# Political Economy

## Socialism Part

Nankai University
Political Economy Department
Institute of Economics

# Political Economy

Socialism Part

(Revised Edition)

April, 1976

# Table of Contents


Part One: General Introduction 1

Chapter One: Nature of Socialist Society 1

Section One: Socialist Society Is a Transitional Period from Capitalist Society to Communist Society 1

The Transitional Nature of Socialist Society 1

Duality of Socialist Relations of Production 6

Fundamental Contradictions in Socialist Society 13

Section Two: Continuing the Revolution Under the Dictatorship of the Proletariat —Classes and Class Struggle in Socialist Society 18

The Historical Tasks of the Dictatorship of the Proletariat and the Continued Revolution 25

Criticizing the Theory of the Extinction of Class Struggle and the Theory of the Productive Force Determinism 31

Section Three: The Economic Laws Under the Socialist System and the Major Role of the Socialist Superstructure 38

Economic Laws Under the Socialist System 38

The Role of the Dictatorship of the Proletariat and the Proletarian Party 43

The Party's Basic Line Throughout the Entire Socialist Historical Stage 47

Part Two: Socialist Production Process 54

Chapter Two: The Establishment of Socialist Ownership 54

Section One: The Establishment of Socialist Ownership by the Whole People 54

Expropriation of Big Capital through Confiscation 54

Transformation of Small and Medium Capital Through the Form of State Capitalism 61

Struggle Between Restriction and Counter-Restriction 72

Section Two: The Establishment of Socialist Collective Ownership by the Working People. The People's Commune Movement in Our Country's Rural Areas 76

Co-operative Transformation of Agriculture Is the Only Way to Transform the Small-Peasant Economy 76

The Class Line and Steps of Agricultural Collectivization 87

The People's Commune Movement in Our Country's Rural Areas 95

Section Three: The Main Characteristics of the Establishment of Socialist Ownership in Our Country 101

Chapter Three: Consolidation and Development of Socialist Ownership 113

Section One: The Superiority of Socialist Ownership 113

Section Two: Consolidation and Development of Socialist Ownership by the Whole People 119

The Nature, Status, and Management System of Ownership by the Whole People 119

The Consolidation and Development of Ownership by the Whole People Under Struggle 125

Section Three: The Consolidation and Development of Collective Ownership by the Socialist Working People 137

The Nature, Role, and Organizational Forms of Collective Ownership 137

Bourgeois Right in the Collectively Owned Economy 142

Collective Ownership Is Consolidated and Developed Through Struggle 149

Chapter Four: General Characteristics of Socialist Production 162

Section One: The Dual Nature of Socialist Production 162

The Directly Social Character and Commodity Character of Socialist Products 162

The Socialist Production Process is the Unity of Direct Social Production and Commodity Production. 165

Section Two: The Aim of Socialist Production 177

The Dominant Aspect and the Purpose of Production 177

Old Traces and the Purpose of Production in Socialism 188

Basic Economic Law of Socialism 193

Chapter Five: Mutual Relations in Socialist Production 198

Section One: Formation of Socialist Mutual Relations 198

Public Ownership of the Means of Production is the Foundation of Socialist Mutual Relations 198

The Role of the Superstructure in the Formation and Development of Socialist Mutual Relations 201

Section Two: Contradictions within Socialist Mutual Relations 206
Socialist Mutual Relations Are Still Class Relations 206
Socialist Division of Labor and Cooperation 210
Old Traces Within Socialist Mutual Relations 218
Section Three: Continuously Adjusting Socialist Mutual Relations 224
The Significance of Continuously Adjusting Socialist Mutual Relations 224
Restrict the Bourgeois Right Within People's Mutual Relations 231
Chapter Six: The High-Speed Development and Practicing Economy in Socialist Production 243
Section One: The High-Speed Development of Socialist Production 243
The Objective Necessity of the High-Speed Development of Socialist Production 243
Grasp Revolution, Promote Production 251
Critique of "Everything for Modernization" 255
Section Two: Practicing Economy Under the Socialist System 261
Practicing Economy Is a Basic Principle of the Socialist Economy 261
Socialist Economic Accounting System 266
Critique of Soviet revisionism's "Full Economic Accounting System" 273
Section Three: The Party's General Line for Socialist Construction 277
The Essence and Basic Requirements of the General Line for Socialist Construction 277
The General Line for Socialist Construction Took Shape and Developed Through Struggle 284
Part Three: Circulation Process Under Socialism 291
Chapter Seven: Exchange of Socialist Products 291
Section One: General Characteristics of Exchange Under the Socialist System 291
The Process of Exchange Under Socialism is a Unity of Direct Social Distribution and Commodity Exchange 291
Forms of Commodity Exchange under the Socialist System 294
Section Two: Planned Allocation of the Means of Production under the Socialist System 299
Significance of Planned Allocation of the Means of Production 299
Several Relationships in the Planned Allocation of the Means of Production 302

Channels for Resource Allocation Through Planned Allocation 306
Section Three: Socialist Commerce 309
The Role of Socialist Commerce 309
Domestic market Under socialism 314
Several Relationships in Socialist Commerce 317
Section Four: Correctly Understanding and Dealing With the Commodity System in Socialist Society 325
Nature of Commodity Exchange Under Socialism 325
The Necessity of Restricting the Commodity System and Bourgeoisie Rights 326
Struggle Between Restriction and Counter-Restriction 330
Section Five: Foreign Trade of Socialist Countries 336
The Nature and Characteristics of Foreign Trade in Socialist Countries 336
Role and Significance of Foreign Trade of Socialist Countries 341
Chapter Eight: Currency Circulation and the Law of Value Under the Socialist System 345
Section One: Currency and Currency Circulation under the Socialist System 345
The Nature and Functions of Money under the Socialist System 345
Our Country's Renminbi 348
Laws Governing Currency Circulation Under the Socialist System 353
Section Two: Prices under the Socialist System 360
The Role of the Law of Value in Socialist Circulation 360
Basis for Price Formation Under the Socialist System 363
Characteristics of Price Formation Under the Socialist System 365
Section Three: Correctly Understanding Money and Currency Circulation Under the Socialist System 369
The Existence of Money and Exchange Through Money is the Soil From Which Capitalism and the Bourgeoisie Arise 369
Restricting Bourgeois Right in the Monetary Sphere 374
Part Four: The Process of Distribution Under Socialism 378
Chapter Nine: Distribution of Individual Consumer Goods in Socialist Society 378

Section One: Basic Principles for the Distribution of Individual Consumer Goods 378

Advocating From Each According to Their Ability and Promote the Communist Spirit of Labor. 378

Distribution of Individual Consumer Goods According to Work 383

Bourgeois Right Under the Principle of Distribution According to Work 386

Section Two: Basic forms of distribution of individual consumer goods 392

Forms of Distribution in the Socialist Economy Under Ownership by the Whole People 392

Forms of Distribution in the Collective Economy of People's Communes 398

Section Three: Restricting Bourgeois Right in Distribution According to Labor 402

The Necessity of Restriction 402

Struggle Between Restriction and Counter-Restriction 410

Part Five: The Overall Process of Socialist Production 418

Chapter Ten: Socialist Reproduction and the Planned, Proportionate Development of the National Economy 418

Section One: Socialist Reproduction 418

Characteristics of Socialist Reproduction 418

Proportional Relationship Between the Two Departments in Socialist Reproduction 422

Section Two: Planned, Proportionate Development of the National Economy 430

The Objective Necessity of Planned, Proportionate Development of the National Economy 430

Several Major Proportional Relationships in the National Economy 434

Rational Distribution of the Productive Forces 443

Section Three: Planning of the National Economy and Comprehensive Balancing 448

Objective Economic Laws and National Economic Planning 448

Comprehensive Balancing is the Basic Method of National Economic Planning 451

Basic Principles of National Economic Planning 455

Section Four: Criticizing Revisionist "Economic Liberalization" 458

Chapter Eleven: Socialist Agriculture, Light Industry, and Heavy Industry 463

Section One: The Place and Role of Socialist Agriculture and Industry in the National Economy 463

Agriculture is the Foundation of the National Economy 463

Industry is the Leading Factor of the National Economy 473

Section Two: The Development Relations Between Socialist Agriculture, Light Industry, and Heavy Industry 479

The Fundamental Way Out for Agriculture Lies in Mechanization 479

Socialist Industrialization 489

The Essence is Consolidating the Worker-Peasant Alliance and Gradually Eliminating the Differences Between Workers and Peasants 499

Chapter Twelve: Distribution of Socialist National Income 504

Section One: Creation and Distribution of Socialist National Income 504

National Income is Part of the Social Product 504

Rapid Growth of Socialist National Income 506

Distribution and Redistribution of Socialist National Income 509

Section Two: Accumulation Fund and Consumption Fund 515

Proportional Relationship Between the Accumulation Fund and Consumption Fund 515

The Proportional Relationship Within the Accumulation Fund and the Consumption Fund 520

Criticize the Reactionary Fallacy of “The Country is Rich While the People Are Poor”523

Section Three: The Role of Socialist Public Finance in the Distribution of National Income 526

