiuqing, whose activities had never gone beyond the Guiping area in Guangxi and whose base was among the members of secret societies in Guangxi, was not willing to go to Guangdong for fear of losing his influence. Cited as evidence were confessions amongst Ye Mingshen's papers by captured Taiping soldiers in which they indicated that Hong Xiuquan and Feng Yunshan wanted to march to Guangdong while the natives of Guangxi were not willing to go there.

Several other papers discussed strategic aspects of the Northern Expedition of the Taiping Heavenly Kingdom. Analysis was made of the strategic gains and losses of the Northern Expedition in *Inquiries into the Strategic Problems of the Earlier Taiping Wars* by Zhang Yiwen of the Academy of Military Sciences and *On the Northern Expedition of the Taiping Army* by Su Ye of Nanjing Academy of Infantry. Zhang Yiwen maintained that, while it was feasible for the Taiping Army to make Nanjing its capital, it was a grave mistake to decide simultaneously upon launching a Northern Expedition and a Western Expedition in isolation from each other. Instead, it would have been better to have tried immediately to shatter the Great Camp South of the Changjiang River and the Great Camp North of the Changjiang River. By not doing so the Taipings doomed the Northern Expedition. The reasons for such a strategic mistake lay first of all in the fact that the leaders of the Taiping Army lacked a correct attitude toward victories won as well as knowledge and experience about how to control the overall military situation in China. Secondly the influence of roving banditry was too great within the Taiping Army. Su Ye also suggested that it was wrong for the Taiping Heavenly Kingdom, after establishing state power in Nanjing, to adopt the strategy of dividing its army for strikes in all directions. He emphasized that the lack of understanding on the part of the commanders of the Taiping Army concerning their strategic position in the areas where the battles of the Northern Expedition were to be fought and their lack of attention to the expedition itself, led to the ultimate failure of the Northern Expedition.

In his *The Northern Expedition of the Taiping Army and the Mass Struggles in the North*, Zhang Shoushang of the Beijing Teachers' University pointed out that at the time of the Northern Expedition, various kinds of mass struggles were not lacking in the North. He quoted rich historical materials to demonstrate this. The main reason the Northern Expeditionary Army became isolated was that it did not develop and co-operate with these mass struggles to strengthen itself. Moreover, toward the final stages of the Ex-

pedition, the Taiping Army adopted the strategy of passive defense and waiting for re-enforcements, thus becoming further isolated from the masses. This situation left the cut-off army to cope with enemy attacks from all sides and led to its final annihilation.

VI. Evaluation of Some Leaders of the Taiping Heavenly Kingdom

Evaluation of chief historical actors is a subject in which Chinese historians often take an interest. At this symposium, emphasis was put on the evaluation of Hong Xiuquan, Yang Xiuqing, Shi Dakai, Hong Rengan and Li Xiucheng. Many papers read at the symposium criticized the tendency amongst the Gang of Four's hired writers to deify Hong Xiuquan and denigrate Yang Xiuqing, Shi Dakai and Li Xiucheng. What was needed was a balanced review of the merits and demerits, the achievements and mistakes of these historical figures.

Focus was put on Shi Dakai and Li Xiucheng. Since 1964, Chinese historians have practically stopped any real research on Li Xiucheng, and not until 1978 normal discussion of him resumed. At the present symposium, researchers were unanimous in maintaining that the importance of the role Li Xiucheng played in the Taiping Revolution should not be denied and that it was not proper to regard him as a man representing only mistakes and vices. But opinions differed about how to make a concrete evaluation of the man, especially his final "betrayal."

Long Shengyun of the Institute of Modern History concentrated on studying the ideological reasons behind the different performances of Li Xiucheng and others once they had been taken captive. In his *A Comment on the Question of Li Xiucheng's Betrayal*, Long maintained that after Li Xiucheng's capture, his surrender was real and not sham, as some have argued. Thus his surrender cannot be explained in terms of the limitations of his peasant class background. After his capture, Li Xiucheng behaved quite differently from Hong Rengan and Chen Yucheng, and also from Shi Dakai, who forswore "serving two masters." Long argued that rebelling peasants and secret society members in a feudal society regarded faithfulness and loyalty as great virtues. Shi Dakai's offer to forfeit his own life in exchange for the enemy's clemency toward his followers was nothing but a reflection of this ideology of faithfulness and loyalty. By contrast, Li Xiucheng was guided by the idea of "faithful service to one's own master." This was not an ideology typical of peasants, but rather an opportunistic idea suited to the needs of the ruling class. Such thinking led Li to serve a "second master" because of the death of the old master and loss of the old country.

Mr. C. A. Curwen of the University of London expressed a different view in his paper *On Li Xiucheng and His Confessions*. He said: "Owing to his ideas of loyalty to the emperor and fatalism, his sentiment of love for the people, and the actual circumstances (the death of the Heavenly Emperor, Hong Xiuquan, the fall of the capital, the absence of news about the heir and Hong Rengan and his own capture), Li Xiucheng, during the few days before his death, thought that since the revolution had failed, his last responsibility could only be to let the enemy allow him to do his best to disperse the remnant Taiping forces (whether real or false) so that further bloodshed and disorder within and invasion from outside could be avoided. Are these shameless ideas and actions?"

Mr. Curwen added that, according to Marxist theory, old-type peasant wars were "inevitably infested with the ideas of loyalty to the emperor and fatalism, a narrow sentiment of love for the people, narrow political views, individualistic heroism, selfish departmentalism, etc., then why make a demand on the military leader of a peasant rebellion (meaning Li Xiucheng) that he transcend historical and class conditions?" He held that both Chen Yucheng and Hong Rengan had ideas of loyalty to the emperor and fatalism. "If we take a scientific, historical and materialist view of covering up neither the good points nor the bad ones in evaluating Li Xiucheng and his confessions, then the most conspicuous and valuable conclusion will inevitably be that of limitations. If such limitations were not unique to Li Xiucheng, then, deeper analysis should be made of the limitations of the Taiping Heavenly Kingdom as a whole," Mr. Curwen said.

Mr. Wu Weiping of the University of Bridgeport in Connecticut, U.S.A. read a paper on *Recent Views of American Scholars on Two Questions on the History of the Taiping Heavenly Kingdom*, in which Mr. Wu introduced the different views of U.S. scholars concerning the Taiping Heavenly Kingdom, the nature of the Taiping Revolution, and evaluations of Li Xiucheng. Mr. Wu argued that Li Xiucheng's betrayal was not a conscious one, intended to save his life. Moreover, the mistakes he committed, however great they might be, cannot be compared to the damage done to the Taiping Heavenly Kingdom by the man who, after killing Yang Xiuqing, tried to kill Shi Dakai as well, and who transformed the state owned by the people into a state under the rule of one family.

Thus, in their evaluation of Li Xiucheng and other questions, Chinese and foreign researchers had different views, all of which were freely aired during and after the symposium.

At the symposium, many papers dealt with regional uprisings and those launched by national minorities during the period of the Taiping Heavenly Kingdom. In particular, papers discussing the influence of the Taiping Revolution on the anti-Qing uprisings in northeast China and Xinjiang Province

broadened the vision of the researchers. Other papers presented arguments on certain historical data concerning the Taiping Heavenly Kingdom and offered corrections in them. In his paper, *Queries on Certain Issues in the History of the Taiping Heavenly Kingdom*, Mao Jiaqi from Nanjing University points out that Hong Xiuquan never founded an organization called "Society for the Worship of God." This was a term used by landlords in reference to worshippers of God. Furthermore, he says, the date of the Jintian Uprising should be the first day of the 10th month in the 30th year of Daoguang's reign and not the generally accepted date of the 10th day of the 12th month.

— Translated by Peng Hao

Lenin's Analysis of Four Kinds of Relations of Exchange in Russia After the October Revolution

Luo Gengmo

The question of commodity and money in a socialist society is an important one in the basic theories of political economy concerning socialism. It has been a subject of controversy since the days of the October Revolution and the 1920s, something which remains unsettled today. My inquiry into the subject has convinced me that a careful comparative study of the historical investigations by Marx, Engels and Lenin into the origin, development and dying out of commodity economy (especially the parts illustrated by concrete examples), coupled with an examination of the evolution of the economic interchange between town and country in China in the past 30 years, will reveal some of the actual differences of opinion and some of the practical problems involved. This will help clarify the question, though no immediate solution may be expected. I was convinced of this especially when I read Lenin's concrete analysis of the four kinds of relations of exchange between town and country in Russia after the October Revolution as well as his scientific theses on the kind of relations of exchange to be developed between town and country in a socialist society. In the present article, therefore, I shall concentrate on what Lenin actually says in his analysis of the four kinds of exchange relations, which are different in nature, existing between town and country in Russia after the October Revolution. The subject, primarily a historical one concerning the Soviet Union more than 50 years ago, may seem to have little bearing on China today. But Lenin does not confine himself to the economic questions of his country during 1918-1924, but covers the relations of production and of exchange in a long, forthcoming period of history, namely, the period of socialism and of transition to communism. This is a question of international significance and is closely related to us.

I shall also mention in passing J. V. Stalin's revision of Lenin's theses and discuss other related questions.

I

After the October Revolution Lenin, basing himself on Marx's theory on commodities and the economic situation in Soviet Russia (i.e., the situation in the seven years from the October Revolution up to the time of his death), analysed the four different kinds of exchange relations existing between town and country, making an important contribution to the treasure-house of Marxist political economy. It seems to me that Lenin's analysis has not been fully made known, and some of his theses have been misunderstood and passed around in their wrong versions up to this day. To know what kind of exchange relations should be developed in our country today and what economic period we are in, it is necessary to acquaint ourselves with Lenin's analysis in full and correct the misunderstandings. Lenin's analysis is of much help to us, something we can use as a reference.

The four kinds of exchange relations stated by Lenin were as follows:

1. The relations of exchange under "state monopoly" during the period of War Communism (1918-1920).
2. The relations of "state-capitalist exchange of commodities," restored in the exchange between town and country in the earlier period of the New Economic Policy¹ initiated after the end of the three-year civil war (up to October 1921).
3. The exchange relations of "state-regulated buying and selling of commodities and money circulation" introduced in October 1921.
4. A kind of exchange relations between town and country which Lenin called the "socialist exchange of products," an exchange which hardly anyone is talking about today, or hardly anyone is discussing in a full sense or, in my opinion, in a sense in agreement with Lenin's. This fourth kind of exchange relations differ from and stand in opposition to the three kinds of exchange relations mentioned above as well as commodity exchange and the buying and selling of commodities in general.

1. The Relations of Exchange Under "State Monopoly" in the Period of War Communism

With regard to the exchange relations under "state monopoly" effected during the period of War Communism, Lenin gave a summing-up in the spring

¹ Lenin points out that the New Economic Policy was "new . . . in respect of our previous economic policy [the policy during the War Communism period]. In substance, however, this new policy contains more elements of the old than our previous economic policy did," meaning a return to the "policy of state capitalism" adopted at the All-Russia Central Executive Committee in April 1918 and interrupted by the civil war. (See V. I. Lenin, *Collected Works*, Progress Publishers, Moscow, 1965, Vol. 33, "The New Economic Policy and the Tasks of the Political Education Departments.")

of 1921, pointing out that it was a "mistake of deciding to go over directly to communist production and distribution."¹ Up till now, people generally see this as a mistake of abolishing all exchange and conducting a distribution in kind as in a natural economy. In other words, they regard the period of War Communism as one during which all exchange relations between town and country were abolished. Taking Lenin's statement literally, they interpret "the mistake of going over directly to communism" as an attempt at a direct transition to distribution according to need as in the higher stage of communism (except that the standards of the products distributed were very low), a stage in which it is no longer necessary for distribution to follow the principle and method of an exchange of equal amounts of labor. In fact, this whole understanding is wrong.

I would like to point out that in Lenin's earlier writings and in the works of Marx, the word "communism" is used in three ways: it may mean the lower stage of communism, the higher stage of communism, or both. This is different from our practice today, when communism usually means the higher stage of communism, whereas "socialism" is the word for its lower stage. In the days of Marx and Lenin, there were "socialisms" of all descriptions. To draw a clear line of demarcation from them, they usually refrained from using the word "socialism" but referred to what we call socialism as communism or the lower stage of communism. By the "mistake of going over directly to communism," Lenin actually meant the mistake of going over directly to socialist public ownership from an economy in Soviet Russia which consisted of five different sectors, public and private, with the small-scale peasant economy as the dominant one; it was a mistake of trying to abolish immediately all trade by private businessmen in the relations of exchange of manufactured goods and farm produce between town and country and instituting exclusive control of such exchange by the supply and marketing organs of the Soviet state. This is what Lenin calls the exchange relations between town and country under "state monopoly."

Why have people misunderstood Lenin's reference to the mistake of "going over directly to communism," and why has such misunderstanding prevailed to this day? One reason lies in a failure to understand the relevant statements by Lenin. I now quote two passages from him to illustrate my point.

The first passage follows immediately his reference to the "mistake":

... because in 1918 a real military danger overtook us in the shape of the Czechoslovak mutiny and the outbreak of civil war, which dragged on until 1920 . . . owing to these circumstances, and a number of others, we made the mistake of deciding to go over directly to communist production and distribution. We thought that under the surplus-food appropriation system the peasants would provide us with the required quan-

¹ *Collected Works, op. cit.*, Vol. 33, p. 62.

tity of grain, which we could distribute among the factories and thus achieve communist production and distribution. . . .¹

A hasty reading of this passage easily leads to the understanding that the collection of surplus grain by the Soviet state under the "surplus-food appropriation system" means taking over the peasants' surplus grain without compensation and distributing it gratis among factory workers and city residents. It therefore follows that the mistake Lenin refers to is one of abolishing all exchange and practicing the principle of distribution according to need (although at very low standards).

The other passage, to be found in the "Draft Programme of the R.C.P.(B)," was written in 1919 during the period of War Communism when the "surplus-food appropriation system" and "state monopoly" were in force.

In the sphere of distribution, the present task of Soviet power is to continue steadily *replacing trade by the planned, organised and nationwide distribution of goods.*²

The Programme goes on:

The goal is the organisation of the entire population in producers' and consumers' communes that can distribute all essential products most rapidly, systematically, economically and with the least expenditure of labour by strictly centralising the entire distribution machinery. Co-operatives are the means to attain such a goal.³

A hasty reading of the above passage easily leads to the understanding that the "distribution of goods" means distribution in kind without exchange and without compensation for equal amounts of labor, and since Lenin makes a clear statement about "replacing trade by distribution of goods," and the term "trade" is generally taken to mean any kind of exchange, public or private, "replacing trade by distribution of goods" means abolishing all exchange. In fact, the word "trade" (sometimes translated as "commerce") in the phrase "replacing trade" means, in a traditional sense, free trade by private businessmen, and when Lenin talks elsewhere about not going through the market or not going through trade, what he really means is not going through the free market of private businessmen. He does not mean distribution of goods conducted without public supply-and-marketing organs or not through exchange effected on a compensation basis. A careful reading of the latter part of the above passage from Lenin will make the point clear. The "consumers' communes" composed of city and village inhabitants, whose participation did not depend on their ability to pay for the shares, and the co-operatives, i.e.,

¹ *Collected Works, op. cit.*, Vol. 33, p. 62.

² *Collected Works, op. cit.*, Vol. 29, p. 115. Italics by the author of this article.

³ *Ibid.*

the old co-operative organizations left over from the Tsarist days, with a fairly well-to-do urban and rural membership able to buy the shares, which the Communist Party of Russia was ready to change into "consumers' communes"—these two types of organization referred to in the "Draft Programme of the R.C.P.(B)" were going to conduct the distribution of goods through exchange on a compensation basis—systematically, with the least expenditure of labor, in a planned way and in cities and villages. It could not possibly be a free distribution in kind. Lenin made this point clear by saying that one of the basic tasks of the dictatorship of the proletariat in Russia was "by a number of gradual but undeviating measures to abolish private trading completely and to organize the regular, planned exchange of products between producers' and consumers' communes to form the single economic entity the Soviet Republic must become."¹

I shall quote three more passages from Lenin, which indicate in more concrete terms that what he referred to as the distribution of goods, which was to "replace trade," was by no means a distribution in kind conducted without exchange on a compensation basis.

The first passage is from a telegram Lenin sent to a grain-collecting detachment, instructing it on the way to fulfil the task of collecting surplus grain:

Delegates to the Congress who support the Soviet government should remember, first, that the grain monopoly is being enforced simultaneously with a monopoly on textiles and other staple articles of general consumption, and secondly, that the demand for the abolition of the grain monopoly is a political move on the part of counter-revolutionary strata, who are endeavouring to wrench from the hands of the revolutionary proletariat the system of monopoly *regulation of prices*, one of the most important implements for the gradual transition from capitalist exchange of commodities to socialist exchange of products.²

This telegram clearly shows that 1) the "state monopoly" during the period of War Communism, i.e., state monopoly over the trade in grain, textiles and other staple articles of general consumption between town and country, was conducted on the basis of prices, which were decided by the state through its monopoly regulation. The existence of prices presupposed the existence of something like money, which showed the presence of exchange, of sales and purchases; and 2) the "state monopoly" during the period of War Communism was a provisional system of exchange between town and country, a transitional form of exchange between the old capitalist exchange of commodities and the socialist exchange of products. While defining relations of ex-

¹ *Collected Works, op. cit.*, Vol. 29, p. 106.