The Nature of Socialist Public Finance 526

The Socialist State Budget is a Tool For the Planned Centralization and Distribution of National Income 528

Socialist Bank Credit is a Form of the Planned Mobilization and Redistribution of Monetary Funds 532

Part Six: Socialism and Communism 538

Chapter Thirteen: The Transition from Socialist Society to Communist Society 538

Section One: Communism Is the Inevitable Trend of Development of Socialism 538

The Two Stages of Communist Society 538

Conditions for the Transition From Socialism to Communism 543

Section Two: Realizing Communism is a Profound Social Revolution 554

Realizing Communism Requires Persevering in Continuing the Revolution Under the Dictatorship of the Proletariat 554

Criticize Phoney Communism 557

Section Three: Communism Will Surely Triumph Throughout the Whole World 561

Afterword 565

# Part One: General Introduction

# Chapter One: Nature of Socialist Society

## Section One: Socialist Society Is a Transitional Period from Capitalist Society to Communist Society

### The Transitional Nature of Socialist Society

*Political Economy Capitalism Part* has already analyzed the contradictory movement of capitalist relations of production and explained the objective inevitability of socialism replacing capitalism; it has also pointed out that violent proletarian revolution and the dictatorship of the proletariat are the only path to achieving this transformation of social systems. In the more than one hundred years since the Paris Commune uprising of 1871, the world proletariat, armed with Marxism, has waged an indomitable and heroic struggle, shedding blood and sacrificing their lives to overthrow capitalism and establish socialism. In 1917, the Russian proletariat and working people, under the leadership of Vladimir Lenin and the Bolshevik Party, achieved the great victory of the October Revolution, established the world's first socialist state under the dictatorship of the proletariat, and opened a new era in human history. The Chinese Revolution was a continuation of the October Revolution. Under the leadership of the great leader Chairman Mao and the Communist Party of China, the Chinese proletariat and working people, during the New-Democratic Revolution, waged revolutionary war for twenty-two years and overthrew the

reactionary rule of imperialism, feudalism, and bureaucratic-capitalism, establishing the People's Republic of China under the dictatorship of the proletariat in 1949. The founding of the People's Republic of China marked the basic end of the democratic revolution in our country and the beginning of the socialist revolution; it marked the demise of old China's semi-colonial, semi-feudal society, which was "**much the same as a capitalist country**,"[1] and the birth of a new socialist society. Today, in China and other socialist countries, scientific socialism has already been transformed from a great idea into a glorious reality.

The replacement of capitalist society by socialist society is a great leap forward in the history of human society. In socialist society, the dictatorship of the proletariat replaces the dictatorship of the bourgeoisie, public ownership of the means of production replaces private ownership of the means of production, and the proletariat changes from an oppressed and exploited class into the ruling class; the social status of working people undergoes a fundamental change. The state under the dictatorship of the proletariat grants the broad masses of working people the most extensive democracy, something that is impossible under capitalist society, while exercising dictatorship only over a small number of exploiters. Socialist relations of production, based on public ownership of the means of production, open up broad prospects for the great development of the social productive forces and ensure that they advance at a pace incomparable to that of the old society. The socialist system has immeasurably great advantages over the capitalist system.

In human history, socialist society is not an independent socioeconomic formation. Socialist society is the lower stage of communist society, a transition period from capitalist

[1] Quote from Mao Zedong. "Marx, Engels, and Lenin on the Dictatorship of the Proletariat," *Peking Review*, No. 9 (1975), 5.

society to the higher stage of communist society. When Karl Marx discussed socialist society, he pointed out: "**What we have to deal with here is a communist society, not as it has developed on its own foundations, but, on the contrary, just as it emerges from capitalist society; which is thus in every respect, economically, morally, and intellectually, still stamped with the birthmarks of the old society from whose womb it emerges.**"[1] That is to say, socialist society is the lower stage of communist society that still bears the traces of the old society, whereas the higher stage of communism is communist society that has developed on the basis of the socialist stage and has completely eliminated the traces of the old society. However, we usually call the lower stage of communism socialist society and the higher stage of communism communist society. Human society does not pass directly from capitalist society to communist society; it must pass through socialist society as a transitional bridge. Thus, when Marx discussed socialist society, he also said: "**Between capitalist and communist society there lies the period of the revolutionary transformation of the one into the other. Corresponding to this is also a political transition period in which the state can be nothing but the revolutionary dictatorship of the proletariat.**"[2] Marx also said: "**This dictatorship itself only constitutes the transition to the *abolition of all classes* and to a *classless society.***"[3] This clearly tells us: First, socialist society and the transition period are one and the same historical period. It begins with the establishment of the dictatorship of the proletariat and ends with entry into communist society, that is, classless society. Second, socialist society is a society with classes, and the fundamental historical task of the socialist period is to abolish all classes and

---

[1] Karl Marx, "I," in *Critique of the Gotha Programme*, *Marx/Engels Selected Works*, Vol. III.

[2] Karl Marx, "IV," in *Critique of the Gotha Programme*, *Marx/Engels Selected Works*, Vol. III.

[3] Karl Marx, "Marx to J. Weydemeyer in New York, March 5, 1852," in *Marx/Engels Internet Archive.*

enter a classless society. Third, therefore, throughout the entire socialist historical stage, it is necessary to uphold the dictatorship of the proletariat and persevere in continuing the revolution under the dictatorship of the proletariat.

The historical inevitability of the transition period arises from the nature and tasks of the socialist revolution. The proletarian socialist revolution is the most profound social revolution in human history. Bourgeois revolutions merely replaced one form of private ownership with another and one form of exploitation with another. Their task was merely to seize state power and use it to consolidate and develop the capitalist economic forms that had grown up within feudal society. Once this task was completed, the bourgeois revolution came to an end. For the proletarian socialist revolution, however, seizing power is only the beginning of the revolution—the first step in a long march of ten thousand miles. This is because the proletarian socialist revolution is a revolution against the bourgeoisie and all exploiting classes. Its task is not to change the forms of private ownership and exploitation, but to abolish private ownership, eliminate exploitation, abolish all classes, liberate all humanity, and realize communism throughout the whole world. The political, economic, and ideological and cultural conditions necessary to accomplish this great historical task could not possibly take shape within capitalist society, nor could they be brought about in a short time after the capitalist system had been abolished and the dictatorship of the proletariat established. Chairman Mao said: "**Here a very long period of time is needed to decide 'who will win' in the struggle between socialism and capitalism. Several decades won't do it; success requires anywhere from one to several centuries.**"[1] Chairman Mao also said: "**According to the Leninist viewpoint, the final victory**

[1] Editorial Departments of *Renmin Ribao* and *Hongqi*, *On Khrushchev's Phoney Communism and Its Historical Lessons for the World* (Foreign Languages Press, Peking, 1964), 65.

**of a socialist country not only requires the efforts of the proletariat and the broad masses of the people at home, but also involves the victory of the world revolution and the abolition of the system of exploitation of man by man on the whole globe, upon which all mankind will be emancipated.**"[1] Thus, the arduous and protracted nature of completing the great historical task of the proletarian socialist revolution objectively determines that socialist society cannot be a brief transition period, but must be a fairly long historical stage.

To peddle their so-called "developed socialism," the Soviet revisionist Brezhnev renegade clique is grossly distorting and trampling on the great Marxist doctrine concerning the two stages of communist society, the transition period, and the dictatorship of the proletariat. They claim: "The communist mode of production passes through three objectively determined stages that conform to the laws of history: the transition period from capitalism to socialism; the socialist stage; and the communist stage. The initial stage of communism—socialism—is established during the transition period." Socialism, in turn, was divided into "the stage of building developed socialism" and "the stage of developed socialism." They assert that the basic completion of the socialist transformation of ownership of the means of production marked the end of the transition period, thereby excluding socialist society from that period. They also turn truth on its head by accusing our Party of "disregarding the teachings of Marx and Lenin by extending the transition period from capitalism to communism into the initial stage of the communist formation—socialism." Yet it is none other than they themselves who shamelessly falsify and utterly betray Marxism. They loudly proclaim that in their "developed socialist" society, "there are no classes or social groups with mutually opposed economic positions," and

[1] Quote from Mao Zedong. Lin Biao, "Report to the Ninth National Congress of the Communist Party of China," in *The Ninth National Congress of the Communist Party of China* (Foreign Languages Press, Peking, 1969), 64-65.

"there is no possibility whatsoever of turning back the wheel of history and restoring capitalism in the Soviet Union"; therefore, "the stage of developed socialism has a corresponding political superstructure—the state of the entire people, which replaces the proletarian state,"[1] and so on. This fully exposes why they rack their brains to make an issue of the transition period and the division of communist society into stages: they seek to manufacture a theoretical justification for their so-called "developed socialism" and use it to erase classes and class struggle, oppose the dictatorship of the proletariat, and conceal their counterrevolutionary true colors as they comprehensively restore capitalism and pursue social-imperialism and social fascism.

## Duality of Socialist Relations of Production

The transitional nature of socialist society is manifested economically in its possession of the characteristics of both communist and capitalist socioeconomic structures. In discussing the characteristics of this duality, Lenin pointed out: "**Theoretically, there can be no doubt that between capitalism and communism there lies a definite transition period which must combine the features and properties of both these forms of social economy. This transition period has to be a period of struggle between dying capitalism and nascent communism—or, in other words, between capitalism which has been defeated but not destroyed and communism which has been born but is still very feeble.**"[2] The coexistence of and struggle between socialist and non-socialist relations of production within the socialist society, as well as

[1] Note from translator: I cannot find the original text.

[2] Vladimir Ilyich Lenin, "Economics And Politics In The Era Of The Dictatorship Of The Proletariat," in *Lenin's Collected Works*, Vol. 30 (Progress Publishers, Moscow, 1965).

the coexistence of and struggle between communist and capitalist elements within socialist relations of production, are both encompassed by the "features and properties of both these forms of social economy"—capitalism and communism—and by the "struggle between dying capitalism and nascent communism" described here. These are two contradictory processes of motion that are distinct yet interconnected.

The coexistence of and struggle between socialist relations of production and non-socialist relations of production, under the conditions in which multiple economic sectors coexist in the early period of socialist society, are mainly manifested in the coexistence of and struggle between the socialist economic sector and the capitalist economic sector. After the socialist transformation of ownership of the means of production is basically completed, this is manifested, on the one hand, in the coexistence of and struggle between socialist relations of production with the non-socialist relations of production left over from the past. For example, for a certain period after our country had basically completed the socialist transformation of its economy, remnants of capitalist ownership and the individual economy still existed, and high salaries were still paid to capitalists and bourgeois specialists who had been retained, and so on. On the other hand, it is manifested in the coexistence of and struggle between socialist relations of production with newly emerging capitalist relations of production. Socialist relations of production develop further through their contradictions and struggles with non-socialist relations of production.

Within socialist relations of production, the characteristics of both communist and capitalist social and economic structures are likewise present. However, this is not the coexistence of and struggle between the two opposing relations of production described above,

but rather the coexistence of and struggle between two opposing economic elements, communist and capitalist. Applying dialectical materialism to the study of the internal contradictions and movement of socialist relations of production are a task of political economy of socialism, and are of great theoretical and practical significance. Marx previously analyzed the movement of capitalist society that is full of contradictions and founded the theory of surplus value. It clarified the principal contradiction of capitalist relations of production and revealed the secret of the capitalist mode of production, and thus "**struck home like a thunderbolt out of a clear sky, and that in all civilized countries**" and "**revolutionize all economics.**"[1] Although socialist relations of production have eliminated the contradictions inherent in capitalist relations of production, do contradictions still exist within them? Does Lenin's assertion that the transition period has a dual character economically also apply to socialist relations of production? In *On the Correct Handling of Contradictions Among the People*, the great leader Chairman Mao, for the first time in the history of the international communist movement, put forward the theory of the basic contradictions of socialist society and analyzed socialist relations of production by dividing them into two. Chairman Mao's important instructions on theoretical questions further developed the theory of the basic contradictions of socialist society and are a brilliant example of the scientific analysis of internal contradictions in socialist relations of production through the application of dialectical materialism. Speaking of the socialist system, Chairman Mao pointed out: "**In a word, China is a socialist country. Before liberation she was much the same as a capitalist country. Even now she practices an eight-grade wage system, distribution to each according to his work and exchange by means of money, which are scarcely different from**

[1] Karl Marx, "Preface to the First Edition," in *Capital*, Vol. II (Progress Publishers, Moscow 1956).

**those in the old society. What is different is that the system of ownership has changed.**"[1] Here, Chairman Mao not only pointed out the fundamental difference between socialist relations of production and capitalist relations of production, but also noted that traces of capitalism, manifested as bourgeois right, are still retained within socialist relations of production. This helps us understand that Lenin's assertion that the economy during the transition period has a dual character, which manifests as the contradiction and struggle between communism as it grows and traces of capitalism as they decline within socialist relations of production; its class expression is the class contradictions and class struggle between the proletariat and the bourgeoisie. Only by grasping this principal contradiction can we correctly understand the nature of socialist relations of production and explain the laws governing their contradictory movement.

Ownership of the means of production is the foundation of relations of production. "**System of ownership has changed**"—this is the fundamental difference between socialist relations of production and capitalist relations of production. Public ownership of the means of production, however, is the most essential common feature of socialist relations of production and communist relations of production. Public ownership, together with the mutual aid and cooperation relations among working people that arise on its basis, are beneficial for the product relations of distribution of working people, direct social production and directly social labor, the planned and rapid development of the national economy, the purpose of production of meeting social needs, and so on. All these embody communist elements within socialist relations of production and possess the characteristics of the economic structure of communist society; they are the essential aspect that occupies a dominant position in socialist relations of production. It is

[1] Quote from Mao Zedong. "Marx, Engels, and Lenin on the Dictatorship of the Proletariat," 5.

precisely for this reason that the establishment of the socialist system was a great leap forward in the history of human society, and that it has incomparably greater advantages than the capitalist system.

However, socialist society is, after all, only the beginning of the beautiful communist society. Socialist relations of production are just immature and incomplete communist relations of production. In terms of ownership relations, people's mutual relations in production, and product relations of distribution, they all retain, to varying degrees, the traditions or traces of capitalism and bear the characteristics of the economic structure of capitalist society. Judging from the current situation in our country, in terms of ownership, apart from a small amount of private ownership that still exists, differences between ownership by the whole people and collective ownership remain within socialist public ownership, and bourgeois right has not been completely abolished. In terms of mutual relations, because differences persist between workers and peasants, between urban and rural areas, and between manual labor and mental labor, and because commodity production, exchange through money, and "to each according to their work," bourgeois right and the inequalities it brings about still still exist to a considerable extent. In terms of relations of distribution, bourgeois right still occupies a dominant position.

Furthermore, like socialist labor products, the socialist production process and reproduction process likewise exhibit the dual characteristic of coexistence and struggling between communist elements and traces of capitalism. With ownership changed, socialist products have already become different from capitalist commodities: they have acquired the character of direct social products of communism and become the dominant aspect of them. Yet, to varying degrees, they still retain the character of commodities, reflecting the historical feature

that socialist products are in a transition stage from capitalist commodities to direct social products of communism.

The socialist production process and reproduction process display similar characteristics. On the one hand—the dominant aspect—they have already become direct social production of communism; on the other hand, to varying degrees, they remain commodity production. As commodity production, their dominant aspect is a labor process producing use values that satisfy social needs, while at the same time being a process of value formation. In socialist production and reproduction, the planned, proportionate development of the national economy is the dominant aspect, but the influence of the law of value also exists, and so on.

Of course, the capitalist traditions or traces retained in socialist relations of production are not equivalent to capitalist relations of production; it is wrong to simply conflate the two. However, there is no impassable gulf between them either. This is because traces of capitalism in socialist relations of production can give rise to capitalism and the bourgeoisie, and are an important economic source of class struggle. It is also wrong not to see the connection between the two. Marx said: "**Even when a society has got upon the right track for the discovery of the natural laws of its movement — and it is the ultimate aim of this work, to lay bare the economic law of motion of modern society — it can neither clear by bold leaps, nor remove by legal enactments, the obstacles offered by the successive phases of its normal development. But it can shorten and lessen the birth-pangs.**"[1] Regarding traces of capitalism in socialist relations of production, we must recognize both their inevitability and the necessity of restricting them and actively creating the conditions for their gradual elimination.

---

[1] Karl Marx, "Preface to the First German Edition," in *Capital*, Vol. I (Progress Publishers, Moscow).

The two opposing sides of the internal contradictions of socialist relations of production are interconnected and interdependent, yet mutually exclusive and engaged in struggle; under certain conditions, they also transform into one another. This constitutes the contradictory movement within socialist relations of production. Among the internal contradictions of socialist relations of production, communist elements play the dominant role. The nature of socialist society is determined primarily by this aspect, which has attained a dominant position. But this depends on the dictatorship of the proletariat and socialist public ownership. If these conditions are transformed in the opposite direction, the principal aspect of the internal contradictions of socialist relations of production will also change, and the nature of the relations of production and of society will change accordingly. The consolidation of the dictatorship of the proletariat and socialist public ownership hinges on who holds leadership, whether Marxism or revisionism is pursued, and which line is followed. When leadership is in the hands of Marxists and the worker and peasant masses, the dictatorship of the proletariat can be consolidated and strengthened, socialist public ownership can be consolidated and developed, communist elements in socialist relations of production will inevitably grow stronger step by step, and traces of capitalism will inevitably be progressively restricted and weakened until they are finally eliminated.

## Fundamental Contradictions in Socialist Society

Socialist relations of production develop through the movement of the fundamental contradictions in socialist society. "**In socialist society the basic contradictions are still those between the relations of production and the productive forces and between the superstructure and the economic base.**"[1] It is only that these contradictions differ fundamentally in character and features from those in the old society.

Between socialist relations of production and the productive forces, there exists harmony as well as contradiction. Chairman Mao pointed out: "**Socialist relations of production have been established and are in correspondence with the growth of the productive forces, but these relations are still far from perfect, and this imperfection stands in contradiction to the growth of the productive forces.**"[2] Chairman Mao's instructions tell us both to view socialist relations of production from a two-sided perspective and how their duality manifests itself in the contradictory movement between relations of production and the productive forces.