² *Collected Works, op. cit.*, Vol. 27, p. 454. Italics by the author of this article.

change between town and country under state monopoly during the period of War Communism, Lenin also pointed out that it was a transitional form between the two different kinds of exchange relations.

The second passage is from a speech Lenin made at the Fourth Conference of Trade Unions and Factory Committees of Moscow:

Grain monopoly means that all surplus grain belongs to the state; . . . How is this to be done? The state must fix prices; every surplus pood of grain must be found and brought in.¹

Here again Lenin spoke of prices, the fixing of prices by the state, etc., in connection with state monopoly over grain.

The third passage comes from a speech delivered by Lenin in July 1918 at the Fifth All-Russian Congress of Soviets of Workers', Peasants', Soldiers' and Red Army Deputies. In the speech, Lenin said in very concrete terms:

We have assigned a thousand million to our Commissariat for Food, . . . Our workers and peasants on the Soviets are learning to do it (applause), and so the purchases of textiles and the appropriations are having their effect. Hundreds of times the Council of People's Commissars has discussed through whom to purchase textiles, how to exercise control and how to get them distributed as quickly as possible. . . . Do not forget that we are selling the peasants textiles at a 50 per cent rebate; that is, at half-price. Who else would have given the poor peasants textiles at such a price? We shall proceed toward socialism by way of grain, textiles and implements, which will not fall into the hands of the profiteers, but will go first and foremost to the poor peasants. That is socialism (applause). . . . We have arrived at a stage where we are taking the concrete step of distributing bread and exchanging textiles for bread in such a way that it is the poor that benefit, and not the rich profiteers. . . .²

The three passages quoted above provide ample proof that the "state monopoly" and "surplus-food appropriation system" practiced in the period of War Communism did not mean the collection and distribution of grain, textiles and other consumer goods without compensation or without going through exchange. These systems only meant distribution through such marketing agencies as consumers' communes and co-operatives by means of exchange under state control, in which no private businessmen were allowed to take part. Such distribution was conducted through the medium of the rouble and was governed by the law of the exchange of equal amounts of labor. However, this differed from the exchange relations between town and

¹ *Collected Works, op. cit.*, Vol. 27, p. 468. Lenin spoke of finding and bringing in every pood of surplus grain because the kulaks were hiding their surplus grain.

² *Collected Works, op. cit.*, Vol. 27, pp. 531-32.

country up to the first half of 1918, when private businessmen had been permitted to operate to a certain degree and the peasants had been allowed to sell their surplus food on the market, that is, when private exchange had not been banned. During the period of War Communism, a "surplus-food appropriation system" and a "state monopoly" were enforced to overcome economic difficulties and this meant state monopoly over the trade in grain, textiles, implements, etc., from which private businessmen were excluded. Thus the mistake of going over directly to communism through the institution of the surplus-food appropriation system (state monopoly) during the period of War Communism, the mistake Lenin referred to, did not lie in an abolition of all exchange between town and country or the practice of distribution in kind as in a natural economy, but consisted in the confiscation of all medium-sized and small factories and the banning of all private business operations and in the enforcement of state monopoly over the exchange of all industrial and agricultural products between town and country at a time when five economic sectors, public and private, existed side by side, when small farmers formed the majority of the population, when economic backwardness prevailed and when socialist big industry had not been rehabilitated. It was thought that this would effect a direct transition to socialism. But actually it did not conform to the state and the nature of the social productive forces operating at the time. This was the actual content of the "mistake of deciding to go over directly to communist production and distribution" later summed up by Lenin. During the period of transition to socialism after liberation, China also instituted state monopoly over trade in certain industrial and agricultural products, known as state purchase and marketing of commodities. But this involved only part of the commodities and did not lead to a ban against medium and small business, and so no mistake of going over directly to socialism was committed.

Up till now, however, a distorted version of this period of history is still being circulated among academic circles in the Soviet Union, and this also has much influence on academic circles in China. I shall give two examples, one about the Soviet Union and the other about China, which have both been found in the 1970s.

1. *Socialist Political Economy*, published in 1971, is a book of wide influence in the Soviet Union. Its chief editor, A. F. Rumiantsev, is also chief editor of the Soviet newspaper *Ekonomicheskaya Gazeta*. The book says in its section on the "New Economic Policy":

. . . To accomplish these tasks [the industrialization of the country, the socialist transformation of agriculture and the cultural revolution], the methods of "War Communism" must not be adopted. The various economic sectors could not develop normally under the conditions of an "extreme naturalization" of the economic order. Instead, a planned utilization of the commodity-money relationship was called for. . . .

This shows that the author looks at the economy during the period of War Communism as an "extremely naturalized" economy devoid of any commodity-money relationship. In his view, the economic policy pursued during that period was one of natural economy in which commodity and money were abolished. The same view was shared by authors of other Soviet textbooks when dealing with this period of history.

2. In our country there is a review entitled "The Evolution of the Views of Soviet Academic Circles Concerning the Role of the Law of Value Under the Socialist System." The first part of the article contains excerpts from articles published in Soviet Russia in the period of War Communism. The article sums up their views as: "Socialism [including the transitional period of War Communism] means a natural economy in which money is abolished, products are evaluated directly by manhours, the category of value becomes inapplicable, and measures are to be taken for the abolition of money." Two passages by Soviet authors are quoted in the article.

One passage is quoted from *A Concise Textbook on Economics* written by A. A. Bogdanov, who writes:

The basis of the new society [socialist society] is not exchange but a natural, self-sufficient economy. No market for buying or selling exists between production and consumption, and there is only a conscious, systematic and organised distribution. (Chinese translation published by Dajiang Bookstore in 1927, p. 543.)

This conforms to the views summed up by the author of the review.

The other passage is quoted from the program adopted by the Russian Communist Party in 1919. The program is based on the draft program written by Lenin. It reads:

In the sphere of distribution, the present task of Soviet power is to continue steadily replacing trade by the planned, organised and nationwide distribution of goods.

As has been explained, "replacing trade by the distribution of goods" as stated by Lenin and stipulated in the program does not mean distribution in kind without compensation, nor the sale of goods without going through state supply and marketing organs, including co-operatives of a transitional nature. Therefore, it does not mean a "natural economy." The author of the review has made a big error by quoting the program to describe the economic relations between town and country in Soviet Russia in the period of War Communism as relations of a "natural economy." This shows that Chinese academic circles are still seriously influenced by the misinterpretation of the economic relations in the period of War Communism as those of a natural economy, a misinterpretation by Soviet scholars like A. F. Rumiantsev.

So far we have dwelt on the actual content of the exchange relations under the "surplus-food appropriation system" and "state monopoly" practiced during the period of War Communism after the October Revolution. Such exchange relations, as Lenin pointed out, represented a special transitional policy made necessary by the circumstances of war. It helped young Soviet Russia to tide over the economic difficulties during the three-year civil war. It was once thought that this would facilitate the abolition of all private business and a direct transition to socialism. This proved to be wrong and impracticable. As soon as the war ended, the serious shortage of grain and industrial products became the main difficulty. There was a pressing need to restore industrial and agricultural production. So Lenin led the whole Party and the whole country in carrying out the New Economic Policy in the spring of 1921. The core of the New Economic Policy was to replace the "surplus-food appropriation system" by a "tax in kind" and grant freedom of commerce to private businessmen on a limited scale. First there was a "retreat" to what Lenin called the "state-capitalist exchange of commodities" which may be simplified as "commodity exchange." Half a year later, in October 1921, Lenin pointed to the need for a further retreat, and the exchange relations of "state-regulated buying and selling of commodities and money circulation" were introduced. These developments led to a further misunderstanding on the part of some comrades, who see the thesis of "replacing trade by the distribution of goods," advanced during the period of War Communism, as a policy for a "natural economy without exchange and money," a point we have clarified earlier. Worse still, they misunderstand the "commodity exchange" effected during the first "retreat" as "a barter peculiar to a semi-natural economy." It seems to them that "the buying and selling of commodities," with money as the medium, was not restored until the autumn of 1921. In order to clear up all these misunderstandings, I shall further dwell on how Lenin analysed the second and third kinds of exchange relations that took shape after the October Revolution.

2. The State-Capitalist Relations of Commodity Exchange During the Period of the New Economic Policy up to October 1921
3. The Exchange Relations of "State-Regulated Buying and Selling of Commodities and Money Circulation" Starting in October 1921

The shift to the New Economic Policy began in spring 1921, marking a retreat from the "state monopoly" system practiced during the period of War Communism to a system of "state-capitalist exchange of commodities" in

which surplus-grain appropriation was substituted by a tax in kind. The great changes brought about by the tax in kind under the NEP must be illustrated before the characteristics of state-capitalist commodity exchange and its differences from exchange under state monopoly can be made clear.

Lenin says:

The New Economic Policy means substituting a tax for the requisitioning of food; it means reverting to capitalism to a considerable extent. . . . Concessions to foreign capitalists . . . and leasing enterprises to private capitalists definitely mean restoring capitalism, and this is part and parcel of the New Economic Policy; for the abolition of the surplus-food appropriation system means allowing the peasants to trade freely in their surplus agricultural produce, in whatever is left over after the tax is collected — and the tax takes only a small share of that produce . . . and that is why capitalism must grow out of this soil of free trading.¹

Lenin adds:

That is the very ABC of economics . . . and in Russia taught, furthermore, by the profiteer. . . . From the point of view of strategy the root question is: who will take advantage of the new situation first? The whole question is — whom will the peasantry follow? The proletariat . . . ? Or the capitalist . . . ?²

The tax in kind was similar to the "public grain system" in China, whereby the peasants deliver a certain amount of grain to the state as agricultural tax in proportion to the cultivated acreage. After payment of the tax in kind to the state, the peasants kept the remaining portion of grain as well as other agricultural produce in their own possession and were free to sell them. These peasants were unorganized small farmers conducting production on their own. The existence of a grain market meant the rise of the spontaneous forces of the peasantry, speculation by the kulaks and thus price fluctuations. Lenin repeatedly said that the institution of "commodity exchange" and a tax in kind went hand in hand with the revival of free trade and capitalism, and that this was one of the ABCs of political economy. On the other hand, what could the state offer to the peasants in exchange for their agricultural produce, such as grain, tobacco and cotton? It should have offered them the means of production and consumer goods produced by socialist big industry. But the shortage of raw materials and fuels had forced over half of the big factories and mills to close down or suspend production, and those in operation could provide only a small amount of industrial prod-

¹ *Collected Works, op. cit.*, Vol. 33, p. 64.

² *Collected Works, op. cit.*, Vol. 33, p. 65.

ucts for exchange with the peasants. What was to be done? Lenin recommended the approach of state capitalism, whereby confiscated factories would be conceded to foreign capitalists (the concession system) or leased to domestic capitalists (the lease system), who would be given a chance to make profit as a price for the rehabilitation of industrial production. The bulk of the industrial products from these factories must be sold to the state supply-and-marketing agencies or to the co-operatives. Thus the state-capitalist commodity exchange in this period meant an exchange between the agricultural produce of the peasants and the industrial products from the various types of state-capitalist enterprises, plus a small amount from socialist big industry. Such state capitalism was a limited type of capitalism under the control of the Soviet state. Writing in retrospect, Lenin explained clearly in October 1921:

In the spring we said that we would not be afraid to revert to state capitalism, and that our task was to organize commodity exchange.¹ A number of decrees and decisions, a vast number of newspaper articles, all our propaganda and all the laws passed since the spring of 1921 have been directed to the purpose of stimulating commodity exchange. What was implied by that term? What plan of development, if one may so express it, did it imply? It implied a more or less socialist exchange throughout the country of the products of industry for the products of agriculture, and by means of that commodity exchange the restoration of large-scale industry as the sole basis of socialist organization.²

This shows that the New Economic Policy turned the state-monopolised exchange between town and country into a commodity exchange, an exchange of a state-capitalist nature in which the Soviet state, to exchange for the peasants' agricultural produce through the co-operatives, purchased the industrial products from the capitalist enterprises which had been confiscated in the period of War Communism but were now conceded or leased to foreign or domestic capitalists. As far as the products were concerned, most of them came from state-capitalist and not from socialist enterprises. Private traders were entrusted with the job of buying some special local products in the countryside because the co-operatives were still incapable of handling all such items. And this meant participation in exchange activities by private businessmen. Commission merchants, known as operators of co-operative stores, were retailing industrial products and handicrafts in the countryside. While analysing a given kind of exchange relations between town and country, we should examine the socio-economic nature of the parties involved in the exchange: Who is exchanging with whom? And what kind of production

¹ A wrong annotation to the term "commodity exchange" used by Lenin here will be dealt with later in this article.

² *Collected Works, op. cit.*, Vol. 33, pp. 95-96.

is the exchange based on? These are the decisive points. The urban-rural exchange during the period of the New Economic Policy represented a "step backward" from the exchange system under state monopoly because most of the products came from the various types of state-capitalist enterprises and small local handicraft establishments, which were reviving speedily, and only a small part of the products were provided by socialist big industry. Some comrades in the Russian Communist Party were of the opinion that such a change meant retrogression and the restoration of capitalism. Lenin repeatedly made it clear that the Party was not afraid of capitalism and that it was retreating by one step for the sake of advancing by two. In his view, socialist big industry would be gradually rehabilitated and developed by means of state capitalism and its products would ultimately play a leading role in exchange.

Such a state-capitalist commodity exchange meant a certain measure of freedom of action for capitalists, private traders and kulaks in both production and exchange. To defeat the capitalist forces of free trade in a round-about way, Lenin called on state personnel to "learn to trade":

The state must learn to trade in such a way that industry satisfies the needs of the peasantry, so that the peasantry may satisfy their needs by means of trade.¹

I shall quote at some length the detailed directives given by Lenin on the question of "commodity exchange," contained in the "Instructions of the Council of Labour and Defence to Local Soviet Bodies" dated May 21, 1921. The instructions make it clear that the term "commodity exchange" used by Lenin in those days referred to that of a state-capitalist nature. In "Item 1. Commodity exchange with the peasants" under "The First Group of Problems" in the above document Lenin listed a series of problems that had to be studied and solved:

What has been done specifically to prepare for it [commodity exchange]? . . . By the co-operative societies? The number of co-operative shops available for this purpose? . . . Prices on the "free" market?

. . . .
Salt and paraffin oil as articles for commodity exchange? Textiles? . . . What items are needed most? What are the chief peasant shortages? What can be supplied by local, small handicraft industry? Or by developing local industry?

What part does private trade play in commodity exchange? . . . Number of private traders; their turnover in the major items, particularly foodstuffs?²

¹ *Collected Works, op. cit.*, Vol. 33, p. 72.

² *Collected Works, op. cit.*, Vol. 32, pp. 384-85.

Under "Item 2. The State's Attitudes Towards the Capitalists," also in "The First Group of Problems," Lenin writes:

. . . have there been any offers from capitalists and entrepreneurs to lease enterprises or establishments, or commercial premises? Exact number of such offers and an analysis of them? How are the results of trading operations assessed . . . ?

Have there been any offers from commission agents? To buy produce for the state on a commission basis? Or to market and distribute it? . . .

Handicraft industry . . . ?¹

During the three years of the rehabilitation of the national economy after liberation and the period of the First Five-Year Plan (1953-57), China applied state-capitalist measures extensively except the concession and leasing of enterprises. When reading these passages from Lenin, it is easy for us to see that the "commodity exchange" effected under his leadership at the inception of the New Economic Policy had a special connotation. It was a state-capitalist commodity exchange in which private businessmen enjoyed a certain measure of freedom, exchange was conducted through the market, and wholesale trade was controlled by the state with private traders functioning as go-betweens or commission agents. As we have quoted above, Lenin laid special emphasis on the following questions: "What part does private trade play in commodity exchange?" "Number of private traders; their turnover in the major items, particularly foodstuffs?" "Prices on the 'free' market?" "Have there been any offers from commission agents?" "Have there been any offers from capitalists and entrepreneurs to lease enterprises or establishments, or commercial premises?" etc. All these show clearly that the commodity exchange discussed by Lenin could not possibly be a direct barter.

In October 1921, Lenin proposed a shift to a third kind of exchange as soon as he discovered that the second kind, i.e., state-capitalist commodity exchange, had not worked properly. This third kind of exchange was called "state-regulated commodity buying and selling and money circulation." After stating that the Bolsheviks had not been "afraid to revert to state capitalism" and that their task had been "to organize commodity exchange," Lenin continues:

But what happened? You are all now well aware of it from your own practical experience, and it is also evident from our press, that this system of commodity exchange has broken down; it has broken down in the sense that it has assumed the form of buying and selling. And we must now admit this if we do not want to bury our heads in the sand, if we do not want to be like those who do not know when they are

¹ *Ibid.*, p. 385.

beaten, if we are not afraid of looking danger straight in the face. We must admit that we have not retreated far enough, that we must make a further retreat, a further retreat from state capitalism to the creation of state-regulated buying and selling, to the money system. Nothing came of commodity exchange; the private market proved too strong for us; and instead of the exchange of commodities we got ordinary buying and selling, trade.