Socialist relations of production are adapted to the development of productive forces. Chairman Mao said: "**In saying that the socialist relations of production correspond better to the character of the productive forces than did the old relations of production, we mean that they allow the productive forces to develop at a speed unattainable in the old society, so that production can expand steadily and increasingly meet the constantly growing needs of the people.**"[3] But why are socialist relations of production correspond to the development of

---

[1] Mao Zedong, "On the Correct Handling of Contradictions Among the People," in *Selected Works of Mao Zedong*, Vol. V (Foreign Languages Press, Peking, 1977), 393.

[2] Ibid, 394.

[3] Ibid, 393.

productive forces? Fundamentally, this is the result of the leading aspect of socialist relations of production—the communist elements—coming into play. Among these, the decisive factor is public ownership of the means of production. We know that the basic contradiction of the capitalist mode of production is the contradiction between the social character of production and the capitalist private ownership of the means of production. Capitalist private ownership of the means of production is a heavy shackle that fetters the development of productive forces. Socialist public ownership has replaced capitalist private ownership, bringing the social character of ownership of the means of production into alignment with the social nature of productive forces. It thereby overcomes the contradictions that the capitalist mode of production could not overcome and creates the preconditions for the great development of social productive forces. Public ownership of the means of production, together with the other communist elements in socialist relations of production, is an essential factor that plays a leading role in promoting the development of productive forces. Of course, the communist elements in socialist relations of production also undergo a process of gradual growth and improvement. In certain respects and at certain points, they may conflict with the development of the productive forces; however, in the final analysis, this contradiction is connected with traces of capitalism.

In socialist society, there is also a contradiction between relations of production and productive forces. Under the conditions in the early period of socialist society, when multiple economic sectors coexist, this contradiction is manifested most prominently as a contradiction between the relations of production and productive forces in the private capitalist economy and the individual economy. But once the socialist transformation of ownership of the means of production is basically complete, does contradictions between relations of production and

productive forces still exist in socialist society? The claim that they "completely correspond" is mistaken. For even when socialist relations of production basically correspond with productive forces, a certain contradiction between relations of production and productive forces still exists. On the one hand, contradictions between non-socialist relations of production and productive forces continue to exist; at the same time, contradictions also exist between socialist relations of production and productive forces. Moreover, as old contradictions are continually resolved, new ones will continually arise. Therefore, relations of production must be adjusted and improved continually and in a timely manner, and continually clear the way for the rapid development of productive forces.

Traces of capitalism in socialist relations of production are concentrated evidence that socialist relations of production remain highly imperfect. Although these imperfections correspond with a certain level of development of productive forces and are the product of certain socio-economic conditions, and thus have their historical necessity and historical role, they are, in essence, in contradiction with the development of productive forces because they are the soil in which capitalism and the bourgeoisie arise, as well as the hotbed in which bourgeois ideas persist and grow. As productive forces develop rapidly, this contradiction will inevitably become increasingly apparent. Thus, the continual adjustment and improvement of socialist relations of production is, in essence, the continual restriction and weakening of traces of capitalism as manifested in bourgeois right. In this way, the process of contradictory movement between socialist relations of production and productive forces is the process by which communist elements in socialist relations of production gradually develop and grow stronger, while traces of capitalism are gradually restricted and weakened until they are ultimately

eliminated. It is also the process by which socialist relations of production gradually transition to communist relations of production.

In socialist society, there also exists harmony as well as contradiction between the superstructure and the economic base.

The revolutionary party of the proletariat and its Marxist-Leninist revolutionary line, the state system and laws of the state under the dictatorship of the proletariat, and the socialist ideology guided by Marxism-Leninism and Mao Zedong Thought—all these elements of the socialist superstructure play an active role in eliminating the old economic base and establishing, consolidating, and developing the socialist economic base; they correspond with the socialist economic base. However, contradictions also exist between the superstructure and the economic base. The main ones are the reactionary political forces and ideology of the bourgeoisie; the mentality and habits of small-scale production; revisionist ideas and lines within the Communist Party; and certain bureaucratic styles in state organs and defects in some aspects of the state system. These elements of the superstructure conflict with the socialist economic base and hinder and undermine it. Therefore, a thorough socialist revolution must be carried out on the political and ideological fronts, and the incompatible parts of the superstructure must be continually adjusted. Only then can the consolidation and development of the socialist economic base be promoted, and the further development of the productive forces advanced.

In socialist society, contradictions between the relations of production and the productive forces, and between the superstructure and the economic base, arising from their mutual adaptation and maladaptation, occur constantly. The harmony as well as contradiction between

the relations of production and the productive forces, and between the superstructure and the economic base, drive socialist society forward.

# Section Two: Continuing the Revolution Under the Dictatorship of the Proletariat —Classes and Class Struggle in Socialist Society

Socialist society is a society in which classes exist. The fundamental contradictions in socialist society inevitably find concentrated expression in the contradictions and struggles between the two classes, the proletariat and the bourgeoisie, and between the two roads, socialism and capitalism. This is the principal contradiction within the country during the socialist period.

The existence of classes and class struggle in socialist society is readily apparent under the conditions of multiple forms of economy coexisting in the early period of socialist society. But after the socialist transformation of ownership of the means of production has been basically completed, do classes and class struggle still exist? One view holds that, since capitalist private ownership has been eliminated, the bourgeoisie as a class has disappeared along with it, and the social and economic roots that give rise to class struggle have also disappeared. This view is completely wrong. After the socialist transformation of ownership of the means of production in our country had been basically completed, Chairman Mao, starting from an analysis of the basic contradictions in socialist society, scientifically analyzed classes, class contradictions, and class struggle in socialist society, and pointed out: "**There are still remnants of the overthrown landlord and comprador classes, there is still a bourgeoisie, and the remolding of the petty bourgeoisie has only just started. Class struggle is by no means over. The class struggle between the proletariat and the bourgeoisie, the class struggle between the various political forces, and the class struggle between the proletariat and the bourgeoisie in the ideological**

**field will still be protracted and tortuous and at times even very sharp.**"[1] This was the first time in the theory and practice of the international communist movement that it was clearly pointed out that, after the socialist transformation of ownership of the means of production had been basically completed, classes and class struggle still existed, and the principal contradiction remained the contradiction and struggle between the proletariat and the bourgeoisie.

In socialist society, classes and class struggle have profound political, ideological, and economic roots. The overthrown bourgeoisie and other exploiting classes are still here, and have not given up; they are constantly plotting restoration. "**The bourgeoisie, whose resistance is increased tenfold by their overthrow (even if only in a single country).**"[2] Although the bourgeoisie and other exploiting classes have lost political power and the means of production, their reactionary ideas still exist, and they have not disappeared as classes. Their political views and ideology will not quickly disappear with the demise of the old economic base, nor will they quickly disappear with the abolition of the old political system. The ideas of the bourgeoisie and other exploiting classes will persist for a long time in the political, economic, ideological, and cultural spheres, and will become the principal means by which the bourgeoisie attacks the proletariat and manufactures public opinion for the restoration of capitalism.

At the same time, new bourgeois elements will continue to emerge in socialist society through various channels. Chairman Mao pointed out: "**Lenin said, 'Small production engenders capitalism and the bourgeoisie continuously, daily, hourly, spontaneously, and on a mass scale.' This also occurs among a section of the workers and a section of the Party**

---

[1] Mao Zedong, "On the Correct Handling of Contradictions Among the People," 409.

[2] Vladimir Ilyich Lenin, "An Essential Condition of the Bolsheviks' Success," in *"Left-Wing" Communism: an Infantile Disorder*, *Lenin's Collected Works*, Vol. 31.

**members. Both within the ranks of the proletariat and among the personnel of state organs, there are people who follow the bourgeois style of life.**"[1] The existence of bourgeois influence, and the influence of international imperialism and revisionism, are political and ideological roots of the emergence of new bourgeois elements.

On the other hand, the existence of traces of capitalism, manifested as bourgeois right within socialist relations of production, is an important economic root of the emergence of new bourgeois elements. Because bourgeois right exists in ownership, mutual relations, "to each according to their work," commodity production, exchange through money, and other areas, capitalism will arise not only among small producers, but also new bourgeois elements and degenerate elements will emerge among some workers, state cadres, and intellectuals. If bourgeois right is not restricted, urban and rural capitalism and the bourgeoisie will develop even faster. Thus, even after the old capitalist ownership has been abolished and the older generation of bourgeoisie has died out, capitalism and the bourgeoisie will arise again. Engels said: "**All past history was the history of class struggles; that these warring classes of society are always the products of the modes of production and of exchange — in a word, of the economic conditions of their time.**"[2] This assertion by Engels also applies to socialist society.

In socialist society, new bourgeois elements often collude with the landlord and bourgeois classes that have already been overthrown, seeking to overthrow the dictatorship of the proletariat and the socialist system and restore capitalism. At the same time, class struggle within the socialist state resonates with class struggle internationally. The bourgeoisie at home and

---

[1] Quote from Mao Zedong. "Marx, Engels and Lenin on the Dictatorship of the Proletariat," 5.