Take the trouble to adapt yourselves to this; otherwise, you will be overwhelmed by the wave of spontaneous buying and selling, by the money system! . . .¹

Is it not true that commodity exchange, as a system, proved to be unsuited to the prevailing conditions, which have given rise to the money system, to buying and selling for money, instead of commodity exchange? There can be no doubt about this; the facts prove it. This answers both Comrade Stukov and Comrade Sorin, who spoke here about people imagining mistakes. Here is a striking example not of an imaginary, but of a real mistake.²

This was the second error committed by the Russian Communist Party after the October Revolution. As soon as it was discovered, it was made known and openly corrected by Lenin himself. The first error had been unavoidable because War Communism was the only possible way for the Soviet state to tide over the economic difficulties in the years of war. This policy had led to illusions about an immediate abolition of private trade and a direct transition to socialism. The second error was the result of an underestimate of the situation at the inception of the New Economic Policy, when it was believed that a retreat from state monopoly to state capitalism, or the granting of the freedom of trade of a state-capitalist nature to capitalists and private traders would solve the problem. But state-capitalist commodity exchange achieved little success and even ended in failure because of the boycott from the capitalists, private traders and kulaks, whose forces of free trade were more powerful than the Soviet state-capitalist forces of commodity exchange, including the exchange between the products from socialist big industry and the agricultural produce of the small farmers. What was to be done under such circumstances? Lenin pointed out that it was necessary to effect a further retreat without allowing capitalism to spread unchecked. Since state capitalism had proved ineffective, more freedom had to be granted, but the state must not give up its role as the regulator. In other words, the Soviet state must exercise its control and influence over private industrial and commercial activities and place them under its adminis-

¹ *Collected Works*, op. cit., Vol. 33, p. 96.

² *Ibid.*, p. 102.

tration. Meanwhile socialist big industry and the co-operatives in town and country must endeavor to restrict private business and fight speculation and profiteering by economic means. In a series of reports made after October 1921, Lenin laid much emphasis on the importance of learning to trade. He says:

I think it is our duty to learn to understand commercial relations and trade. . . . We have had to retreat so far that the question of trade has become a practical question for the Party. . . . What dictates our transition to a commercial basis? Our environment, our present conditions. This transition is essential to enable us speedily to restore large-scale industry, link it up speedily with agriculture and organise a correct exchange of products.¹

The slogan that Communists must "learn to trade" was put forward as soon as the New Economic Policy began operation in 1921, when the state was already doing business with private traders. Thus it was no longer anything new in the fall of that year when state-regulated buying and selling was put into effect. The sphere of action secured by private traders during the period of state-capitalist commodity exchange had widened under the policy of state-regulated commodity buying and selling, so much so that they could now trade with the peasants directly. Previously restrained by the state and the co-operatives, these traders were now free to go to the countryside, where they bought raw materials and handicrafts for resale. As private traders engaged in every kind of speculation and profiteering, Communists must "learn to trade" if they wanted to fight back.

We conducted a typical struggle against capitalist speculation and profiteering in the early years after liberation. Taking advantage of the inflation left over from old China, which the People's Republic had not yet overcome, capitalists in Shanghai, Tianjin and other big cities cornered the market by means of their idle capital and stirred up four major waves of price fluctuations. Under the unified leadership of the Financial and Economic Commission of the Central People's Government Council, state enterprises brought together enormous quantities of cotton yarn and other goods before the rise of the fourth wave of price fluctuations, held the stocks when idle capital was rushing for cotton yarn and let the speculators boost the prices as much as they pleased, and finally dumped the stocks on the market, tightened the money in circulation, and forced the speculators to sell their goods at a fraction of their prices. This gave them a bitter lesson, after which idle capital became much more restrained and market prices began to be stabilized. This is like learning to "howl like a wolf" when living among wolves, i.e., the unscrupulous private traders. It may be regarded as an example of "state-

¹ *Collected Works, op. cit.*, Vol. 33, p. 106.

regulated buying and selling and money circulation" that occurred in the early years after the founding of the People's Republic of China.

Although the state-owned economic sector in Soviet Russia in the fall of 1921 was not as powerful as its counterparts in Shanghai and other big cities in China in the early years after liberation and was thus unable to regulate the market in the way described in the above example, Lenin's statements about "learning to trade" and "state-regulated commodity buying and selling and money circulation" covered struggles of a similar nature.

The exchange relations between town and country which Lenin described as "state-regulated commodity buying and selling and money circulation" did help to create a brisk urban and rural economy in Soviet Russia. As for the accompanying growth of the forces of private business, Lenin said it was nothing to be afraid of since the whole measure was helpful to the rehabilitation of socialist big industry, which would change the entire economic picture and gradually lead to a fourth kind of exchange, namely, the "socialist exchange of products."

The above historical review is highly instructive to us. The Russian Communist Party, under Lenin's leadership, was ready to make self-criticism about and correct its errors as soon as they were discovered. Immediately after the victorious conclusion of the civil war, Lenin led the whole party in changing the surplus-food appropriation system into a tax in kind system and the exchange under state monopoly into state-capitalist commodity exchange, thus correcting the error of trying to abolish "trade and market," by which Lenin meant buying and selling by private businessmen. Not long after the change-over to state capitalism, Lenin found it to be out of keeping with the state and nature of the urban and rural productive forces predominated by those of the small farmers, and made it clear that, to correct this second error, it was necessary to retreat further to a system of state-regulated commodity buying and selling and money circulation. As soon as socialist big industry had been rehabilitated to some extent, Lenin pointed out sharply that it was time to call a stop to the retreat and begin organizing a counter-attack. In the days of the Great Leap Forward in 1958, being over-enthusiastic and dizzy with success, we went in for "high targets" and "big people's communes," and this was followed by a "three-year readjustment" of the national economy and the institution of a rural people's commune system characterized by a "three-level ownership with the production team as the basic accounting unit." These were timely corrections of the previous errors, and the related historical experience and lessons were summed up in one way or another. But the leaders and the masses would have received much more education if a comprehensive ideological review had been presented to people inside and outside the Party, as done by Lenin in his time.

"Commodity exchange," a brief version for "state-capitalist commodity exchange" used by Lenin in many of his speeches, reports and articles written

after the shift to the New Economic Policy (the tax in kind) in 1921, did not refer to commodity exchange in general. "Commodity buying and selling," which he used as a shorter version for "state-regulated commodity buying and selling," did not refer to the buying and selling of commodities in their usual sense. Without studying the context or the implications of these terms, some comrades interpret them by their literary meanings and think that money did not come into existence until the policy of "commodity buying and selling and money circulation" was put into effect in October 1921, and that the "commodity exchange" practiced after the change from the "surplus-food appropriation system" and the "state monopoly system" in the first half of 1921 was an exchange of products conducted in the absence of money and commerce. Actually, the "commodity exchange" used by Lenin referred specifically to "state-capitalist commodity exchange." It could not be carried out without buying and selling, or trade, as we have already made clear by quoting from his important document, "Instructions of the Council of Labour and Defence to Local Soviet Bodies." The "state-capitalist commodity exchange" and the "state-regulated buying and selling" described by Lenin were identical in their phenomenal forms because both were conducted through certain market operations with money as the medium. The only difference was that, although state-capitalist commodity exchange meant a certain measure of freedom of trade for capitalists and private traders, such freedom was strictly limited, as in the direct contact between private capital and the peasants, whereas state-regulated commodity buying and selling and money circulation meant more freedom of trade. The difference between the first kind of exchange relations and the second and third kinds lay in whether private traders were permitted to operate, while the difference between the second and the third kinds of exchange relations lay in the measure of freedom granted to private traders. As compared with commodity exchange in its usual sense, the second and third kinds of relations had partially undergone qualitative changes and fell into the category of a "semi-commodity economy."

I would like to mention in passing an editor's note on page 35 of the pamphlet *Marx, Engels, Lenin and Stalin on Commodity Production Under Socialism* compiled by the theoretical group of the Financial and Trade Commission under the State Council and published by the China Financial and Economic Publishing House in August 1978. The note was intended to explain the concept of "commodity exchange" quoted from Lenin earlier in this paper (see p. 181), but it represented a misunderstanding of Lenin's formulation. It reads as follows:

The "commodity exchange" Lenin refers to here and in other places in this article has a connotation different from the usual one. It means a direct exchange of industrial products for the agricultural produce of the individual peasants, i.e., an exchange conducted without trade or a market.

The note is wrong in two respects:

1. "An exchange conducted without trade or a market" would mean barter. It is clearly a misinterpretation for reasons stated above.
2. It is true that the "commodity exchange" Lenin refers to "has a connotation different from the usual one." But the difference has nothing to do with whether or not the exchange was effected through the market. The note would have been correct if it had stated that the term was only a shorter version for "state-capitalist commodity exchange."

4. Socialist Exchange of Products

This is the main subject to be discussed in this paper, because such a system of exchange has the greatest significance for China today, representing the relations of exchange which exist in the country at present and will remain for a long time to come, although the second and third kinds of exchange relations discussed in the preceding sections also have some bearing on our present work. Lenin sometimes called the socialist exchange of products "the regular socialist exchange of products" or "the most ideal socialist exchange of products." At other times he simply called it "the exchange of products." "Socialist exchange of products" is a non-commodity type of exchange, a unique concept formulated by Lenin under particular historical circumstances. He called it the regular and most ideal socialist exchange of products in contrast with exchange under socialist state monopoly in the period of War Communism and the state-capitalist commodity exchange in the subsequent period. In his lifetime Lenin only saw this fourth kind of exchange in the budding stage and did not witness its growth into a decisive factor. But he was convinced that, after a certain length of time, this kind of exchange of products would replace the second and third kinds of exchange mentioned above. Lenin foresaw the course of its growth, worked out a timetable for its development and showed full confidence in its realization. Up till now, however, his theory on the exchange of products has not been fully made known and has even been misinterpreted by many people, and it has also been revised by Stalin. All this needs clarification.

I shall discuss the exchange of products by illustrating four points.

(1) By the "socialist exchange of products" Lenin means a non-commodity type of exchange.

The "socialist exchange of products" or, briefly, the "exchange of products," was a new concept developed by Lenin. It was a special term used by him to sum up a new objective situation, a new type of exchange relations between town and country. In his words, it was a non-commodity type of exchange differing in nature from commodity exchange in many respects. Many people are ignorant of the category of the "exchange of products" evolved by Lenin and confuse the "exchange of products" with the "commodity ex-

change" mentioned by Lenin in the above-quoted passages, considering both to be a kind of barter relations.

How did Lenin define the "exchange of products"? In many works written after the October Revolution, he pointed out that the "socialist exchange of products" represented the orientation of Soviet economic development and one of the aims of transition to socialism. He mentioned the exchange of products when speaking of the exchange under state monopoly and when discussing the state-capitalist commodity exchange and state-regulated buying and selling of commodities. This shows that the "socialist exchange of products" was something different from the three other kinds of exchange.

Lenin said that the system of monopoly regulation of prices during the period of War Communism was "one of the most important implements for the gradual transition from capitalist exchange of commodities to socialist exchange of products."¹ This assumption did not become a fact.

While the second kind of exchange, i.e., "commodity exchange," was being put into effect, Lenin said that the tax in kind (state-capitalist commodity exchange) was "one of the forms of transition from that peculiar War Communism, which was forced on us by extreme want, ruin and war, to regular socialist exchange of products."²

Speaking of the need to retreat from "state-capitalist exchange of commodities" to "state-regulated buying and selling of commodities," he pointed out, "This transition is essential to enable us speedily to restore large-scale industry, link it up speedily with agriculture and organize a correct exchange of products."³

The above three passages from Lenin make two things clear: First, they show that the first three kinds of exchange were those of a transitional nature peculiar to the period of transition from capitalism to socialism (the period from the October Revolution to the mid-1930s in the Soviet Union and the period from 1949 to 1957 in China). Why did such exchange relations appear? They came into existence as determined by historical conditions and the state of the productive forces at the time. As forms of exchange peculiar to the period of transition, they were not socialist forms of exchange even though they contained socialist factors to a greater or lesser degree. Second, the passages from Lenin show that all these three kinds of exchange were directed towards the aim of transition to a "socialist exchange of products." This makes clear the interrelations between the four kinds of exchange Lenin referred to, and proves the "socialist exchange of products" to be a new category developed by Lenin.

¹ *Collected Works, op. cit.*, Vol. 27, p. 454.

² *Ibid.*, Vol. 32, p. 342.

³ *Ibid.*, Vol. 33, p. 106.

The question may be asked: Why did Lenin pay so much attention to the wording of his formulation, calling it the socialist exchange of products and not the socialist exchange of *commodities*? Being precise in his wording, Lenin used concepts which were reflections of objective processes. A concept is a rational abstraction of an objective process, and a scientific concept must conform to an objective process in a full sense. We should refrain from applying an old concept to something new and different in nature, or else there will be confusion. Stalin pointed out that in the Soviet Union some new relations in the socialist economy were still being expressed by the use of old concepts, and it was now time to adopt new concepts suitable for the reflection of the new state of affairs. I fully agree with his idea, because scientific ways of expression must be strict and consistent. In a capitalist society the term "capital" is used for the basic investment made by a private owner of a factory (the means of production), for capital is a means for the exploitation of workers. But the investment in a socialist factory is called "funds" because it is not used to exploit the workers. The use of this new concept helps to distinguish between two different kinds of investment. Lenin did not consider all products for exchange as commodities. He made a distinction between exchange based on private ownership and exchange based on public ownership, calling the former commodity exchange and the latter a non-commodity exchange of products. Furthermore, he sub-divided the exchange in the period of transition from the former to the latter, which took shape after the October Revolution, into the three forms of exchange mentioned above. To prove this, I shall quote two more passages from the "Instructions of the Council of Labour and Defence to Local Soviet Bodies." Lenin wrote:

We now have two main criteria of success in our work of economic development on a nation-wide scale. First, success in the speedy, full and from the state point of view, proper collection of the tax in kind; and second — and this is particularly important — success in the exchange of *commodities* and of *products*, i.e., the exchange of manufactured goods for agricultural produce between industry and agriculture.¹

Here, the exchange of commodities referred to the state-capitalist exchange of commodities, while the exchange of products referred to the socialist exchange of products, and they formed two sectors in the exchange between town and country at the time. The former was the main sector, and the latter was much smaller and was the secondary one. They were different in that the former depended on manufactured goods from state-capitalist industry, and the latter on those from socialist big industry which was only just being rehabilitated. Lenin also said:

¹ Cf. *Collected Works, op. cit.*, Vol. 32, p. 376. Translation revised according to Russian edition of 1951, p. 394. Italics by the author of this article.

. . . Secondly, *commodity exchange* is a test of the relationship between industry and agriculture and the foundation of all our work to create a fairly well regulated monetary system. All economic councils and all economic bodies must now concentrate on *commodity exchange* (which also includes the *exchange of manufactured goods*, for the manufactured goods made by socialist factories and exchanged for the foodstuffs produced by the peasants are not *commodities* in the politico-economic sense of the word; at any rate, they are not only commodities, they are no longer commodities, they are ceasing to be commodities).¹

I would like to emphasize the words in parentheses. Lenin pointed out that the state-capitalist exchange of commodities was the main form of exchange between town and country, and that economic organizations throughout the country should concentrate on it; at the same time, he instructed them to concern themselves with the socialist exchange of products, called the "exchange of manufactured goods" in the above quotation, which should not be ignored on account of the insignificant role it was playing in the exchange between town and country. Thus the exchange of commodities was quite different from the exchange of products. Otherwise, it would not have been necessary to mention the latter after discussing the former. Here the "exchange of manufactured goods" referred to the socialist exchange of products. Why was it necessary to adopt this new concept? Just as we call the means of production in private factories "capital" and those in socialist public factories "funds," the exchange of commodities and the socialist exchange of products must be treated as two different scientific concepts. The economic nature and economic laws of the exchange between manufactured goods from socialist big industry and the produce of small farmers differ from those of the exchange of the products of private producers. As Lenin said, the manufactured goods of socialist big industry exchanged for the agricultural and sideline products of the peasants "are not commodities in the politico-economic sense of the word; at any rate, they are not only commodities, they are no longer commodities, they are ceasing to be commodities." If the socialist exchange of products had not been distinguished from the exchange of commodities, it would have been like confusing the "funds" of socialist factories with the "capital" used to exploit the workers.

(2) On what basis did Lenin advance the concept of the "exchange of products" and give the name of the "socialist exchange of products" to the exchange of the manufactured goods from socialist big industry for the agricultural produce of the peasants?

This is a complicated problem involving many basic theoretical questions of political economy, some of which will have to be clarified through a concrete analysis of the present realities of the socialist economy, and are among

¹ *Collected Works, op. cit.*, Vol. 32, p. 384. Italics by the author of this article.

the most controversial theoretical issues under discussion among economic research circles in China. I shall say something on the basis of the initial results of my study.

Lenin pointed out the differences between the socialist exchange of products between town and country and the capitalist exchange of commodities, or commodity exchange in general. First, the latter is based on private ownership, which contains antagonistic contradictions, while the former is based on socialist public ownership, or on an economy in which socialist big industry plays the leading role and which contains contradictions that are not antagonistic. There seems to be no controversy over this point. Second, because of its particular basis, the capitalist exchange of commodities cannot be planned as an integral whole by society or by the state — in other words, it cannot be planned on a society-wide basis, although it can be planned within the framework of a capitalist enterprise or a monopoly capitalist group. On the other hand, the socialist exchange of products can in the main be planned as an integral whole, although this does not mean it can be arranged down to every detail all at once, but shows a difference from an economy based on private ownership, in which everybody acts according to his own interest and fights everybody else and no society-wide arrangement is possible. Thus in one case men are governed spontaneously by the process of exchange, or in other words, men are governed by their products, while in the other case the process of exchange is governed by men, or the products are governed by men. Generally speaking, there is also no controversy over this essential difference between the two kinds of exchange. From Lenin's analysis of the four kinds of exchange mentioned above (there were five kinds of exchange if we add to these the old capitalist exchange of commodities before the October Revolution), we can see that the second difference mentioned here was the criterion by which he distinguished between commodity exchange and the non-commodity exchange of products.

To put it in more detail, there are other differences between the two kinds of exchange — differences in the processes of motion and in the forms of expression which are closely linked with the two differences stated above. For instance, the average amount of socially necessary labor expended on the products determine the ratio of exchange in both kinds of exchange, but in one case it expresses itself as *value* and the *law of value*, while in the other case it expresses itself not as value or the law of value, but directly as the law of the exchange of equal amounts of labor. Again, in commodity exchange the unitary measure and certificate used in exchange are a third product, such as gold or another kind of money or a token that stands for the amount of labor contained in it — paper currency, while in the socialist exchange of products, though the measure and certificate used in exchange remain to be money in its paper form, such paper money has transformed into the direct token of a certain amount of social labor (Marx calls it a labor certificate or a labor

note, and Engels describes it as "a disguised labour certificate" in the period of socialism¹). But differences like this between commodity exchange and the socialist exchange of products have never been touched upon by people or are only a subject of inquiry and debate among an insignificant number of people. I have only mentioned them briefly to show that there are many essential differences between exchange in a socialist economy and exchange in an economy based on private ownership, that there are far more differences than the presence or absence of planning. If we go deeper into the subject, we will see why Lenin from the very beginning described the exchange of the manufactured goods of socialist big industry for the agricultural produce of small farmers as a socialist, non-commodity exchange of products.

(3) Under what conditions and at what time could a socialist exchange of products be realized?

In his lifetime Lenin did not see the socialist exchange in operation, but he made a plan and arranged a timetable for its realization. In his view, it could not be put into effect in a short time, and could be realized only after a fairly long period of hard struggle. But he did not see it as something belonging to the distant future. As we have already said, as one sector in the exchange between town and country, what Lenin called the socialist exchange of products had existed since the inception of the New Economic Policy. But such exchange would become the leading factor in the exchange between town and country, replacing the second and third kinds of exchange Lenin referred to, only when socialist big industry could offer enough manufactured goods in exchange for the agricultural produce of the peasants. Lenin said in 1921:

... Is it to give the small peasant *all* the needs of the goods produced by large-scale socialist industries in exchange for his grain and raw materials? This would be the most desirable and "correct" policy — and we have started on it. But we cannot supply *all* the goods, very far from it; nor shall we be able to do so very soon — at all events not until we complete the first stage of the electrification of the whole country.²

When would the first stage of electrification be completed? Lenin predicted that it would be completed in ten years or in about ten years.³ This shows that the "exchange of products" cannot be realized without the material basis of socialist society — socialist big industry, which cannot be built in a short time but which will not require too long a time to build either — such as the time needed to put the whole economy on the basis of socialist ownership by the whole people, or the time needed to effect a transition from distribution "to each according to his ability" to distribution "to each according to

¹ F. Engels, *Anti-Dühring*, Foreign Languages Press, Beijing, 1976, p. 303.

² *Collected Works, op. cit.*, Vol. 32, p. 344.

³ *Ibid.*, p. 139 and p. 459.

his needs." Specifically speaking, Lenin considered it possible to put into effect the socialist exchange of products between town and country within ten years or at most twenty years. History has proved his prediction to be correct. By the mid-1930s, the socialist exchange of products had been realized between town and country in the Soviet Union. However, Stalin later described it as a special kind of commodity production and exchange without capitalists,¹ and put off the socialist exchange of products to some time in the future when collective ownership became ownership by the whole people. I shall deal with Stalin's revision of Lenin's theory in the second part of this article.

(4) Lenin's two principles concerning the socialist exchange of products provide important guidance for our work in China at present and for a long time to come.

In the first place, Lenin said:

... The latter [the regular socialist exchange of products], in its turn, is one of the forms of transition from socialism, with the peculiar features due to the predominantly small-peasant population, to communism.²

Thus as Lenin saw it, the "socialist exchange of products" between socialist big industry and collective agriculture would last a very long time, and would continue to exist in the period of transition from socialism to communism. Why should it last so long? The basic reason lay in "the peculiar feature due to the predominantly small-peasant population." This meant the small farmers should be helped to take the road of collectivization through education and respect for their own choice, a point which should also be observed during the transition from collective ownership to ownership by the whole people, and no success could be achieved in either case by resorting to equalitarianism and the indiscriminate transfer of resources by stirring up a wind of "communism." The above two transformations, i.e., collectivization and the changeover to ownership by the whole people, both required a high level of development of socialist big industry, which alone would provide the economic strength for these transformations. However, the low level of the productive forces in a predominantly small-peasant economy and the cultural and technological backwardness of the country created much difficulty for the modernization of socialist big industry. Thus the socialist exchange of products between socialist big industry and collective agriculture (which also covered the private plots of the peasants and their household side-occupations and handicrafts) would have to exist for a long time. Any hasty steps to change it to an exchange of products between an industry and an agriculture owned by the whole people would bring harmful results.

¹ J. V. Stalin, *Economic Problems of Socialism in the U.S.S.R.*, FLP, Beijing, 1972, p. 16.

² *Collected Works, op. cit.*, Vol. 32, p. 342.

On the second principle concerning the socialist exchange of products, Lenin said:

If we have electrification within 10 to 20 years, there is nothing to fear from the individualism of the small farmer and *his* unrestricted trade in local exchange. If we have no electrification, a return to capitalism is inevitable *in any case*.¹

In other words, Lenin predicted that, after the completion of electrification within 10 to 20 years, the exchange between town and country would in the main become a socialist exchange of products, but as determined by "the peculiar features due to the predominantly small-peasant population," some elements of the unrestricted trade of the small farmers would remain in local exchange. By then, however, there would be "nothing to fear" from such country fair trade, because it would be regulated by socialist big industry and would serve to make up for the multifarious minor deficiencies in socialist economic life.

The socialist exchange of products between town and country Lenin referred to, including the country fair trade attached to it as one of its lasting features, is the exchange practiced between town and country in China in the years since 1957, including the three years of difficulties (1959-61) and the period of economic readjustment starting in 1979. Only a different expression is used in our press and everyday language, namely, a socialist "commodity" exchange of a "non-capitalist nature."

The above two principles are of great significance to the work in China at present and for a long time to come. In my opinion, the second principle advanced by Lenin may be expressed as a "combination of planning in major affairs and freedom in minor ones," i.e., the planned exchange of products on a large scale existing side by side with "free trade" within a limited scope, which includes country fairs, purchases at negotiated prices, commission transactions at warehouses, co-operative stores operated by former small businessmen, etc., which are regulated by the state through supply and marketing co-operatives for the purpose of promoting the exchange between town and country. After 1957, a mistake was made in China when too many restrictions were put on the "freedom in minor affairs" at too early a time. As for Lin Biao and the Gang of Four, they called black white by declaring that socialist "commodity" exchange, or the "socialist exchange of products" referred to by Lenin, was a breeding ground of capitalism. Lenin did say that "small production engenders capitalism and the bourgeoisie continuously, daily, hourly, spontaneously, and on a mass scale."² But that was written in April 1920, when the small farmers in Russia had not been organized and when socialist big in-

¹ *Collected Works, op. cit.*, Vol. 32, p. 323.

² V. I. Lenin, "Left-Wing" Communism, an Infantile Disorder, FLP, Beijing, 1965, p. 6.

dustry was dislocated to such an extent that it could provide few manufactured goods for exchange with the farmers and could hardly exercise any influence on them. Under those circumstances, the small farmers were naturally in danger of becoming an appendage of capitalism. Ignoring this historical background, the Gang of Four tried to apply Lenin's statement to China in the 1960s and 1970s without any qualification. Wasn't this a deliberate distortion? The above two principles of Lenin's on the socialist exchange of products also provide us with a theoretical weapon to eradicate the evil influence of the Gang of Four's fallacies.

So far I have discussed Lenin's analysis of the four kinds of exchange between town and country, different from one another in economic nature, that took shape in Russia after the October Revolution. There remains the question of the exchange of the means of production between the productive units within an economy under ownership by the whole people, which they produce by a division of labor. Though Lenin did not deal with the question directly, he touched upon it. Here I would like to discuss it in passing.

Lenin held the same view as Marx on the question whether there would be exchange within the economic sector under ownership by the whole people. Marx had made it clear that the means of production turned out by Department I in socialist production would likewise be used for the purposes of reproduction, thereby "entertaining a constant mutual exchange between the various lines of production of this department."¹ In his critical comments on Bukharin, Lenin pointed out that in a communist society, there would inevitably be different kinds of exchange between Department I and Department II. In his *Critical Comments on Bukharin's "Economics of the Transition Period,"* Lenin said, "Will there not be the relation of $Iv+m$ and IIc even in pure communist society? And accumulation too?"² These passages from Marx and Lenin show that exchange remains within the publicly-owned big industry in the lower and higher stages of communist society. To put it in more detail, there is exchange among enterprises owned by the whole people — such as the exchange between the different productive units and the exchange between the enterprises supplying the means of livelihood (like the department stores and supply and marketing co-operatives in China) on the one hand and the productive units on the other. (In current usage, this is called an exchange between state-owned industry and state-owned commerce.) It goes without saying that such exchanges are conducted in the nature of a non-commercial socialist exchange of products, and are bound to be governed by the law of the exchange of equal amounts of labor.

¹ Karl Marx: *Capital*, Charles H. Kerr & Company, Chicago, 1933, Vol. II, p. 493.

² V. I. Lenin: *Critical Comments on Bukharin's "Economics of the Transition Period,"* Chinese ed., Beijing, 1958, p. 3.

Discussing the above question, J. V. Stalin says, on the one hand, that the exchange between the economic sector under ownership by the whole people and the economic sector under collective ownership, including the sales of consumer goods to residents in town and country, represents a special kind of commodity production and commodity exchange; on the other hand, he declares that the exchange of the means of production between the productive units under ownership by the whole people does not represent commodity production and commodity exchange. This argument is self-contradictory. In fact, each of the two kinds of exchange is an exchange of products of a non-commodity nature or, in the language used by most people today, a "socialist exchange of commodities." Up to 1963, I approved of Stalin's argument and tried to explain it on a logical basis, but the harder I tried, the more contradictory it seemed, until I found it inexplicable. Actually, the dominant role in socialist economy is not played simultaneously by two parallel laws of exchange. This was why, in 1964, I stopped following the dualist approach of Stalin. By now, most people have expressed disagreement with Stalin's view and believe that the means of production produced in the economic sector under ownership by the whole people are likewise commodities and represent a special kind of commodity production and commodity exchange. In my view, all exchange between the relatively independent enterprises within the economic sector under ownership by the whole people are likewise a socialist exchange of products of a non-commodity nature, for the same reason by which Lenin defined as such the exchange of the manufactured goods produced by factories owned by the whole people for the agricultural produce of the collective farms and even of the small farmers.

By inference, it may be predicted that the economic relations of the exchange of products containing equal amounts of labor will always remain in communist society; otherwise there will be no communism. Before the October Revolution, Bogdanov said that there would be a natural economy under socialism and exchange would become unnecessary (see the quotation given on p. 175 in this article). This was obviously wrong. At present, many people still believe that in the period of transition from socialism to communism, exchange will be necessary if the two kinds of public ownership, i.e., ownership by the whole people and collective ownership, exist side by side and "commodities" will also be necessary because they regard any product for exchange as a commodity; and that no exchange or "commodities" will be necessary as soon as ownership by the whole people becomes the only kind of public ownership in existence. This is also wrong. Even under communism, will it not be necessary to maintain the relations of the exchange of products containing equal amounts of labor? Will it not be necessary to work out the costs of production and make up for them? By then distribution to each according to his work and bonuses will become unnecessary, but it will still be necessary to maintain an overall balance between the quantities of the means of livelihood

and the means of production and the amounts of labor to be expended on their production. That was why Lenin pointed out to Bukharin that even in pure communist society the relations between Department I and Department II would remain an important economic problem requiring a thorough study. It should be stated clearly that the exchange of products containing equal amounts of labor will always be conducted between the productive units under society's public ownership and between the supply units and productive units under the same ownership, and this will be the case not only after the present two kinds of public ownership become a unitary socialist ownership by the whole people, but also in the higher stage of communism. By then exchange will become more complicated and will have to be worked out with better care, organization and planning, so that the principle of the exchange of equal amounts of labor can be implemented more directly. People of our generation should clearly grasp the point that the difference between socialism and capitalism or the difference between communism and socialism does not lie in whether there is exchange or whether the law of exchange of equal amounts of labor has to be followed, for the exchange of products containing equal amounts of labor is an inevitable relation common to all three of them. Exchange in a socialist economy and a communist economy differs from exchange in an economy based on private ownership in fundamental nature and takes entirely different forms. (For example, one of the differences in the form of manifestation lies in whether the law of the exchange of equal amounts of labor manifests itself as the law of value.) As for the difference between socialist exchange and communist exchange, it lies only in the extent to which labor manifests itself directly as social labor, and no such fundamental difference exists between these two kinds of exchange as between them and capitalist exchange.

II

Stalin was an outstanding Marxist and a great proletarian revolutionary. After Lenin's death, he became the standard-bearer of the international communist movement and educated a whole generation of people. His merits are known to all and here I shall not elaborate on them. In the *Economic Problems of Socialism in the U.S.S.R.*, written in his later years, he put forward many good, positive views and made new contributions to Marxist-Leninist political economy. For example, he says in the book that in socialist conditions "economic development proceeds not by way of upheavals, but by way of gradual changes, the old not simply being abolished out of hand, but changing its nature in adaptation to the new, and retaining only its form; while the new does not simply destroy the old, but infiltrates into it, changes its nature and its functions, without smashing its form, but utilizing it for the development

of the new."¹ He points out that this is true of money as well as of banks. This idea provides important guidance for us in the study of political economy concerning socialism. It has greatly enlightened me in my inquiry into the nature and standard of the *Renminbi* (the People's Currency). I shall not go further into his achievements. Here I would like to concentrate on an analysis of his revision of Lenin's views on the four kinds of exchange mentioned above and the two restrictions he put on a related argument of Engels, which I believe to be incorrect. These have caused some confusion to Marxist political economy with respect to the theory of the value of commodities, and we must make an effort to clarify the points in question.

1. Confusion of Lenin's statement about the "socialist exchange of products" with his statements about the "state-capitalist exchange of commodities" and the "state-regulated circulation of commodities"

In his *Economic Problems of Socialism in the U.S.S.R.*, Stalin said:

At present [in 1952] the collective farms will not recognize any other economic relation with the town except the commodity relation — exchange through purchase and sale. Because of this, commodity production and trade are as much a necessity with us today as they were, say, thirty years ago, when Lenin spoke of the necessity of developing trade to the utmost.²

I have stated earlier that in the period from the mid-1930s to 1952 when Stalin's book was published, the exchange between town and country in the Soviet Union was actually an exchange of the products of socialist big industry for the agricultural produce of the collective farms. This kind of exchange was dominant, while trade at the country fairs, which was in the nature of the economy of the individual producers (economy based on private ownership) only accounted for less than ten per cent of the turnover. Thus it was the former, not the latter, that determined the nature of the exchange between town and country. Lenin defined such exchange between town and country as a "socialist exchange of products" of a non-commodity nature, while Stalin called it "a special kind of commodity production, commodity production without capitalists." We may, for the time being, leave aside the question whether Lenin or Stalin was correct by the standard of the scientific theory of Marxism on the value of commodities. But one thing is obvious: Stalin was completely wrong in the way he quoted Lenin. To prove that commod-

¹ J. V. Stalin, *Economic Problems of Socialism in the U.S.S.R.*, FLP, Beijing, 1972, p. 54.