[2] Frederick Engels, "General, Introduction," in *Anti-Dühring. Herr Eugen Dühring's Revolution in Science* (Progress Publishers, 1947).

abroad always tries by every means to find its agents within the Communist Party, seeking to overthrow the dictatorship of the proletariat through representatives of bourgeoisie who have infiltrated the Party. Lenin pointed out: "**In reality, the opportunists' formal membership in workers' parties by no means disproves their objectively being a political detachment of the bourgeoisie, conductors of its influence, and its agents in the labor movement.**"[1] Under the dictatorship of the proletariat, these opportunist elements and bourgeois representatives are mainly Party persons in power taking the capitalist road They are the newly emerged bourgeoisie within the Party, arising from the old soil of bourgeois right, and they represent the interests of both the new and old bourgeoisie. Chairman Mao pointed out: "**With the socialist revolution they themselves come under fire. At the time of the co-operative transformation of agriculture there were people in the-Party who opposed it, and when it comes to criticizing bourgeois right, they resent it. You are making the socialist revolution, and yet don't know where the bourgeoisie is. It is right in the Communist Party — those in power taking the capitalist road. The capitalist-roaders are still on the capitalist road**"[2]

Chairman Mao's important instructions profoundly exposed the class nature of the capitalist-roaders as representatives of the bourgeoisie. In socialist society, the struggle between the two classes, proletariat and the bourgeoisie, and between the two raids, socialism and capitalism, is concentrated in the struggle between Marxists and a small handful of capitalist-roaders, and in the struggle between the Marxist line and the revisionist line. The target of the

---

[1] Vladimir Ilyich Lenin, "VII, The Collapse of the Second International," in *Lenin's Collected Works*, Vol. 21 (Progress Publishers, Moscow, 1974).

[2] Quote from Mao Zedong. Fang Kang, "Capitalist-Roaders Are the Bourgeoisie Inside the Party," *Peking Review*, No. 25 (1976), 7.

socialist revolution is the bourgeoisie, primarily the capitalist roaders within the Party. The capitalist-roaders are the most dangerous enemies of the dictatorship of the proletariat.

Therefore, when revisionists come to power, the bourgeoisie comes to power. Since socialist society contains the soil and conditions for the restoration of capitalism, "**thus it would be quite easy for people like Lin Biao to push the capitalist system if they come to power.**"[1] In the Soviet Union, once the renegade clique of Khrushchev and Brezhnev came to power, in just a few short years it has fully restored capitalist system, turning the world's first socialist state under the dictatorship of the proletariat, founded by Lenin himself, into a social-imperialist state under the dictatorship of the bourgeoisie. The restoration process that has already taken place in the Soviet Union has educated the proletariat and revolutionary people as a negative example: under the socialist system, bourgeois right and the inequality it brings about will inevitably give rise to a small number of new bourgeois elements and polarization—that is, a small number of people will acquire an ever greater share of commodities and money through certain legal and numerous illegal means of distribution, convert commodities and money into capital, and treat labor power as a commodity, thereby engaging in capitalist exploitation. As a result, in certain departments and units that implement the revisionist line, the nature of ownership has changed, and the oppression and exploitation of working people have reemerged. When the economic power of the new bourgeoisie has developed to a certain extent, its agents will demand political rule, demand the overthrow of the socialist system under the dictatorship of the proletariat, demand the wholesale transformation of socialist ownership, and openly restore and develop the capitalist system. As soon as bourgeois representatives such as Khrushchev and Brezhnev came

[1] Quote from Mao Zedong. "Marx, Engels, and Lenin on the Dictatorship of the Proletariat," *Peking Review*, No. 9 (1975).

to power, they first brutally suppressed the Soviet people and carried out restoration in the superstructure, including all ideological and cultural fields. They then completely transformed the socialist relations of production in the economic sphere, thereby completing the comprehensive restoration of the capitalist system. Lenin once pointed out: "**The transition from capitalism to communism takes an entire historical epoch. Until this epoch is over, the exploiters inevitably cherish the hope of restoration, and this *hope* turns into *attempts* at restoration.**"[1] The danger Lenin foresaw did indeed occur in the Soviet Union.

The struggle between restoration and opposition to restoration between the bourgeoisie and the proletariat is the principal content of class struggle during the socialist period. The proletariat, representing the advanced productive forces, must consolidate and develop the socialist system under the dictatorship of the proletariat, continually transform the relations of production and superstructure, gradually expand communist elements, and gradually eliminate the traces of the old society. The bourgeoisie, representing the old relations of production and superstructure, seeks to overthrow the socialist system under the dictatorship of the proletariat and restore capitalism; it seeks to preserve and expand the traces of the old society and opposes revolutionary changes to the relations of production and superstructure. Thus, the contradictions between the relations of production and the productive forces, and between the superstructure and the economic base, inevitably manifest themselves as the struggle between the proletariat and the bourgeoisie, and between socialism and capitalism—the struggle between two classes and two roads. The practice of class struggle shows that the development of socialist society still holds two possible paths: advancing to communism or retreating to capitalism. For the proletariat

[1] Vladimir Ilyich Lenin, "Can There Be Equality Between the Exploited and the Exploiter?" in *The Proletarian Revolution and the Renegade Kautsky*, *Lenin's Collected Works*, Vol. 28 (Progress Publishers, Moscow, 1974).

to defeat the bourgeoisie and achieve communism, the key is to uphold class struggle as the key link in every field and at every stage of revolutionary development—that is, to persevere the proletariat's class struggle against the bourgeoisie and the proletariat's all-round dictatorship over the bourgeoisie.

## The Historical Tasks of the Dictatorship of the Proletariat and the Continued Revolution

Because classes and class struggle exist in socialist society, the dictatorship of the proletariat is necessary. The dictatorship of the proletariat is the all-round dictatorship over the bourgeoisie. Lenin pointed out that the dictatorship of the proletariat is a tenacious struggle against the forces and traditions of the old society—a struggle that is bloody and bloodless, violent and peaceful, military and economic, educational and administrative. Lenin stressed that without exercising an all-round dictatorship over the bourgeoisie, it is impossible to defeat the bourgeoisie. Chairman Mao said: "**Why did Lenin speak of exercising dictatorship over the bourgeoisie? This question must be thoroughly understood. Lack of clarity on this question will lead to revisionism. This should be made known to the whole nation.**"[1] Chairman Mao's instructions have great practical significance and far-reaching historical significance for combating revisionism and preventing its resurgence, consolidating and strengthening the dictatorship of the proletariat, and persevering in continuing the revolution under the dictatorship of the proletariat.

The necessity for the proletariat to exercise an all-round dictatorship over the bourgeoisie and to persevering in continuing the revolution is determined by the historical tasks of the dictatorship of the proletariat. As we have already pointed out in Section One the dictatorship of the proletariat is an indispensable transition stage between class society and the classless communist society. Marx said: "**And now as to myself, no credit is due to me for discovering**

[1] Quote from Mao Zedong. "Marx, Engels and Lenin on the Dictatorship of the Proletariat," *Peking Review*, No. 9 (1975), 5.

**the existence of classes in modern society or the struggle between them. Long before me bourgeois historians had described the historical development of this class struggle and bourgeois economists, the economic economy of the classes. What I did that was new was to prove: (1) that the existence of classes is only bound up with particular historical phases in the development of production, (2) that the class struggle necessarily leads to the dictatorship of the proletariat, (3) that this dictatorship itself only constitutes the transition to the abolition of all classes and to a classless society.**"[1] This is a concise summation of the historical tasks of the dictatorship of the proletariat and of continuing the revolution under that dictatorship. Later, Marx further stated: "**This socialism is the declaration of the permanence of the revolution, the class dictatorship of the proletariat as the necessary transit point to the abolition of class distinctions generally, to the abolition of all the relations of production on which they rest, to the abolition of all the social relations that correspond to these relations of production, to the revolutionizing of all the ideas that result from these social relations.**"[2] To abolish these four "alls," it is necessary to persist in exercising an all-round dictatorship over the bourgeoisie and to carry the continuing revolution under the dictatorship of the proletariat through to the end. Lenin said: "**We are faced with a new and higher form of struggle against the bourgeoisie, the transition from the very simple task of further expropriating the capitalists to the much more complicated and difficult task of creating conditions in which it will be impossible for the bourgeoisie to exist, or for a new**

[1] Karl Marx, "Marx to J. Weydemeyer in New York, March 5, 1852."

[2] Karl Marx, "Part III: Consequences of June 13, 1849," in *The Class Struggles in France, 1848 to 1850*, *Selected Works*, Vol. 1 (Progress Publishers, Moscow 1969).

**bourgeoisie to arise.**"[1] Lenin stressed that the socialist revolution was not a single action, but a series of struggles against the bourgeoisie on every front. Lenin solemnly declared: "**We stand for uninterrupted revolution. We shall not stop half-way.**"[2]

Chairman Mao summed up the new experience of the dictatorship of the proletariat since Lenin, scientifically analyzed the fundamental contradictions in socialist society, as well as classes, class contradictions, and class struggle, after the socialist transformation of the means of production had been basically completed; systematically answered the various questions arising after the change in ownership; defined the tasks and policies of the dictatorship of the proletariat; laid the foundations for the Party's basic line and the theory of continuing the revolution under the dictatorship of the proletariat; and personally initiated and led the great practice of the first Great Proletarian Cultural Revolution in human history. In theory and practice, this resolved the questions of consolidating the dictatorship of the proletariat, preventing the restoration of capitalism, and persevering in continuing the revolution.