² *Ibid.*, p. 15.

ity production and trade, which he referred to as a special kind of commodity production without capitalists, were still a necessity after the Soviet Union had entered socialist society, Stalin said that they were "as much a necessity with us today as they were, say, thirty years ago," when Lenin spoke of "developing trade to the utmost." Here the exchange of commodities or "trade" which, as Lenin had said thirty years earlier, should be developed to the utmost, referred to the "state-capitalist exchange of commodities" and the "state-regulated commodity buying and selling and money circulation" in which the capitalist forces held an important position and the capitalists and kulaks were granted a certain measure of freedom of trade. To retreat by one step in order to advance by two, concessions were made for the purpose of rehabilitating and developing socialist big industry so that the capitalist forces could be eliminated in ten or twenty years and a transition effected to a new, socialist exchange of products characterized by an exchange of the products of socialist big industry for the agricultural produce of the peasants. That is why I think Stalin made an error of confusing things of different nature when he quoted Lenin's 1921 statement about the need for a "state-capitalist exchange of commodities" to prove the need for a "special kind" of exchange of commodities in 1952.

2. Revision of Lenin's conditions for the realization of the "socialist exchange of products"

Stalin also considered a "socialist exchange relation of products" of a non-commodity nature, but he believed that it could not be realized until the collective economy of the peasants was raised to the level of a socialist economy under ownership by the whole people. He said:

Of course, when instead of the two basic production sectors, the state sector and the collective-farm sector, there will be only one all-embracing production sector, with the right to dispose of all the consumer goods produced in the country, commodity circulation, with its "money economy," will disappear, as being an unnecessary element in the national economy.¹

I have stated earlier that Lenin placed the capitalist exchange of commodities (including the exchange of commodities in pre-capitalist societies based on private ownership) in opposition to the exchange of products of a non-commodity nature in socialist society, and regarded three kinds of exchange between town and country that took shape after the October Revolution ("exchange under state monopoly," "state-capitalist exchange" and "state-regulated circulation of commodities") as means of effecting a transition from the former to the latter under different circumstances. At the same time, Lenin was con-

¹ *Ibid.*, pp. 15-16.

vinced that the socialist exchange of products would be realized through the overall rehabilitation and development of socialist big industry, which would provide the economic basis of socialist society, supply abundant products for exchange with the agricultural produce of the peasants (including small farmers and collective farm peasants), and enable the state to eliminate the economic activities of the capitalists, kulaks and private businessmen. That would be followed by a steady development of the socialist exchange of products. Differing from Lenin's view, Stalin argued in his book that commodity production and trade continued to exist under socialism because of the co-existence of the two kinds of public ownership — ownership by the whole people and collective ownership. In other words, he regarded the elevation of "the collective-farm sector" to the "state sector" as the condition for the realization of the socialist exchange of products, whereas Lenin considered the provision of abundant goods by socialist big industry for exchange with agricultural produce of the peasants and the exclusion of capitalists from urban-rural economic intercourse as the condition for the realization of such an exchange. This was a revision of Lenin's view.¹

In fact, the elevation of a socialist economy under collective ownership to one under ownership by the whole people, which Stalin refers to, will only be a qualitative change, though a very important and arduous process of change, within the socialist economy, marking the evolution of an underdeveloped socialist economy into a developed socialist economy. As far as the exchange between town and country is concerned, it will not mean the change of one kind of commodity exchange or another into a socialist exchange of products, but the growth of a rudimentary socialist exchange of products into a developed one. The point was made clear by Lenin as early as 1921, when he advanced the programmatic formula that the socialist exchange of products was "one of the forms of transition from socialism, with the peculiar features due to the predominantly small-peasant population, to communism."

3. Two incorrect restrictions on a scientific prediction by Engels

To support his views on the exchange of products, Stalin put two restrictions on a scientific prediction by Engels. I do not think these restrictions are correct.

¹In the discussions on whether the socialist economy in China today is a commodity economy, some people have argued that Marx and Engels predicted the disappearance of the relations of commodity economy under socialism because they were limited by historical conditions and could not foresee a socialist society based on two kinds of public ownership. I consider this to be a rash and erroneous conclusion. Cf. my article, "The Scientific Predictions of Marx and Engels on a Socialist Society Based on Two Kinds of Public Ownership," in *Xueshu Yuekan (Academic Monthly)*, No. 1, 1980.

In *Anti-Dühring*, Engels says (as elaborated by Marx in greater detail in *Capital*), "The seizure of the means of production by society eliminates commodity production and with it the domination of the product over the producer."¹ This does not mean that, with the seizure of the means of production by society, all exchange will be done away with, but that commodity exchange, in which the product dominates the producer, will be eliminated in those circumstances. Stalin puts two restrictions on Engels' prediction. He says that commodity economy can be done away with only when *all* the means of production are seized by society and converted into *public* property. He further states that, at the close of the last century, Britain had developed large-scale capitalist production in agriculture, and so it would have been possible, in the event of the assumption of power by the proletariat in that country, to convert all the country's means of production into public property and put an end to commodity production. But then he makes a reservation by saying that he is leaving aside in this instance the question of the importance of foreign trade to Britain, and that "only after an investigation of this question can it be finally decided what would be the future of commodity production in Britain after the proletariat had assumed power and *all* the means of production had been nationalized."²

This interpretation of Engels' prediction is questionable. The nature of the social economy of a country (particularly a socialist country independent of any other country) is determined mainly by the nature and level of its productive forces and the economic structure based on the system of ownership. If the economic structure of a country consists of several sectors (including the survivals of a defunct economy), its nature is determined by the dominant economic sector which plays the leading role in production and exchange in society as a whole. Marx sums up cases like this when he writes:

In all forms of society there is one specific kind of production which predominates over the rest, whose relations thus assign rank and influence to the others. It is a general illumination which bathes all the other colours and modifies their particularity. It is a particular ether which determines the specific gravity of every being which has materialized within it.³

As a universal truth, this naturally applies to an analysis of the economic relations in a socialist society and their nature. Lenin saw that after the October Revolution, the products of socialist big industry for exchange with the agricultural produce of the small peasants were no longer something for ex-

¹ *Anti-Dühring*, FLP, Beijing, 1976, p. 366.

² *Economic Problems of Socialism in the U.S.S.R.*, op. cit., pp. 10-11.

³ Karl Marx, *Grundrisse, Foundations of the Critique of Political Economy (Rough Draft)*, Penguin Books in association with New Left Review, 1973, pp. 106-107.

change of a commodity nature, and that once socialist big industry could replace private industries in satisfying the needs of the peasants, it would determine the nature of the exchange between town and country as a whole, which would then become a socialist exchange of products of a non-commodity nature. In the economic structure of a socialist society in the present (underdeveloped) stage, socialist big industry is the leading factor, the collective economy of the peasants is a subordinate one, while there is still a smaller sector of individual economy which is either attached to the collectives or run by households in towns (such as private plots and household side-occupations) and which manifests the self-interest and spontaneity of the small producer, and we should not lose sight of any of these sectors. But in the main, it is the production of socialist big industry under ownership by the whole people that occupies the leading position and determines the nature and the laws of the exchange between town and country.

When socialist big industry, as predicted by Lenin, can offer enough products to exchange for the agricultural produce of the small farmers, form a solid economic alliance with them and defeat the capitalists and private businessmen, a planned, organized exchange of products of a non-commodity nature between town and country is in the main realized, an exchange in which the producer dominates the product. This marks the beginning of a fairly long period of time in which socialist big industry plays the decisive role in the situation as a whole despite the existence of collective ownership at a low level which is accompanied by country fair trade. In my opinion, the two restrictions which Stalin puts on the prediction by Engels show a tendency to take an external cause as the decisive factor and a demand for the development of a thing in its purest form. From the point of view of methodology, they seem to suffer from metaphysics and lack a dialectical approach.

— *Translated by Chen Gengtao
and others*

Investigation Report: Enterprises in Sichuan Province Acquire Greater Independence

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Beginning October 1978, experiments were undertaken in Sichuan Province to broaden the power of enterprises to make their own decisions. The experiments started with six enterprises and gradually extended to over a hundred by early 1979. Obvious results were achieved in the first half year. In this period, the output value in 100 enterprises under experiment increased at a rate 56.7 per cent higher than the average in the whole province. The profits made by 84 local industrial enterprises rose at a rate 54 per cent higher than the average in similar ones throughout the province. The quality of products also improved generally. In 14 experimental mills in the chemical industry, 84 per cent of the major products hit or surpassed the best standards ever reached, with a big increase in the ratio of first-grade products. Enterprises which conducted the experiments more successfully acquired greater financial independence and, on that basis, carried out technical transformation and changed the outdated production processes, introducing mechanization, integrated operation and automation. Their production capacity was enlarged, their modernization speeded up. Quite a few enterprises used their increased welfare funds for the construction of apartment buildings for the workers and staff. Six factories put up in the first half of 1979 blocks of flats with a total floor space of 29,400 square meters, providing better housing for 730 families.

I. Chief Reasons for the Achievements

Why was it possible to make all these achievements in half a year during which the power of the enterprises to make their own decisions was increased to an almost insignificant extent? Here are our findings:

The fundamental reason for the successes is an initial combination of financial benefits, economic performance and financial responsibilities, which means

a combination of the interests of the state, the enterprise and the worker. According to the regulations on the experiments in Sichuan, enterprises which fulfil the eight technical and economic norms* laid down by the state are entitled to draw a bonus fund from its earnings at an average of 2.50 yuan for each employee and keep 15 to 25 per cent of the profit it has gained in excess of the planned figure as part of its business fund. This is a departure from the situation where the state of management and production in an enterprise has nothing to do with the material benefits of the workers and staff, where no distinction is made between good and bad management, between those who do a good job and those who do a poor one, where financial responsibilities and economic performance are not taken into consideration, and where egalitarianism reigns supreme. The new practice puts an economic motor inside an enterprise that drives its production forward. To get its business fund, the enterprise has to call forth its initiative, conduct business accounting in earnest and implement a system of rewards and penalties. This brings into play all positive factors and improves management. Some of their practices are:

(1) A combination of the system of job responsibility with business accounting, rewards and penalties, and business contracts. Cost accounting is conducted at various levels — the general factory, the plant and the workshop, and metrological data, production quotas and day-to-day records are made clear to see whether the targets have been fulfilled and whether there have been gains or losses. In the past, responsibility for fulfilment of the eight state norms was placed entirely on the plant authorities while the workshops, teams and groups were not financially answerable. The rank-and-file workers never bothered about the question of economizing on materialized or living labor. After business accounting is put into practice in an enterprise, the technical and economic norms are sub-divided among workshops, groups and individuals. In the same way as the state examines the economic performance of a factory, the factory checks on the workshop, and the workshop on the group or the individual on their fulfilment of the targets with emphasis on the profit norm. Even the administrative and technical offices have their own targets to worry about. Since the responsibilities are clear and definite, every target is taken care of, and every unit or individual is justly rewarded or penalized. Those who fulfil or overfulfil the targets are rewarded, those who fail to do so get no reward, and those responsible for financial losses are penalized and their bonuses cancelled. Now, from the director to the ordinary worker, everybody keeps an eye on the accounts and concerns himself with the economic performance of the factory. A general accountant of a factory said, "In our country every worker is a master of his factory and should help to manage its fi-

* Referring to output, quality, variety, consumption of raw materials and energy resources, labor productivity, cost, profit and the rate of utilization of circulating funds. — *Trans.*

nances. But this used to be empty talk. It is now becoming a fact because the individual is taken care of and people's interests are linked with their responsibilities, and consequently everybody is interested in how his factory is doing financially." A workshop director said, "In the past, no distinction was made between those who did a good job and those who did a poor one, and it made no difference whether you counted the figures. Now I have to be serious about business accounting, because I can hardly justify myself before the workers if they don't get enough in bonus."

The business contracts clarify the financial responsibilities of the workshops and administrative and technical offices, putting the enterprise on a strictly planned basis. Quite a few enterprises under experiment have fixed for each workshop the number of workers, the equipment, the average up-to-date number of man-hours to be spent on a product, and the maximum number of unfinished products. The workshops are also made responsible for variety, quality and the profit norm. The administrative offices are responsible for 10 jobs, including the supply of raw and supplementary materials and tools; the maintenance and repair of equipment; the supply of complete sets of correct blueprints on the products and technical papers; the supply of water, power, air and gas; the deployment of manpower, the prescription of man-hour norms and the timely communication of production plans to the workshops; the storage of unfinished products; labor protection and safety devices; a timely checkup on the quality of the products, etc. Any unit which fails to carry out its obligations and thus affects the fulfilment of production plans by other units is accountable for the financial consequences. In this way, the powers of an enterprise are identified with its duties, and its economic performance with its financial interests, and each enterprise coordinates its work by focusing on the fulfilment of the production plan through a combination of powers and interests.

(2) Bonuses, which used to be issued on the basis of a general voicing of opinions, are now distributed according to strict calculations. They are defined as rewards to those who perform extra work, who turn out more and better products at a lower cost and should therefore receive more than their time wages. Every effort is made to distribute bonuses to those who fulfil the targets qualifying them for the rewards. Some factories have adopted a piece wage system and no longer solicit opinions on the distribution of bonuses. They sub-divide the state-assigned production norms among the workshops by adding to them a monthly safety coefficient of 5 per cent and converting them into a daily average, and distribute bonuses on a percentage basis according to the fulfilment of the norms by each workshop. Some enterprises under experiment offer bonuses for overfulfilling the profit norm. For every 10,000 yuan earned in profit over and above the plan, a workshop gets an average of 0.20 yuan in bonus for each worker. The supplementary workshops and administrative and technical offices get an average of 0.15 or 0.18 yuan for each of their members on condi-

tion of complete fulfilment of the contracts relating to them. Each workshop or administrative or technical office distributes bonuses to groups and individuals in proportion to the work they have done. Under this system, the standards are definite, the procedure simple, and the workers' financial interests are linked directly with the results of their labor. It breaks away from the practice of distributing bonuses through discussion and avoids egalitarianism, furthering the solidarity of the workers and staff members. It freed people from the dilemma: "You wish to have bonuses when there is none; when they are granted, you don't know how to handle them without people complaining." Under the new system, the workers and staff are encouraged to concern themselves with the management and economic performance of the enterprises, which are closely related to their material interests. For example, the Xindu Nitrogenous Fertilizer Plant set the attainment of the top production level in its history as the qualification for getting bonuses. While workers in nearly all teams and groups got 9.00 yuan each in May for achieving that level, each worker in Group C received 0.90 yuan, a difference of 10 times, because the group had not accomplished the major targets. But as the criterion was a clear and just one, Group C had nothing to complain about. Instead, it set up a study class to sum up its lessons and adopted measures to change the situation. As a result, it caught up with the other groups in June. In the Chengdu Measuring and Cutting Tool Plant, the graduation group in the caliper workshop, which had 13 workers, often failed to fulfil its quotas. After the number of workers was reduced to seven, it overfulfilled its target by more than 30 per cent for several months running and lowered the reject rate from 10-15 per cent to 3-8 per cent. With better management and higher labor efficiency, the factory could still spare some manpower and equipment after it had sealed up 113 pieces of equipment for safekeeping. Recently it has applied for transferring 500 workers and 56 pieces of equipment to other units.

A second reason for the success of the enterprises under experiment is that they have taken into consideration both the requirement of state plans and the actual conditions on the market, whereby they have gained some flexibility and initiative in production and marketing and changed the illogical practice of basing sales on production. With some initiative in their hands, these enterprises could strike a balance between supply and demand and find their own markets. This was one of the chief reasons accounting for the fast production growth. In the past, the enterprises depended solely on instructions from higher levels to decide what and how much to produce. All raw materials were supplied by the state, all products had to be turned over to its trading establishments. Owing to loopholes in the plans, however, production and marketing often drifted apart. While some goods were in short supply, others piled up in warehouses, and the enterprises could not operate at full capacity.

At the Sichuan No. 1 Cotton Textile Printing and Dyeing Mill, fine fabrics and chemical fibers were insufficiently produced and showed few designs and

varieties. On the other hand, the Type 21 plain cloth kept long in stock equalled two-thirds of the total production in the province. This situation gave the mill no pressure, and it just waited for the higher authorities to solve the problem. Extremely limited in power, it had neither the responsibility nor the money to change the pattern of its products. Under the experimental regulations, however, it acquired the power to decide on its own affairs and changed the pattern of its merchandise without contradicting state plans. It increased the number of looms from 300 to more than 800 to produce Type 32 trueran which sold well on the market, cut down the production of the slow-moving Type 21 plain cloth by 50 per cent, and added 108 designs of cotton prints as well as two new products — Type 42 polyester khaki and polyester plain cloth — by blending long and short staple polyester fiber with cotton. Production at the mill has thus been geared to market demands.