Since the founding of the People's Republic of China, under the leadership of the Central Committee of the Communist Party headed by Chairman Mao, the Chinese people, following Chairman Mao's theory of continuing the revolution under the dictatorship of the proletariat, have launched one major campaign after another against the bourgeoisie and victoriously waged a series of great struggles. "**It the past we waged struggles in rural areas, in factories, in the cultural field, and we carried out the socialist education movement. But all this failed to solve the problem because we did not find a form, a method, to arouse the broad masses to**

---

[1] Vladimir Ilyich Lenin, "The Immediate Tasks of the Soviet Government," in *Lenin's Collected Works*, Vol. 27 (Progress Publishers, Moscow, 1972).

[2] Vladimir Ilyich Lenin, "Social-Democracy's Attitude Towards the Peasant Movement," in *Lenin's Collected Works*, Vol. 9 (Progress Publishers, Moscow, 1972).

**expose our dark aspect openly, in an all-round way and from below.**"[1] The Great Proletarian Cultural Revolution is precisely such a form. It "**is in essence a great political revolution under the conditions of socialism made by the proletariat against the bourgeoisie and all other exploiting classes; it is a continuation of the prolonged struggle waged by the Chinese Communist Party and the masses of revolutionary people under its leadership against the Kuomintang reactionaries, a continuation of the class struggle between the proletariat and the bourgeoisie.**"[2] Guided by Chairman Mao's proletarian revolutionary line, the masses numbering in the hundreds of millions are mobilized to expose the traitors, spies, and capitalist-roaders who had infiltrated the Party, and to take back the portion of power they had usurped; revisionism and the bourgeoisie are criticized, and the plots of the two bourgeois headquarters of Liu Shaoqi and Lin Biao to restore capitalism are smashed. Workers, peasants, and soldiers are taking the political stage of struggle-criticism-transformation in the superstructure, reforming education, literature and art, and all other parts of the superstructure that were incompatible with the socialist economic base. New socialist things are emerging continuously. Bourgeois right is further restricted. The unprecedentedly extensive popularization of Marxism-Leninism and Mao Zedong Thought, the movements to criticize revisionism and rectify the style of work, to criticize Lin Biao and Confucius, to study the theory of the dictatorship of the proletariat, and to beat back the Right deviationist wind to reverse correct verdicts have greatly promoted the ideological revolutionization of the people, raised their consciousness in implementing Chairman Mao's revolutionary line, further liberated the productive forces, and propelled the rapid

---

[1] Quote from Mao Zedong. Lin Biao, "Report to the Ninth National Congress of the Communist Party of China," 26-27.

[2] Quote from Mao Zedong. "World's Revolutionary People Acclaim the May 16, 1966 Circular," *Peking Review*, No. 22 (1968), 24.

development of the national economy. "**The current great proletarian cultural revolution is absolutely necessary and most timely for consolidating the dictatorship of the proletariat, preventing capitalist restoration and building socialism.**"[1] We have already won a great victory, but the question of who will defeat whom in the revolution has not yet been finally resolved. The overthrown reactionary classes and representatives of the bourgeoisie within the Party will never accept their defeat; their reactionary class nature determines that they must come out and make trouble. Although they have suffered heavy blows time and again and have met with repeated defeats, they will still launch counterattacks against the proletariat. The struggle between the proletariat and the bourgeoisie rises and falls like waves, with periods of greater and lesser intensity; its regular pattern over time is that a major struggle occurs every few years. Class enemies and monsters and demons of all kinds keep emerging to make trouble, and the proletariat must continually sweep them away. "**It should not be thought by any Party member or any one of the people in our country that everything will be all right after one or two great cultural revolutions, or even three or four. We must be very much on the alert and never lose vigilance.**"[2]

The Marxist-Leninist theory of continued revolution is a revolutionary theory that combines the theory of uninterrupted revolution[3] with the theory of stages of revolutionary development. The *Resolution on Some Questions Concerning the People's Communes*, adopted by the Eighth Central Committee of the Communist Party of China at its Sixth Plenary Session,

---

[1] "Quotations From Chairman Mao Tse-Tung," *Peking Review*, No. 45 (1968), 2.

[2] Editorial Departments of *Hongqi* and *Renmin Ribao*, "A Great Historic Document," *Peking Review*, No. 21 (1967), 12.

[3] Note from translator: The "theory of permanent revolution" and "theory of uninterrupted revolution" are the same word in Chinese; however, this does not mean that Maoism acknowledges the Trotskyist "theory of permanent revolution."

which Chairman Mao personally convened, states: "We are advocates of the Marxist-Leninist theory of uninterrupted revolution; we hold that no 'Great Wall' exists or can be allowed to exist between the democratic revolution and the socialist revolution and between socialism and communism. We are at the same time advocates of the Marxist-Leninist theory of the development of revolution by stages; we hold that different stages of development reflect qualitative changes and that these stages, different in quality, should not be confused."[1] Socialist society is a transitional society bearing the traces of the old society. Since we are communists, we must, as Marx said, in our present movement also uphold the future of that movement; that is, we must continually transform the relations of production and the superstructure, gradually eliminate the remnants of the old social system and bourgeois right, and advance socialist society toward a fully communist society. We build socialism in order to make the transition to communism, not to stop at socialist society. It is wrong to regard socialism as fixed, lifeless, and unchanging. However, "**the social relations within which individuals produce, the social relations of production, are altered, transformed, with the change and development of the material means of production, of the forces of production.**"[2] The development and transformation of socialist relations of production presuppose the level of development of the social productive forces and the degree to which people's ideological consciousness has risen. This is both a process of continuing revolution and a gradual process proceeding through definite stages of development. It is also wrong to confuse the distinction between collective ownership and ownership by the whole people, or between socialism and communism, and to try to leap

---

[1] "Resolution on Some Questions Concerning the People's Communes," *Peking Review*, No. 43 (1958), 13.

[2] Karl Marx, "The Nature and Growth of Capital," in *Wage Labour and Capital* (1891).

over stages. Only by upholding the unity of the theory of continuing revolution and the theory of stages of revolutionary development, correctly understanding and handling the dialectical relationship between relations of production and productive forces, and between the superstructure and the economic base, and opposing right opportunism and "Left" opportunism, can we consolidate and develop the socialist system, accelerate socialist construction, and strive for the future realization of communism.

## Criticizing the Theory of the Extinction of Class Struggle and the Theory of the Productive Force Determinism

Whether one acknowledges the existence of class struggle during the socialist period, and whether one upholds or opposes class struggle as the key link, has always been the focal point of the struggle between Marxism and revisionism. Lenin pointed out: "**Opportunism does not extend recognition of the class struggle to the cardinal point, to the period of transition from capitalism to communism, of the overthrow and the complete abolition of the bourgeoisie.**"[1] The history and present reality of the struggle between Marxism and revisionism in the international communist movement and within our Party make clear that using the theory of the dying out of class struggle and the theory of productive forces to oppose Marxist theory of class struggle is a common trait of all revisionists. This is true without exception, from the ilk of Khrushchev and Brezhnev to the ilk of Liu Shaoqi and Lin Biao. After the renegade clique of Khrushchev and Brezhnev usurped leadership of the Party and the state in the Soviet Union, they

[1] Vladimir Ilyich Lenin, "Chapter II: The Experience of 1848-51, The State and Revolution," in *Lenin's Collected Works*, Vol. 25 (Progress Publishers, Moscow, 1977).

brazenly proclaim that in the Soviet Union "there are no antagonistic classes in the Soviet Union"[1] and that "there is no possibility whatsoever of turning back the wheel of history and restoring capitalism in the Soviet Union"[2]; consequently, "[creating] the material and technical basis for communism, for transforming socialist into communist relations," becomes foundation of the "new Program of the Party," which "may well be characterized as the *Communist Manifesto* of our modern era,"[3] while economic affairs and production becomes "the center" and takes "first place."[4] After socialist transformation in our country had achieved basic victory, the ilk of Liu Shaoqi and Lin Biao also repeatedly preached: "Class struggle is over; the main task of the people and the Party in our country is to develop the productive forces as quickly as possible"; "The revolutionary tasks of the present have basically been completed, and the task from now on is construction,"[5] and so on. These revisionist fallacies all make developing production and carrying out economic development the key link; they deny the existence of class struggle, oppose class struggle as the key link, and utterly betray Marxist theory of class struggle. They peddle these fallacies solely to manufacture counterrevolutionary public opinion in support of their revisionist line of restoration and regression. It can be seen that it is precisely amid the clamor of their advocacy of the theory of the dying out of class struggle and the theory of productive forces that the renegade clique of Khrushchev and Brezhnev is destroying the world's first socialist state, founded by Lenin, while the ilk of Liu Shaoqi and Lin Biao also frantically

---

[1] P. P. Gureyev and P. I. Sedugin, *Legislation in the USSR* (Progress Publishers, Moscow, 1977), 13.