The Chengdu Iron and Steel Works is a small integrated enterprise under the provincial administration. Early in 1979, it met with a number of serious difficulties, such as: (1) the products did not suit market demands, e.g., the high-grade steel produced by electric furnaces were in excessive supply in Sichuan and could hardly be disposed of, while thread steel, which was badly needed in capital construction and was in short supply, was not produced by this enterprise; (2) imbalances between different kinds of production capacities, e.g., the rolling capacity exceeded steel-making capacity by over 10,000 tons; and (3) the prices of coke, coal, natural gas and water had increased and the state subsidies for the production of pig iron and wires had been cut substantially, which meant an additional expenditure of six million yuan. If these problems were not solved, the factory would not be able to fulfil its production plan and would face a deficit of five million yuan. But with the newly acquired power to run its own affairs, the enterprise began to base production on sales prospects, asked customers about their needs and changed the pattern of products accordingly. Responding to customer requirements, they increased specifications and varieties. By adding some special equipment it made use of the existing electric furnaces to produce thread steel, and signed contracts for selling 10,000 tons of it, gaining the initiative in production. It also went in for the processing of wires and rolled 8,000 tons with material supplied by customers. At the same time, it managed to sell its carbonized tool steel, totalling 700 tons, which the commercial departments had refused to purchase. It turned out that the Harbin Machine Building Plant, which had an annual demand for 30 tons of carbonized tool steel, had not been able to get it for three years running. The Chengdu Iron and Steel Works supplied its need and solved a big problem for it. Production in the Iron and Steel Works is improving steadily. In the first half of 1979, the industrial output value came to 64 per cent of the quota for the whole year, the profit turned over to the state was four times that in the same period in 1978, and the total amount of profit to be turned

over to the state in 1979 was expected to reach five million yuan in addition to five million yuan paid in taxes.

The Chengdu Plastic Factory could not find a ready market for its plastic hoses for farm irrigation. Because of this, the quota of plastic goods to be produced, as assigned by higher authorities, came to less than half of the factory's output in 1978. The factory sent people to 25 counties for investigation and discovered that sales were hindered by a lack of accessories to be used with the plastic hoses, such as racks and joints, and by the absence of skilled workers who can install the equipment in the countryside. The factory promptly attended to the production of accessories and sent technical groups to production brigades to help with the installation. Thus they found a market in a short time.

The third reason for the success of the enterprises under experiment lies in their greater financial power, which enables them to carry out technical transformation and enlarge production capacity for new products. In the past, the enterprises were only allowed to draw a modest sum from the depreciation fund for their fixed assets to pay for overhauls and the replacement of equipment. But actually, little was left after the payment on overhauls and the enterprises had only the means to buy some minor equipment. Any major technical transformation was out of the question. As a result, outdated equipment and technology became a serious hindrance to a speedy development of production. For example, the spinning and weaving capacities of the Sichuan No. 1 Cotton Textile Printing and Dyeing Mill, situated in Chengdu, accounted for one-third, and its printing and dyeing capacities one half, of the province's total. The profit it turned over to the state was half of that handed in by light industries in Chengdu. Construction of the mill began during the Great Leap Forward in 1958, and did not go into operation until 1964 after experiencing a series of setbacks. Many problems had been left over: different models of equipment, low efficiency, heavy dust and a big noise in the workshops, waste of manpower, poor quality, etc. The mill had asked the authorities for more funds year after year, but to no avail. Now, although the mill has only just begun to enjoy some financial power or as people in the mill put it, "the ropes on us are loosened a little bit," things have started to change enormously.

First, a larger fund is now available for technical transformation and the expansion of production. The mill gets 2.8 million yuan, 1.9 million more than it did before, by drawing bigger portions from the depreciation fund for fixed assets, the profit to be turned over to the state, and the funds for scientific research and technical transformation.

Second, greater power has been granted for the mill to use its funds flexibly. The mill is now free to use its basic depreciation fund, overhaul fund and the money drawn from its share in the profit for the expansion of production in a way it sees fit, provided the overhaul of equipment is guaranteed. For two years, it will not have to hand in the profit it earns by developing new tech-

nology and installing new equipment with its own money, and may use the money for expanding production. This arouses the mill's interest in technical transformation and enhances its initiative. In the first half of 1979, this cotton textile mill installed 83 items of automatic equipment and 42 items of integrated equipment. To control moisture, ventilation and cooling, it built a freezing cistern and an air-conditioning center which is partly in operation now. A new production line for printing and dyeing decron has begun trial operation. A more extensive production line, covering weaving, printing and dyeing, is being built and is expected to go into operation in 1980. When the two production lines are put into operation, the imbalance between printing and weaving capacities will be mitigated. With the expansion in production capacity, profit is expected to reach 40 million yuan in 1980, an increase of 10 million yuan over 1979, and will be 50 million yuan in 1981. In other words, by the end of 1981, the annual profit will be equivalent to the value of a cotton mill as large as the present one, and to two such cotton mills if the amount to be paid in taxes are added to the profit.

The Chengdu Measuring and Cutting Tool Plant mentioned earlier is using its share in the profit and the increased depreciation fund for its fixed assets to increase production by changing its technology and tapping its potentials. It aims to develop new generations of products and readjust the proportions between the different varieties so as to supply the market with more and better goods. It has enlarged the capacity for producing gauge blocks and taper-handled bits, and has changed the technology for making calipers. It plans to install three production lines for taper-handled bits, which will produce at least 400,000 of them every year and increase output value by 1.8 million yuan and profit by 130,000 yuan. An experiment is going on in the treatment of cutting tools with oxygen and nitrogen. Eight models are expected to enter the international market by 1980.

The growth of production in the enterprises under experiment proves that many enterprises in our country can raise their production substantially and make more profit after going through some minor reforms. What is the way to modernize the 350,000 enterprises in China? The answer is the technical transformation of each enterprise. But the state cannot be expected to take care of the technical transformation of so many enterprises across the country, and any such attempt would only retard industrial progress and delay modernization. The workers and staff in these enterprises are most familiar with the production conditions and problems there. Given the necessary power to make decisions on changing the technology and suiting production to market demands and to invest in extended reproduction, the enterprises will surely make rapid progress by linking the development of production with the financial benefits of the workers and staff. In this way, the forces working for the four modernizations will be much greater, the speed much faster and the results much better.

The enterprises have used their welfare funds to put up apartment buildings for the workers and staff. Neglect of the workers' welfare over the years had resulted in a serious housing problem. In the Sichuan Chemical Plant, 300 couples lived separately in dormitories for single workers. In many enterprises, the average housing space per person was two square meters. In the past, an enterprise had no authority to build housing exceeding 20 square meters. Now the enterprises under experiment have all made plans to solve the housing problem and have set about the construction of apartment buildings. The Sichuan No. 1 Cotton Textile Printing and Dyeing Mill, which has 8,130 workers, is getting an annual welfare fund of 900,000 yuan, with which it has started to build apartments, totalling 6,000 square meters, to provide accommodation for 150 families. The mill has earmarked another million yuan for building 10,000 square meters of living quarters in 1980, which will shelter 300 families. In this way the serious housing shortage will be ameliorated. For instance, the Sichuan Chemical Plant, with 8,200 workers, has a yearly welfare fund of 2.5 million yuan. Beginning 1979, it is investing one million yuan in the construction of apartment buildings every year to acquire a floor space of 10,000 square meters.

Comrades in enterprises under experiment predict that the housing problem will be solved for workers in most of these enterprises by 1985 if construction proceeds at the present pace.

To sum up, the three major reasons for the success of the 100 experimental enterprises which have acquired some power to make their own decisions are as follows:

1. In the relationship between the state and the enterprise, the principle of material interests has been carried out in earnest.
2. In planning and management, the enterprises make a point of regulating production on the basis of market demand and are allowed to draw up a supplementary program in accordance with market demand on the condition of fulfilling the state plan.
3. The enterprises are given greater financial authority and are empowered to use considerable and relatively stable amounts of money with flexibility, so that it can take the initiative in carrying out technical transformation in the light of market requirements.

Of course, the consolidation work carried out prior to the experiment was another important reason for the success. Generally speaking, all the enterprises under experiment had done a good job of shake-up and many of them had already been pace-setters on the industrial front. They had all strengthened their leading bodies at the factory level and established a competent and efficient command in production. Moreover, they had formulated and improved the various rules and regulations, conducted a checkup of warehouses and made a better use of the stored goods, and examined and repaired the equipment, increasing the proportion of the equipment in good condition. They had also

improved the charts and tables and technological documents, and examined and revised the various norms. All this laid a sound foundation for the experiment to be carried out. Conversely, the broadening of the power of the enterprises has led to their further consolidation and further improvement in the system of management.

When the experiment was first started, some comrades were worried that the revenue of the state might diminish, a confusion might follow, and the other enterprises might be affected. Contrary to their worries, state revenue increased and, generally speaking, the enterprises under experiment achieved the goal of increasing the income of the enterprise and the individual while adding to state revenue. Not only was there no confusion, but the management became more efficient. Not only was there no bad influence on the other enterprises, but an impetus was given to them generally.

The experience in Sichuan Province proves that it is correct to restructure the system of economic management first by broadening the power of the enterprise to run their own affairs, a step to be taken on a plan and under proper leadership. Broadening the power of the enterprises represents an initial measure to reestablish the relatively independent status which should be enjoyed by industrial enterprises owned by the whole people in a socialist economy and recognize their corresponding economic interests. It is an initial fulfilment of the need to manage the economy in accordance with the law of value, the principle of "from each according to his ability, to each according to his work" and other objective economic laws. It is also an initial challenge to the main drawbacks of the existing structure of economic management and represents the first step towards restructuring. A problem to be solved is to define the limits of the power of the enterprises on the basis of investigation and study and a constant summing-up of experience in order to ensure that, on the one hand, the enterprise enjoys the power of decision-making in day-to-day economic work and, on the other, the centralized leadership of the state over the nation's economy as a whole is not weakened. So far the comrades belonging to various quarters have not reached a unanimity of views on this question, which requires further exploration in the course of practice.

II. Questions Arising from the Experiment

In the course of the experiment on broadening the power of enterprises in Sichuan Province, people have raised some questions which require further study. They are:

1. As a general reaction to the five documents issued by the State Council on broadening the power of enterprises, people commented that the steps envisaged in these documents are much too limited.

A conference on the experiment was convened in the province in early August. Representatives of the experimental enterprises attending the conference were worried about a change in policy, for they considered the powers granted in the State Council documents too small, even smaller than those provided for in the 14-point experimental program announced by the provincial authorities. The main differences are:

(1) With respect to the profit earned by an enterprise over and above the state norm, the State Council allows it to keep 5-15 per cent of the sum as against the 15-25 per cent stipulated in the provincial program — a difference of 10 per cent. Moreover, the State Council percentages are to be calculated on the basis of the previous year's actual profit, whereas the provincial percentages are to be based on the planned profit in the current year. The amounts of money which can be drawn by the enterprises are thus quite different. Figures worked out by the Sichuan Chemical Plant show that it can draw 2,750,000 yuan under the State Council stipulations as against 8,750,000 yuan under the provincial ones, the difference being six million yuan. The Sichuan No. 1 Cotton Textile Printing and Dyeing Mill can draw 1,300,000 yuan under the former stipulations and 1,700,000 yuan under the latter.

(2) It is stated in the provincial regulations that, over a period of two years, an enterprise may use, for the renewal of fixed assets and the expansion of production, all the extra profit it has earned by developing new techniques, new production processes and new equipment. There is no such stipulation in the State Council documents.

(3) As for the sources of bonuses for the workers and staff, the provincial regulations say that, after overfulfilling the main technical and economical norms, an enterprise may draw from its profit a sum equivalent to 5 per cent of the total sum of its standard wages for distribution as an extra bonus. Thus each worker in an experimental enterprise will get an average of 2.50 yuan as extra bonus every month. Again this is not stipulated in the State Council documents.

Comrades in the experimental enterprises and in the provincial departments in Sichuan generally believe that the key to the extension of the power of enterprises lies in the question of financial power. They expressed the wish that experiments in the province would keep to the 14-point program announced by the Provincial Party Committee and no change would be made in policy. Replying to the request, Zhao Ziyang, First Secretary of the Provincial Party Committee, assured the comrades there would be no change in the 14-point program and, should there be any change, it would be in the direction of further broadening the power of the enterprises instead of curtailing it. Otherwise, he said, there would be no point in carrying out all these experiments.

2. The question of obtaining funds for the technical transformation of enterprises.

Practice has shown that it is absolutely necessary for an enterprise to acquire, on the basis of the growth in production, a stable source from which it can draw considerable sums of money for technical transformation, extended production and the acceleration of modernization. Comrades in the experimental enterprises, however, think the financial resources they have been given under the present provincial regulations are still insufficient and, as they put it, the ropes on them have been loosened only a little bit but remain fairly tight. In their opinion, pending a fundamental restructuring of the system of economic management, the enterprises should draw from their profit the funds for the renewal of fixed assets and technical transformation and for the expansion of production in such a proportion as is justified by the financial resources of the state and sufficient for an effective development of production. Comrades of the Chengdu Measuring and Cutting Tool Plant expected to receive in 1979 a fund of two million yuan for technical renovation and transformation from an enlarged fund covering the depreciation of fixed assets, from the share in the profit to which it would be entitled through an overall fulfilment of state norms and from its share in the profit earned above the planned figure. They felt that, given this sum, an enterprise with some 4,000 workers would be able to push forward its modernization by taking planned steps to effect technical transformation, enlarge its production capacity, improve the quality of products and replace the older generations of products by new ones, and increase the varieties and specifications of products, so as to gear its production to market demands. In the case of the Chengdu Measuring and Cutting Tool Plant, however, a larger sum, or about three million yuan, would be necessary for the implementation of its three-year development program. This means they would be short of one million yuan. Comrades of the plant proposed to make up for the deficiency in the next few years by the following measures:

(1) A gradual shortening of the depreciation cycle of fixed assets and a steady increase in the funds for their replacement and for technical transformation. Under the present system, the depreciation cycle ranges from 25 to 40 years. In the next five years, on the basis of developing production, lowering costs and increasing profits, it should be shortened to 10-15 years and the annual rate of depreciation should gradually be raised to 6.5-10 per cent, while 80 per cent of the basic depreciation fund should be placed in the hands of the enterprise.

(2) A greater proportion of the profits earned in excess of the target should be left with the enterprise, and the share should be stabilized at 15-35 per cent.

(3) More loans from the banks for the renewal of fixed assets and technical transformation.

(4) More state allocations for tapping the potentials of the enterprise, renewing their fixed assets and putting them on a new technical basis. Much state financial support should be given to projects of technical transformation which require less money, produce quicker results, earn more profits, and turn out urgently needed products.

3. The proportions for the sharing of profits by the enterprises.

The regulations of the State Council and Sichuan Province on the experiments set three kinds of proportions for the sharing of profits by enterprises in the various industries, each differing from the other by 5 per cent. It was necessary to have a rough division like this at the beginning of the experiment. But as the experiment gained in depth, the enterprises came to realize that these proportions could not embody the differences in profit between the industries caused by unreasonable prices. In 1978, the average profit rate for all industries, as calculated against cost, was 24 per cent, varying from 73 per cent for the petroleum industry, to 69 per cent for electricity, 29 per cent for industrial equipment, 9 per cent for farm machinery, and 0.7 per cent for coal mining. In 1977 the coal mines under the direct control of the central authorities, with nearly 3 million miners, turned over to the state a little over 300 million yuan in profits and taxes, averaging 100 yuan per person, while the Sichuan Chemical Plant, with 8,200 workers, turned over to the state a profit of more than 106 million yuan in the same year, or 12,800 yuan per person. This shows that, pending an overall adjustment of prices and tax rates, it would be advisable to work out a wider range of proportions for profit-sharing on the basis of the situation with each industry so that the present differences in profit rates, caused by price factors, may be offset by the differences in proportions.

Neither is it rational to set a uniform proportion for profit-sharing in an industry since the conditions and the organic composition of the funds vary from one enterprise to another. In this respect, the small and medium-sized enterprises are generally in a less favorable position as compared with the large ones. For example, the Sichuan No. 1 Cotton Textile Printing and Dyeing Mill and the Chengdu Cannery share their respective profits by the same proportion because they are both in the light industry. But the cotton mill was expected to get 3,000,000 yuan from its extra profits, or 360 yuan per person, while the cannery, with nearly 1,000 workers, could only draw 90,000 yuan, or 81 yuan per person. The gap was not only related to the price factor, but also had something to do with the differences in the organic composition of the funds of the two enterprises. This shows that, pending the imposition of taxes on fixed assets and on the possession of resources, the proportions for the sharing of profits earned in excess of plans should be different within a single industry. This will give wider scope to the initiative of the enterprises, especially the small and medium-sized ones.

4. Proportions by which an enterprise may use its share in the profit.

The enterprises are in favor of the principle that the profits accruing to them should mainly be used to develop production and enhance the collective welfare of the workers, but they would like to exercise some flexibility. In this connection, they think some general stipulations are sufficient, while the particulars should be left to the workers' congress. The Ninjiang Machine Tool Plant, which had quite a number of older workers, had to find jobs for their children and tackle the housing problems accumulated over the years. The workers' congress decided to use the bulk of the profit to expand production and build new blocks of flats, for this would help solve both problems. Only a small part of the profit was distributed to individual workers as bonus for fulfillment of particular targets. These facts show that the workers know their enterprises inside out and are able to put their financial resources to the best use.