[2] Note from translator: I am unable to find the original text.

[3] *USSR*, No. 12 (1961), 1.

[4] Note from translator: I am unable to find the original text.

[5] Note from translator: I am unable to find the original quote.

engaged in counterrevolutionary activities in our country to overthrow the dictatorship of the proletariat and restore capitalism. The harsh facts of class struggle mercilessly expose the extremely reactionary nature and hypocrisy of the theory of the dying out of class struggle and the theory of productive forces.

In our country, the Great Proletarian Cultural Revolution and the the struggle to criticize Lin Biao and Confucius have destroyed the two bourgeois headquarters of Liu Shaoqi and Lin Biao, foiled their sinister plot to overthrow the dictatorship of the proletariat and restore capitalism, and criticized the theory of the dying out of class struggle and the theory of productive forces that they had propagated. This has ushered in a splendid new situation in which "**the world is being turned upside down**"[1] and "**past scenes are transformed.**"[2] However, the struggle has not stopped. At present, the struggle throughout the Party and among the people of the whole country to thoroughly criticize Deng Xiaoping's revisionist line and beat back the Right deviationist attempt to reverse correct verdicts is to deepen the Great Proletarian Cultural Revolution. It is a serious class struggle which the future and destiny of the Party and the state hinge on. Deng Xiaoping has always been an active follower of the revisionist line pursued by Liu Shaoqi and Lin Biao, as well as a fanatical advocate of the theory of the dying out of class struggle and the theory of productive forces. Even before the Great Proletarian Cultural Revolution, he propagated the saying, "It doesn't matter whether it is a white cat or a black cat, any cat that catches mice is a good cat," which openly denied socialism and advocated capitalism, fully exposed the reactionary nature of his revisionism and drew severe criticism

---

[1] Mao Zedong, "Two Birds: A Dialogue," *Peking Review*, No. 1 (1976), 6.

[2] Mao Zedong, "Chingkangshan Revisited," *Peking Review*, No. 1 (1976), 5.

from the broad revolutionary people. Yet, after returning to work, it was not long before he impatiently put forward the revisionist program of the "Three Directives as the Key Link," whipping up an evil wind of right-deviationist reversal and launching a frenzied attack on the proletariat. The so-called "Three Directives as the Key Link" is in fact a continuation and development of his "black cat, white cat" theory; its important theoretical foundation remains the repeatedly criticized theory of the dying out of class struggle and the theory of productive forces.

Deng Xiaoping used an eclectic approach, deliberately and sinisterly placing stability and unity, the development of the national economy, and the study of the theory of the dictatorship of the proletariat on an equal footing, and calling them all the key link. In reality, this was intended to negate class struggle as the key link and to negate the Party's basic program and basic line. He trumpeted "everything for modernization," claiming that the fundamental task of our Party and the state, both at present and throughout the entire socialist historical period, was "to achieve the Four Modernizations" and carry out production construction. He described such things as "not studying technology," "not pursuing professional expertise," "backward science and technology," and "holding back the Four Modernizations" as the principal contradiction in our country. He also clamored that "white experts"[1] were beneficial to the People's Republic of China and "should be cherished and praised," and so on. Thus, the fundamental contradictions in socialist society were distorted and falsified; class contradictions and class struggle disappeared; the struggle of the proletariat against the bourgeoisie was negated; the boundary between socialism and capitalism was erased; and the tasks of consolidating the dictatorship of the proletariat and upholding continuing revolution under the dictatorship of the proletariat were also abandoned.

[1] Note from translator: "White experts" means experts who are not communists.

The sole task left was "to achieve the Four Modernizations" and develop the productive forces. This is exactly the same stuff peddled by the Soviet revisionist renegade clique and by the ilk of Liu Shaoqi and Lin Biao! Chairman Mao, the great leader, pointed out: "**What 'taking the three directives as the key link'! Stability and unity do not mean writing off class struggle; class struggle is the key link and everything else hinges on it.**"[1] Chairman Mao also pointed out: "**This person does not grasp class struggle; he has never referred to this key link. Still his theme of 'white cat, black cat,' making no distinction between imperialism and Marxism.**"[2] Chairman Mao's important instructions were a profound exposure and criticism of the "Three Instructions as the Key Link."

Why do the revisionists so zealously propagate the theory of the dying out of class struggle? Do they really want to extinguish class struggle? No. What they want to stamp out is only the proletariat's struggle against the bourgeoisie. They themselves have never for a minute forgotten to protect the interests of the bourgeoisie inside and outside the Party, nor have they ever stopped struggling against the proletariat. Chairman Mao said: "**In 1949 it was pointed out that the principal contradiction within the country was one between the proletariat and the bourgeoisie. Thirteen years later the question of class struggle was reiterated, and mention was also made of the fact that the situation began to turn for the better. What is the Great Cultural Revolution for? To wage class struggle. Liu Shaoqi advocated the theory of the dying out of class struggle, but he himself never ceased to wage class struggle. He wanted to protect his bunch of renegades and sworn followers. Lin Biao wanted to overthrow the**

[1] "China Launches Struggle Against Revisionist-Line," *Peking Review*, No. 12 (1976).

[2] Chin Chih-po, "Denial of the Difference Between Socialism and Capitalism Is Not Allowed," *Peking Review*, No. 16 (1976).

**proletariat and attempted a coup. Did class struggle die out?**"[1] Chairman Mao's important instructions exposed, with pinpoint precision, the reactionary and deceptive nature of the theory of the dying out of class struggle.

Do revisionists, who so zealously advocate "developing the productive forces" and "realizing the Four Modernizations," really care about socialist production and the modernization of socialism? Not at all. What they care about is restoring capitalist production, realizing capitalist and revisionist modernization, and undermining socialist relations of production, the productive forces, and the socialist "Four Modernizations." In the great cause of building socialism, the proletariat has always attached importance to the development of the productive forces. However, the proletariat has always held that only by upholding class struggle as the key link and carrying out the socialist revolution in the realms of the superstructure and relations of production can we promote the development of the productive forces and realize the Four Modernizations, and ensure that the productive forces developed become the material force for fulfilling the proletariat's great historical mission. The theory of productive forces opposes taking class struggle as the key link and opposes continuing revolution in the superstructure and relations of production. It treats the development of production as the sole decisive factor, inevitably leading to the restoration of capitalism; consequently, the development of the productive forces will also become a material force for the dictatorship of the bourgeoisie.

Historical experience tells us that the repeated reappearance of the theory of the dying out of class struggle and the theory of productive forces is a phenomenon consistent with the laws of

[1] "Firmly Keep to the General Orientation of the Struggle," *Peking Review*, No. 15 (1976).

class struggle. Therefore, criticizing these revisionist fallacies is a long-term fighting task of the proletariat and the revolutionary people.

# Section Three: The Economic Laws Under the Socialist System and the Major Role of the Socialist Superstructure

## Economic Laws Under the Socialist System

With the establishment of public ownership of the means of production, the working people became masters of social relations, ushering in a new era in which people could correctly understand and consciously apply objective economic laws. "**The laws of his own social action, hitherto standing face to face with man as laws of nature foreign to, and dominating him, will then be used with full understanding, and so mastered by him.**"[1] In other words, under the conditions of socialism, people can, through practice, gradually resolve the contradiction between the objective laws governing socialist economic development and people's subjective understanding, and apply objective economic laws with ever greater effectiveness.

Economic laws arise and operate on the basis of certain economic conditions. Some economic laws operate in all social formations; for example, the law that relations of production must correspond to the nature of the productive forces is such a law. However, one of the ways in which economic laws differ from laws of nature is that most of them do not exist indefinitely. Some economic laws operate only in a few social formations. For example, the law of value is associated with commodity production, and wherever commodity production exists, this economic law operates. In socialist society, commodity production has been retained, so the law of value continues to operate. Most economic laws operate only in a particular social formation.

---

[1] Frederick Engels, "II. Theoretical, Part III: Socialism," in *Anti-Dühring. Herr Eugen Dühring's Revolution in Science*.

For example, the law of surplus value, the law of the average rate of profit, the laws of capital accumulation and the impoverishment of the proletariat, and the law of competition and the anarchy of production operate only under capitalist conditions; they are economic laws that express capitalist relations of production. With the abolition of capitalist relations of production and the establishment of socialist relations of production, the laws of capitalist economy cease to operate, while socialist economic laws that express socialist relations of production, such as the basic economic law of socialism and the law of planned, proportionate development of the national economy, begin to arise and operate.

The economic laws of socialist society, like those of any other society, are objective laws of the process of economic development, which is based on certain economic conditions and is independent of people's will.