5. The question of sharing the total profit.

Many in the experimental enterprises hoped that the present system of the state and the enterprise sharing part of the profit would be gradually changed to one of sharing the total profit. Comrades on the Sichuan provincial and Chengdu municipal commissions for economic affairs and of the financial departments were all in favor of this.

Profit is now being divided between the state and the enterprises in two ways. Under the State Council regulations, they share the year's increase in profit over the previous year. Under the 14-point program of Sichuan Province, they share the amount earned over and above the planned profit. Comrades in the enterprises under experiment think that both practices have some disadvantages.

The first practice, i.e., the sharing of the increase over the previous year's profit, may not be favorable to well-managed enterprises, because it is hard for them to increase their profits which are fairly high already. On the other hand, the poorly-managed enterprises may have much to gain because it is generally not so difficult for them to achieve big increases over their previous low profit rates. The Sichuan Chemical Plant, a pace-setter on the industrial front in the province, earned much profit in 1978. By the system of sharing the increase over the previous year's profit, it would only receive 510,000 yuan, as against 4,000,000 yuan by the system of sharing the profit earned above plan — a difference of 3,490,000 yuan.

The system of sharing such unplanned profits, however, is likely to cause some bargaining when the annual plan is being made, because the enterprises would like to set lower targets, so that extra profits can be earned more easily, while the higher authorities are inclined to base the targets on the profits actually earned in the previous year.

People working in enterprises are therefore in favor of a policy of sharing the total profit. In their opinion, this would help avoid the bargaining in the course of planning as well as unfairness to the advanced enterprises.

6. The question of levying taxes on fixed assets and granting all circulating funds through credits.

Generally speaking, the enterprises under experiment in Sichuan Province approve of a system of paid possession of fixed assets and the acquisition of all circulating funds through credits, because this would lead to a more rational use of both. But they prefer to delay the institution of such a system until the "five prescriptions"* are worked out.

Some enterprises, where the profit rates are low, are not getting much money under the present profit-sharing system. Their management is worried about the consequences of the taxation on fixed assets and the granting of all circulating funds through credits. Some comrades in the Provincial Financial Bureau worked out the figures and noted that, under either of the two profit-sharing systems, enterprises which are making little profit, such as those in the tobacco and wine industries, would not only be unable to make any profit but may even be running at a loss.

It seems that, on the basis of working out the "five prescriptions" as soon as possible, the experimental enterprises should put the two above-mentioned systems into effect on the condition of an appropriate increase in the proportions of profits to be left with them.

The enterprises have misgivings about basing the taxes on fixed assets on their original value. Certain factories have much old and dilapidated equipment, some of which dating back to the days of the Westernization Movement in the late 19th century. Although such equipment should have been scrapped long ago, the authorities concerned do not agree to this and it is still listed in the account books by its original value. In many factories most of the equipment was made in the 1950's. After 20 years and more, practically all the depreciation cost has been paid off, yet their value remains intact according to the books. Clearly, taxation on such a nominal value would be unjustifiable.

7. The question of supplies needed for tapping the potentials of the enterprises and for their technical renovation and transformation.

All the enterprises under experiment are complaining that, while they have been given more power financially, they cannot get the necessary goods and materials with their money. Although the regulations on the experiment state

* Meaning state prescription of the following production conditions for an enterprise:

- (1) The pattern of products and the scale of production;
- (2) The size of the staff and of the labor force and the organizational setup;
- (3) The norms concerning the consumption of raw and processed materials, fuels and power, and the wear and tear of tools, and the sources of these supplies;
- (4) The fixed assets and circulating funds; and
- (5) The relations of cooperation with other enterprises. — *Trans.*

clearly that the equipment and material earmarked for tapping the potentials of enterprises and for their technical renovation and transformation must be guaranteed in the supply plan at every administrative level and must not be squeezed out or diverted to other uses, the stipulation has not been carried out because the supply departments themselves haven't got the supplies. The enterprises have to hunt for them everywhere, pleading and begging, wasting much time and money. If the problem is not solved at an early date, gaps in supplies will widen and the battleline in capital construction will again be over-extended as more enterprises are put under experiment and the funds at their disposal grow. This is quite detrimental to the nation's three-year plan for economic readjustment. The enterprises are therefore asking the departments concerned to solve the problem as soon as possible. To solve the problem of material supplies which the enterprises may buy with their funds for the expansion of production, the Bureau of Chemical Industry of Sichuan Province has suggested a ration system whereby an enterprise may purchase, for every 10,000 yuan, 1 ton of rolled steel, 3 cubic meters of timber and 5 tons of cement.

8. The question of democratic election of cadres.

Broadening the power of the enterprises to manage their own affairs essentially means to broaden the power of the workers as their own masters, and an important way for them to exercise this power is to elect cadres on a democratic basis. In Sichuan Province, democratic elections of team or group leaders and workshop directors have been held in some enterprises under experiment. As the financial interests of the workers were linked to the economic performance of their workshops, teams or groups, the workers generally elected competent people. But two difficult problems have arisen. One concerns the cadres who have not been elected. Theoretically it is necessary to abandon the "iron rice-bowl" concept according to which a cadre must remain a cadre all his life and cannot become a worker even when he is not elected, but actually it is very difficult for him to break away from the idea. On the other hand, when a worker is elected a cadre, he should be given the status of a cadre. But the present regulations only allow him to act as a cadre while giving him no such status. Solution of these problems involves changes in cadre policy and the personnel system. So no regulations have been worked out on the treatment of unelected cadres and workers elected as cadres. People in enterprises under experiment are worried that they would have to handle the placement of unelected cadres at a time when they have hardly finished reinstating cadres who had been wronged or displaced during the Cultural Revolution. They hope the higher authorities would solve these problem soon by introducing a series of clearcut measures.

August 30, 1979

— Translated by Zhao Yingnan and Xiong Lei

BOOK REVIEW**A Pioneer Work on Economic Reform****—Notes on Sun Yefang's *Theoretical Questions of the Socialist Economy***

Ma Jiaju

It is no accident that Sun Yefang's *Theoretical Questions of the Socialist Economy* has received wide attention. The volume, which runs to nearly 300,000 characters, has indisputable importance to both academic research and economic work in China. A number of standpoints which have only just been accepted in current discussions on the reform of the country's financial-economic setup were advanced by the author as far back as the 1950s and the mid-1960s.

An Overview

Largely because of his high theoretical attainment and his long experience as a business executive, the author is able to effect in his writings a close integration of theory and practice.¹ Whether he advances his theses from the angle of practical work or from that of basic theoretical research, he always aims at the solution of problems arising in China's socialist construction. He gives first priority to the question of maximizing the effectiveness of socialist economic operations, and draws the correct conclusion that the key to this lies in the improvement of management and the perfection of the economic setup. Looking through his earlier writings, one finds that he grasped a vital point

¹ After China's liberation, Sun Yefang headed the First Ministry of Machine Building in East China and then served as Vice-Director of the State Bureau of Statistics. As Director of the Institute of Economics of Academia Sinica he put forward a series of ideas on improving China's economic setup and management, and came under fire as the "Yevsei Liberman of China" who advocated "putting the profit motive in command," and was consequently removed from the post in 1964. — *Trans.*

decisive to the speed of development of China's economy immediately after the nation completed the socialist transformation of the system of ownership.

Sun Yefang stresses the need to follow economic laws and objects to the practice of "setting politics and economics against each other." He criticizes the idealistic view which "speaks of politics as something divorced from economics and tries to substitute the mass line or 'politics in command' for objective economic laws,"¹ and stands for the strict observance of these laws and the direction of economic affairs through a combination of administrative and economic measures. He points out, "Administrative measures are always necessary in economic management, and they cannot be dispensed with even in communist society. We are opposed to supra-economic administrative measures which violate economic laws. Nobody would object to administrative measures which conform to economic laws and are integrated with economic measures."²

Basing himself on his investigations into the chief drawbacks of China's system of economic management, which began to surface in the 1950s, he puts forward a series of suggestions for reform.

He stands for a change from the over-concentration of power in economic management and recognition of the right of enterprises to independence within the framework of the system of ownership by the whole people. He points out:

The crux of the question of the financial-economic setup is this: How much power should be enjoyed by an enterprise, an independent organization conducting its own business accounting? And what are its responsibilities and its relationship with the state? In other words, it is a question of the right of an enterprise to manage its own affairs. The other questions concerning the financial-economic setup, such as the relationship between central and local authorities, would not be difficult to solve once the powers of an enterprise are defined.³

Sun Yefang recommends a division of economic power between an enterprise and the state along the demarcation line between simple and extended reproduction, suggesting that everything lying within the sphere of simple reproduction be handled by the enterprise provided that it keeps to the state-assigned lines of production. In this connection, he thinks it is necessary to place in the hands of an enterprise the funds for the replenishment of fixed

¹ "To Understand Economics, One Must Know Something About Philosophy," in *Theoretical Questions of the Socialist Economy*, Beijing, 1979, pp. 57-58.

² "Comments on a Draft Report," *ibid.*, p. 193.

³ "The Question of the Financial-Economic Setup Within the Economic Sector Under Ownership by the Whole People," *ibid.*, p. 140.

assets which are controlled and allocated by the state.¹ Considering the serious waste of state funds allocated to enterprises without compensation, he proposes a changeover to the principle of compensated use of state funds, whereby the state requires an enterprise to hand in an amount of profit proportionate to the state funds granted to it.²

Sun Yefang attaches great importance to the profit norm in planning and management. A consistent critic of the practice of taking total output value as the main criterion of economic performance, he analyses its defects and argues for its replacement by the profit norm. He explains the fundamental difference between socialist and capitalist profit and points out that the success of a socialist enterprise may be judged on the basis of how much profit it gains while fulfilling its production quotas. He writes:

The biggest advantage of the profit norm lies in that it reflects the real situation in production and promotes improvement in management. . . . Fulfilment of the profit norm boosts the achievements in other respects, for whoever wishes to acquire the targeted pure output value has to complete the output quotas, cut down costs and raise labor productivity. Thus a rise in profit or the net output value inevitably brings a growth in material wealth.³

To use the profit norm as a uniform standard for examining the economic performance of enterprises, Sun advises the determination of planned prices according to production prices. When this is done, the profit rate of the funds invested will provide a yardstick of economic performance.

Sun Yefang also proposes reforms in the system of distribution of equipment, raw and processed material and other means of production, which is handled solely by government departments in separation from the market. He is deeply aware of the drawbacks of such a system, which he considers labor-and-time-consuming, liable to create too many contradictions, and incompatible with socialized production under socialism. He takes the view that, even within the state-owned sector of the economy, government distribution must be replaced by contract transactions between buyer and seller, stressing that "the buy-and-sell contracts concluded between enterprises, covering the quantities, types and specifications of the products to be purchased or sold within their originally prescribed fields of production, are something up to the enterprises

¹"The System of Management Concerning Fixed Assets and Socialist Reproduction," *ibid.*, p. 249.

²*Ibid.*, p. 243.

³"Thoughts on Total Output Value," *ibid.*, pp. 34-35.

themselves in which the central or local authorities should not interfere."¹ In short, he stands for directing the supply of means of production within the state-run sector of the economy into the channels of commodity circulation.

While focusing on the state-run sector and on the system of industrial management, he shows a keen interest in agriculture. He calls for raising the prices of farm produce so as to gradually eliminate the discrepancies between industrial and farm prices. In particular, he stands for abolishing the practice of funnelling part of the peasant income into state coffers through an inappropriate pricing policy. In his opinion, instead of collecting a relatively low agricultural tax from the farm collectives while taking much of their earnings by purchasing their products at low prices, the government should let them fulfil their financial obligations to the state by paying a higher agricultural tax and buy their products at reasonably higher prices. In other words, the actual appropriation of peasant earnings should be changed to open taxation.

An Evaluation

In making suggestions, Sun Yefang does not take things at face value. He goes beyond summing up experience, always providing theoretical underpinnings for his proposals. Since the socialist economic setup is a component of socialist relations of production, he believes it must be studied from the angle of political economy. He disagrees with the notion of "avoiding involvement in disputes over concepts," holding that research on economic theory must be carried out by means of abstraction and that concepts and categories must be emphasized and clarified. "We must guard against cutting off our theoretical research from reality or engaging in empty debates which do not hit the crux of the questions under discussion," he says. "Nevertheless, we should not give up eating for fear of getting choked and evade conceptual debates, because that will allow confusion over concepts to persist."²

In the theoretical research on which Sun Yefang bases his proposals, the law of value is a central subject, and it is from the angle of the functions of this law that he views the question of the economic setup in the main part of his research. This is why most of the collected essays fit together as an organic whole and the book reads more like a monograph than an ordinary collection of academic papers. Of course, questions of the economic setup are not related to the law of value alone. The managerial setup in a socialist economy, as a concrete form in which the basic structure of such an economy manifests itself in given historical circumstances, is the condition under which all the economic

¹"The Question of the Financial-Economic Setup Within the Economic Sector Under Ownership by the Whole People," *ibid.*, p. 145.

²"On Value," *ibid.*, p. 85.

laws originating in this basic structure operate. A sound setup is capable of providing a rational mechanism of economic activities as required by the historical nature of the basic structure of the socialist economy and its laws, giving full scope to these laws in the interest of promoting economic growth. But in focusing his research on the law of value, Sun Yefang shows sound judgment, for a number of the drawbacks of our managerial setup are inseparable from our inadequate regard for the role played by the law of value.

During the period when Sun Yefang was conducting the greater part of his research, economic studies in China were dominated by the view that the law of value is alien to the socialist economy. While the inevitable existence of this law was recognized, its role was regarded as antithetical to the basic economic law of socialism and the law of balanced, proportionate development and to the planning and management of the nation's economy. This view was the theoretical expression of a managerial setup characterized by an over-concentration of power, the application of exclusively administrative measures and a strong reminiscence of the supply system—a kind of military communism practiced in the days of China's revolutionary wars. Small wonder such a view was used to justify such a managerial setup.

Sun Yefang's most important accomplishment in his theoretical study of political economy was his full affirmation of the role of the law of value in a socialist economy, and he was the first advocate of such a view among economic research circles in China. Not only was he opposed to any attempt to set the role of the law of value against that of the basic economic law of socialism and the law of balanced, proportionate development, but he was also against the superficial view according to which the law of value is useful under socialism only in the sense that the variances of the prices of commodities from their values may be used to adjust supply and demand. In an article written in 1956, he analyses the two main functions of the law of value under socialism:

The first function of this law, he points out, is that it enables us to "push forward the development of productive forces in a socialist society through a recognition and calculation of the average socially necessary amount of labor." This is because "the secret of developing production lies in lowering the average socially necessary amount of labor, in improving technology and management, so that a relatively small number of backward enterprises may catch up with those of an intermediary level, which are the majority, by economizing on the consumption of labor (including living labor and materialized labor), the intermediary ones may catch up with a small number of advanced ones, and the advanced ones may achieve further progress."

The second function of the law of value, Sun Yefang continues, is to "serve as a regulator of production or a distributor of social productive forces." This is because the quantities of the different kinds of products in demand represent only one aspect of the question of the regulation of social production. "Another aspect, inseparable from the first one, concerns the

amount of labor or investment needed in each particular department of production, which drops in a relative or absolute sense with a rise in the labor productivity manifest in the products from that department."¹

Contrasting the functions of the law of value under socialism with its functions under capitalism, Sun Yefang states that "the only difference lies in the way it functions, or its form of manifestation."² That is to say, economic planners in a socialist society may consciously follow the requirements of the law of value in their planning and fulfil these requirements through planned economic operations. Under socialism, therefore, the law of value works in the same direction as the basic economic law of socialism and the balanced, proportionate development of the economy. On this basis, Sun advanced his famous thesis, "place planning and statistics on the basis of the law of value." The theoretical significance of his views will be clear when one considers the fact that they were published at a time when people still regarded as immutable the conclusion given by J. V. Stalin in his *Economic Problems of Socialism in the U.S.S.R.*, namely, that under socialism the law of value serves as a regulator up to a certain limit in the sphere of circulation of consumer goods and that it influences but does not regulate production.

Sun Yefang devotes far more attention to the first function of the law of value stated above, i.e., its function in improving economic performance. He says, "recognizing the significance of the concept of *value* means, in our socialist society, recognizing the significance of economic performance."³ "Research on economic performance, which means in the final analysis the economization of time, lies at the center of the study of the law of value in a socialist society."⁴ Clearly, his proposals on the reform of the economic setup—expansion of the power of enterprises, compensation for the use of state-allocated fixed assets, adoption of the profit norm as the overall index to the performance of an enterprise, a breakaway from the state allocation of the means of production, reform in the pricing system, independent business accounting to be conducted by each enterprise, etc.—are all aimed at improving the economic performance of enterprises by creating favorable conditions for giving wide scope to the law of value. Time and again, Sun stresses the point that "although the aim of socialist production is the acquisition of use value, it is incorrect to put lopsided stress on use value. To increase wealth or use value, one must emphasize value while paying close attention to use value."⁵ He said that value and

¹"Place Planning and Statistics on the Basis of the Law of Value," *ibid.*, pp. 5-7.

²*Ibid.*, p. 7.

³"On Value," *ibid.*, p. 121.

⁴*Ibid.*, p. 126.

⁵"Summary of a Speech on Production Prices at the Forum on Socialist Reproduction," *ibid.*, p. 299.

use value "must be taken care of simultaneously in economic work, because economization, as Engels points out, is a balancing of useful effects and labor expenditures. Labor expenditures are value, and useful effects are use value, the quantity of goods produced. To stress expenditures and pay no attention to effects, or to do the contrary, does not conform to economic principles."¹ However simple that truth may seem, it was not recognized for quite a long time.

A Critique

While Sun Yefang deserves full credit for his achievements in theoretical research, a perplexing and controversial question emerges from his views on the law of value.

He states repeatedly that the law of value he speaks of is not the generally understood one, which is connected with commodity production. He denies, on the one hand, the existence of commodity production and exchange within the state-owned sector of the economy and, on the other, the fact that value is a category peculiar to commodity production. Instead, he interprets value as socially necessary labor in any socialized production. With him, therefore, there is a law of value operating in non-commodity production, or what he calls a "law of value of products."²

What is this "law of value of products"? Sun Yefang says that it is "the law governing the existence and motion of socially necessary labor which 'forms the substance of value,'"³ or "the law of the substance of value itself, namely, what Marx defines as the foremost economic law of collective production — the law of economizing on labor time,"⁴ a law which will continue to operate in the higher phase of communist society. To prove his point, he often quotes Marx and Engels on the role of "the determination of value" in communist society and on "all that would be left of the politico-economic concept of value in a communist society,"⁵ which Marxist economists are generally familiar with.

People differ in their interpretation of these quotations from the classical Marxist writers, and a common understanding can be reached only through

¹"The Question of the Financial-Economic Setup Within the Economic Sector Under Ownership by the Whole People," *ibid.*, p. 149.

²"Summary of a Speech on Production Prices, etc.," *ibid.*, p. 300.

³"On Value," *ibid.*, p. 96.

⁴"Summary of a Speech on Production Prices, etc.," *ibid.*, p. 289.

⁵Cf. *Capital*, International Publishers, New York, 1967, Vol. III, p. 851, and *Anti-Dühring*, FLP, Beijing, 1976, p. 403.

discussion. Perhaps future generations will decide whether the word "value" may be retained for the labor expended on products in the higher phase of communist society. However, one thing cannot be evaded, and that is the fact that state enterprises in China today can establish their economic ties only according to the mode of commodity production and circulation, and that their products can only be produced and exchanged as commodities. This is a fact about the basic structure of China's socialist economy at the present stage, which in the final analysis is determined by the level of development of the country's productive forces. It is a truth which people have recently accepted. Of course, our present economic setup does not give full expression to this reality, which shows that it is not in full conformity with the basic economic structure and hinders the normal operation of the law of value. Instead of any other kind of law of value, it is the law of value connected with commodity production that exists in our socialist economy. From this one can see that Sun Yefang's research on value has a dual character.

On the one hand, irrespective of his subjective wishes, as long as he talks about socially necessary labor in our present socialist economy, he is, contrary to his own statements, studying the law of value connected with commodity production, for the value of commodities is the particular form in which socially necessary labor exists. Moreover, since he concerns himself with how to economize on labor and achieve better economic results in our socialist economy, he makes many correct analyses on the role of the law of value by emphasizing the concept of socially necessary labor, and draws many important conclusions about reforming the economic setup.

On the other hand, however, Sun limits the concept of value to the substance of value, neglecting or even misunderstanding the form in which this substance embodies itself. Therefore, he is not exactly studying the law of value of commodities. He equates the planned economy under the conditions of socialist commodity production, or at least the state-owned sector of this economy, with the planned economy in the higher phase of communist society, maintaining that, with the fixing of prices according to plan, exchange value ceases to be the embodiment of value. In his opinion, his abstract thesis that "the secret of all economic problems lies in how to obtain more products with less labor"¹ should be the guideline for the study of political economy concerning socialism. This view excludes the relationship of the unity of opposites among the state, the collectives and the individual workers based on the fundamental identity of their interests and especially the relations among state enterprises as relatively independent commodity producers in socialist commodity production and exchange. But it is impossible to analyse the functions of the law of value correctly without a concrete his-

¹"To Understand Economics, One Must Know Something About Philosophy," *op. cit.*, p. 65.

torical examination of such related interests. In this respect, Sun Yefang's analysis of the role of the law of value in a socialist economy is incomplete. It may be noted that, in his 1956 article, "Place Planning and Statistics on the Basis of the Law of Value," Sun did not put forward a second concept of the law of value. Instead, he said, "The law of value always remains the same. As to how it manifests itself and plays its role under different social formations, this is exactly a subject to be studied and explained in political economy."¹ It was only in articles written in 1959 and afterwards that this view was replaced by statements about two different laws of value. By this time he had gone into many aspects of the question of the economic setup and had achieved results in his study. However, this change in a basic concept could hardly be considered a step forward.

The deficiencies in Sun Yefang's basic theoretical concept of the law of value affect his views on practical questions. For example, he sets forth many important ideas about reforming the economic setup, but he ignores almost entirely the application of the principle of material interest. He correctly emphasizes the role of the profit index in evaluating the work of an enterprise, but at the same time he maintains that an enterprise should hand over all its profit to the state. Thus while he proposes a correct criterion for evaluating the performance of an enterprise, he never explains why it should try to earn the highest possible appraisal. Obviously, it cannot be prompted to do so through political and ideological education alone. Perhaps we can say that while Sun designs a number of reasonable mechanisms for socialist economic operations, he overlooks the internal economic impetus for setting the entire economic machine in motion. The result is a well-assembled clock with its mainspring left out.

Sun has revised his views on the question of profit in articles written after the fall of the Gang of Four, and has proposed that enterprises keep a portion of the profit they earn over and above the planned targets as a state reward. But he does not seem to realize that his original view flowed logically from his basic concept of the law of value. Although he pays much attention to the circulation of commodities, he does not touch on the function of the market in a socialist economy. This again has to do with his denial of the existence of commodity production and exchange in the state-owned sector of the economy, his exclusive concern, on the question of value, for the calculation of socially necessary labor time to the neglect of people's material interests in the process of exchange, and his over-simplification of the ways by which the law of value may operate through economic planning under the socialist system.

¹"Place Planning and Statistics on the Basis of the Law of Value," *ibid.*, p. 11.

Other Observations

It is not strange to find shortcomings in Sun Yefang's research. On the contrary, these shortcomings are more easily understandable than the many important achievements he was able to make. It was mainly from the mid-1950s to the mid-1960s that his system of economic thought coalesced. He had to be courageous as well as highly accomplished to develop his theories during that period. Today, after the collapse of the Gang of Four, it takes neither his courage nor his theoretical attainment to point out the deficiencies in his work, because people have broken into many forbidden areas in theoretical research, emancipated their thinking, and widened their knowledge and vision.

The system of economic management in China, shaped in the early 1950s, was an imitation of that of the Soviet Union. Characterized by highly centralized administration, it was historically rational. It guaranteed the realization of socialist industrialization in the Soviet Union in Stalin's era, and it played an important role in promoting the growth of China's national economy during the period of her First Five-Year Plan (1953-57). Even in that period, however, the drawbacks of the Soviet management model became increasingly obvious. It dampened the enthusiasm and initiative of enterprises and individual workers, hindered a speedy rise in labor productivity and a rapid increase in economic effects, and discouraged the creation of more rational and flexible economic links among the various fields of social reproduction and the state enterprises.

Corresponding to this economic setup was the economic theory which judged everything by the standard of J. V. Stalin's *Economic Problems of Socialism in the U.S.S.R.*, published in 1952. The book had great theoretical significance because it emphasized the objective nature of economic laws, advanced the concepts of the basic economic law of socialism and the law of balanced, proportionate development of the national economy and, to some extent, affirmed the role of the law of value in a socialist economy. On the other hand, Stalin's book denied that the means of production were commodities, limited the role of the law of value to narrow confines, and did not give adequate attention to circulation. Thus it had serious shortcomings and contained some errors. In this sense, the book provided much theoretical basis for the economic structure prevailing at the time, and efforts to break out of its framework arose when the objective circumstances of China's development demanded structural reform. In this context, some of China's economic theoreticians began independent exploration, among them Sun Yefang.

Sun attributed the main defects in the economic theory of the time to a misunderstanding of the nature of the socialist economy as "an economy in which people know nothing more than the material objects, as in the economy

of a primitive communist society, i.e., a natural economy in which people have no concepts like abstract labor, value, price and money."¹ In his opinion, political economy concerning socialism could not take a single step forward unless it broke down this "theory of a natural economy."

When Sun Yefang's *Theoretical Questions of the Socialist Economy* is placed against such a historical background, it becomes clear that the author was a leading representative of those seeking emancipation of the mind in China's economic research circles during the period from the mid-1950s to the mid-1960s, and that he achieved the results of his study under difficult circumstances. These results reflected in part the solid content and distinctive features of the studies in political economy in China in that particular period, and should occupy a prominent place in a comprehensive survey of contemporary economic thinking in the country. As to the flaws in his work, they were mainly a manifestation of historical limitations. While criticizing the "theory of a natural economy," he also opposed the so-called "theory of a commodity economy," revealing his inability to break away from the denial of the means of production as commodities and his failure to adhere to a correct standpoint through to the end. In other words, he was not altogether thorough in his theoretical arguments and practical propositions. Even so, however, his views were not tolerated at the time. Actually, Comrade Mao Zedong had attached much importance to the place and role of commodity production and the law of value in a socialist economy. Using the succinct phrase that the law of value was "a great school," he instructed Communist Party members and cadres to do good economic work by applying this law. Starting in the late 1950s, an ultra-left trend initiated by Chen Boda and Zhang Chunqiao placed more and more fetters on economic thinking. Sun Yefang's views were vilified as a "revisionist" attempt to prepare public opinion for a capitalist restoration. Labelled with all kinds of bizarre names, Sun was subjected to severe persecution on the eve of the Cultural Revolution.

The articles and papers collected in the *Theoretical Questions*, some published for the first time, are themselves an effective refutation of the slanders against the author. It was only in the days when people were not allowed to think for themselves, express different opinions or openly reply to "criticism" that a few persons could call black white and delude the masses by spreading lies. Once the ban on the freedom of expression was lifted, the public drew fair conclusions on the rights and wrongs. Perhaps this brief review of *Theoretical Questions* has already made clear what the author stands for and the kind of public opinion he is preparing. The book shows his strong sense of political responsibility and his courage in upholding prin-

¹"To Understand Economics, One Must Know Something About Philosophy," *ibid.*, p. 60.

ciple. Full of enthusiasm for the cause of socialism and communism, he was worried about the serious shortcomings in economic work and the economic setup, and regarded finding solutions to economic problems as an obligation a theoretician could not shirk. Once he said, "Theoreticians should share the responsibility for the neglect of the effectiveness of investments, which has resulted from a confusion of concepts, of ideas."¹ Even when he had come under fire, he insisted, "It is necessary to distinguish between capitalist profit and socialist profit. . . . Don't turn pale at the mere mention of profit. . . . It is the duty of us theoreticians, not of the practical workers, to clarify the question."² It was out of this sense of duty that Sun assiduously studied a whole series of economic questions, repeatedly expounded the conclusions he arrived at, and disseminated the views he believed to be correct.

The publication of Sun Yefang's book, I believe, will arouse lively discussions among people engaged in economic work and research, giving an impetus to the study of economic theory through normal discussion, consultation, criticism and counter-criticism.

—Translated by Liu Youyuan and others

¹"On Value," *ibid.*, p. 127.

²"Summary of a Speech on Production Prices at the Forum on Socialist Reproduction," *ibid.*, pp. 297-98.

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MA JIAJU, born in 1927, is an associate professor of economics of Shandong University. p. 216

IN THE COMING ISSUE

PERIODIZATION OF ANCIENT CHINESE HISTORY will be the subject of discussion in our regular column, CURRENT IDEAS. When did slave society end and feudal society begin in China's history? For half a century, Chinese historians have been arguing over the question, seeing the beginnings of feudalism in the Western Zhou Dynasty, the later years of the Spring and Autumn Period, the Qin and Han dynasties, or the Wei and Jin dynasties. In other words, some think feudalism started as early as the 11th century B.C., while others regard it as a much later occurrence. What are their arguments? A review of the debate in the last couple of years will appear in our next issue.

A RE-EVALUATION OF CONFUCIUS will be offered in a paper by Li Zehou of the Institute of Philosophy under the Chinese Academy of Social Sciences. How should Confucius be looked at from a historical-philosophical angle? What is the historical content of the Rites of Zhou upheld by him? What is the interrelationship between the Benevolence (Ren) and the Rites (Li) advocated by him? What are the main elements of the Confucian Theory of Benevolence? These are some of the points discussed by the author on the basis of exhaustive studies.

THE MAKING OF CONFUCIANISM AS A RELIGION is the title of a paper by Ren Jiyu, a leading specialist in philosophy and religion. The paper, which appears in the first issue of the Chinese edition of *Social Sciences in China*, traces the evolution of Confucianism in more than a thousand years from the Han to the Song and Ming dynasties, distinguishes Confucius as an ancient thinker from Confucius as the God of the Confucianist religion, and points to the harm such a religion has done to the Chinese nation.

AN INQUIRY INTO THE DOCTRINE OF THE MEAN, another article in the first issue of the Chinese edition of this journal, will appear in translation in our next issue. The author, Pan Pu, an editor of the journal *Historical Studies*, subscribes to the view that the Doctrine of the Mean forms a metaphysical system of ethical concepts. He points out, however, that this doctrine contains a rich ideological legacy, as for example in its theses on the interdependence between opposites. The author thinks it is incorrect to identify the Doctrine of the Mean with eclecticism, reconciliation of the opposites or their combination into one, and states where, in his opinion, its metaphysics really lies.

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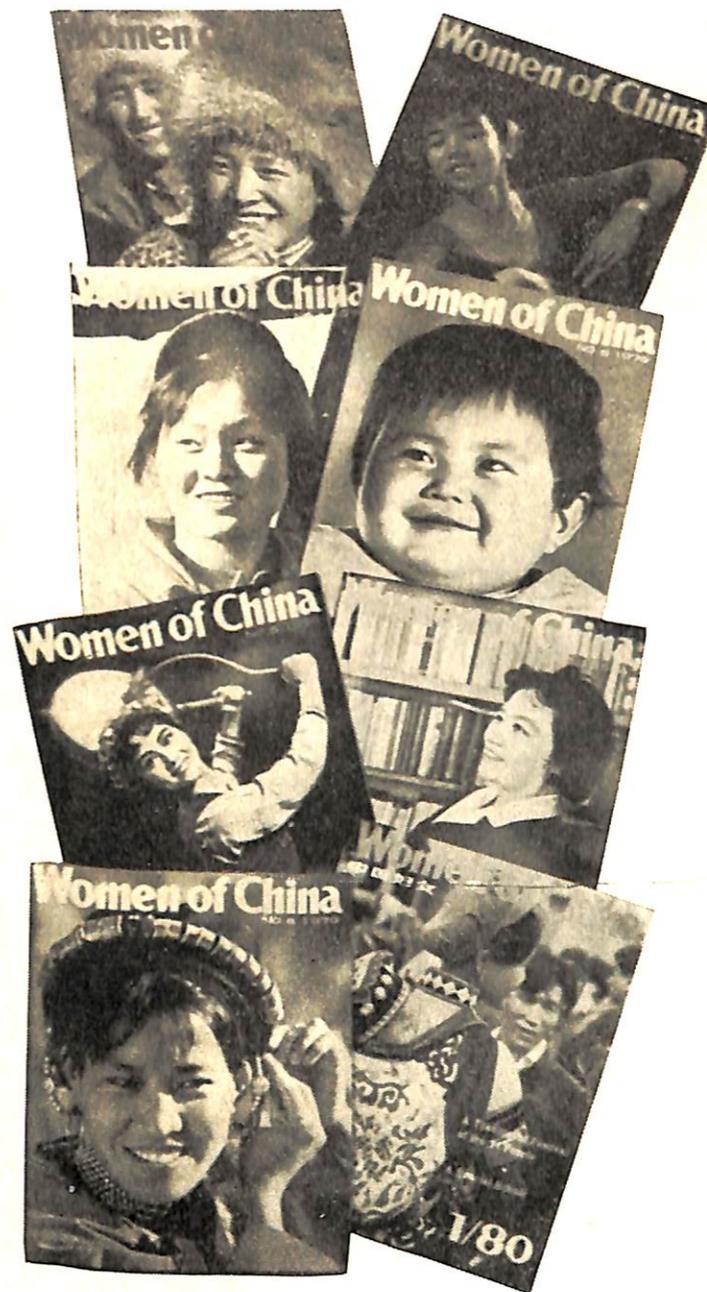
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