To acknowledge the objectivity of matter and the laws of matter, and thus acknowledge the objectivity of economic laws, is a characteristic of dialectical materialism. To deny the objectivity of economic laws, and to believe that people can "abolish," "transform," or "create" economic laws and act as they please according to their subjective will, is a characteristic of subjective idealism. Liu Shaoqi, Lin Biao, and their ilk were subjective idealists of this kind. They fanatically promoted the reactionary "theory of genius," propagated the reactionary fallacy that "spirit replaces matter," and arrogantly shouted, "What I say is the truth," while openly declaring that they would "break the old laws and create new ones." In their view, the development of things was not governed by any objective laws at all, but could instead be arbitrarily controlled by their "genius," "spirit," and the like. In the economic sphere, acting in accordance with their counterrevolutionary will to restore capitalism, they arbitrarily violated the

objective laws of the socialist economy. They opposed the Party's unified leadership, opposed proletarian politics in command, opposed grasping revolution and promoting production, and opposed the planned, proportionate development of the national economy. They advocated and implemented the "three freedoms and one contract,"[1] profit in command, and material incentives; at the same time, they advocated immediately abolishing commodity production and the law of value, abolishing "to each according to their work," and "rushing into communism," among other things, using ultra-"leftist" methods to conceal the ultra-rightist essence of their revisionist line. Their so-called "abolish the old laws and create new ones," in plain terms, was an attempt to "abolish" the objective laws governing the development of socialist society and "change" the general trend of historical development according to their counterrevolutionary wishes, thereby realizing their pipe dream of overthrowing the socialist system of the dictatorship of the proletariat and restoring capitalism. Yet history always advances according to its laws. Liu Shaoqi, Lin Biao, and their ilk, who went against the tide of history, were ultimately crushed to pieces beneath history's wheels.

Dialectical materialism recognizes the objectivity of the economic laws of the socialist system, while also recognizing that people can understand and make use of them. The spontaneist and laissez-faire doctrine views that idolize economic laws and hold that people are powerless before them are likewise anti-Marxist. Under capitalist conditions, economic laws operate blindly behind the backs of commodity producers as an alien, destructive force. Under socialist conditions, however, people can fully understand and consciously make use of

[1] Note from translator: The so-called "three freedoms and one contract" refer to the extension of plots for private use, the extension of free markets, the increase of small enterprises with sole responsibility for their own profits or losses, and the fixing of farm output quotas for individual households with each on its own. In other words, the freedom to develop capitalism, and the responsibility to undermine socialist agricultural production.

economic laws to serve the goal of building socialism and communism. This is the role of subjective initiative in relation to objective economic laws. Of course, by subjective initiative we mean the positive role people play in consciously applying economic laws, on the basis of understanding them, to accelerate socialist economic development—not action based on subjective daydreams. People's subjective initiative can be fully brought into play only on the basis of strict adherence to objective laws. If people's actions run counter to the requirements of objective laws, they will fail and make mistakes. Chairman Mao pointed out: "**In seeking victory, those who direct a war cannot overstep the limitations imposed by the objective conditions; within these limitations, however, they can and must play a dynamic role in striving for victory. The stage of action for commanders in a war must be built upon objective possibilities, but on that stage they can direct the performance of many a drama, full of sound and color, power and grandeur.**"[1] This is a penetrating exposition of the dialectical relationship between the objectivity of laws and people's subjective initiative. It opposes both idealism, which denies the objectivity of laws, and metaphysics, which denies subjective initiative, and dialectically unites the objectivity of laws with subjective initiative.

To make use of economic laws, we must correctly understand them. Chairman Mao pointed out: "**[Correct ideas] come from social practice, and from it alone; they come from three kinds of social practice, the struggle for production, the class struggle and scientific experiment.**"[2] We can achieve a correct understanding of economic laws only through the three great revolutionary practices, by repeatedly moving from matter to consciousness and from

---

[1] Mao Zedong, "On Protracted War," in *Selected Works of Mao Zedong*, Vol. II (Foreign Languages Press, Peking, 1965), 152.

[2] Mao Zedong, "Where Do Correct Thoughts Come From?," in *Selected Works of Mao Zedong*, Vol. IX (Foreign Languages Press, Paris, 2021), 16.

consciousness to matter—that is, from practice to understanding and from understanding to practice. The socialist economic theory of Marxism-Leninism and Mao Zedong Thought reveals the objective laws governing socialist economic development and provides the theoretical foundation for guiding our thinking. However, only by combining the diligent study of the works of Marx, Lenin, and Chairman Mao with participation in the three great revolutionary practices can we thoroughly understand Marxism-Leninism and Mao Zedong Thought and grasp the objective economic laws.

In societies where classes exist, economic laws operate and manifest their effects amid intense class struggle. The results of the operation of economic laws directly affect the class interests of the various classes. Therefore, under these conditions, the use of economic laws always has a class background, regardless of time or place. In socialist society, when the proletariat makes use of economic laws, it will inevitably encounter fierce resistance from the bourgeoisie and its representatives within the Communist Party. The proletariat seeks to use economic laws to consolidate the dictatorship of the proletariat, consolidate and develop socialist relations of production, and accelerate socialist construction; the bourgeoisie, by contrast, does everything possible to overthrow the dictatorship of the proletariat, undermine socialist relations of production and socialist construction, and restore capitalism. This struggle is reflected within the Communist Party as a struggle between the two lines within the Party. Therefore, the proletariat must, through its vanguard—the Communist Party—formulate a correct Marxist line in accordance with objective laws, unite the broad masses, and continually criticize and crush the revisionist line in order to defeat bourgeois resistance.

## The Role of the Dictatorship of the Proletariat and the Proletarian Party

Under socialism, the socialist superstructure centered on the dictatorship of the proletariat plays a particularly important role. This is determined by the characteristics and nature of the socialist revolution. The proletarian revolution differs from the bourgeois revolution: when the bourgeois revolution began, the economic base of capitalism had already gradually taken shape within feudal society, whereas the economic base of socialism could not arise spontaneously within the old society. Under the leadership of the Communist Party, the proletariat must unite with other working people, adhere to the Marxist-Leninist line, overthrow bourgeois rule through revolutionary violence, and establish the dictatorship of the proletariat in order to transform the old relations of production and establish socialist relations of production. The dictatorship of the proletariat is a prerequisite for establishing the socialist economic base.

The state under the dictatorship of the proletariat is still the manager and organizer of the socialist economy. The socialist economy differs from the capitalist economy. In capitalist society, the means of production are owned by capitalists, and managing and organizing the economy is a private matter for capitalists; social production is in a state of anarchy. The socialist economy is based on public ownership of the means of production. It requires all sectors of the national economy to form a unified organic whole and the national economy to develop according to plan and in proportion. The state under the dictatorship of the proletariat represents the interests of the proletariat and working people, implements the Party's correct line, principles, and policies, and promotes the rapid and proportionate development of the socialist economy.

The dictatorship of the proletariat is also the fundamental guarantee for consolidating and developing socialism, and for the proletariat to defeat the bourgeoisie in the struggle between the two roads and achieve the victory of socialism. Only by relying on the dictatorship of the proletariat can we effectively suppress the resistance of the exploiting classes, crush the aggression and subversive activities of the imperialists, revisionists, and reactionaries, and exercise an all-round dictatorship over the bourgeoisie; only then can we gradually transform the old relations of production, restrict bourgeois right, and consolidate and develop the socialist economic base; only then can we educate the people throughout the country and on a mass scale by democratic methods, and eliminate the ideological influence of the exploiting classes. The dictatorship of the proletariat "**is an excellent thing, a protective talisman, an heirloom, which should under no circumstances be discarded before the thorough and total abolition of imperialism abroad and of classes within the country.**"[1]

However, insofar as the state under the dictatorship of the proletariat still has the function of safeguarding bourgeois right within a certain scope, kit also retains traces of the old society. It was in this sense that Lenin pointed out: "**Under communism there remains for a time not only bourgeois law, but even the bourgeois state, without the bourgeoisie!**"[2]

Throughout the entire historical period of the dictatorship of the proletariat, there can be no absence of a proletarian party. The dictatorship of the proletariat is realized through the leadership of the proletarian party, namely, the Communist Party. The Communist Party is the vanguard of the proletariat and the highest form of proletarian organization. Established in

---

[1] Mao Zedong, "Why It Is Necessary to Discuss the White Paper," in *Selected Works of Mao Zedong*, Vol. IV (Foreign Languages Press, Peking, 1961), 444.

[2] Vladimir Ilyich Lenin, "Chapter V: The Economic Basis of the Withering Away of the State," in *The State and Revolution*, *Lenin's Collected Works*, Vol. 25.

accordance with the revolutionary theory and revolutionary style of Marxism-Leninism, the Communist Party grasps the objective laws of historical development, maintains close ties with the masses, combines the universal truths of Marxism-Leninism with the revolutionary practice of hundreds of millions of people, and formulates the correct line, principles, and policies. Such a line, principles, and policies reflect the inevitable trend of historical development and represent the fundamental interests of the proletariat and the revolutionary people; they are the fundamental guarantee of the victory of the revolution.

In the struggle to seize and consolidate political power, the proletarian party's "**correctness or incorrectness of the ideological and political line decides everything.**"[1] Before taking power, the Party's Marxist-Leninist line has as its fundamental objective seizing political power by armed force; after taking power, its fundamental objective is to consolidate the dictatorship of the proletariat and transition to communism. With a correct line, even without political power, it will seize it; with an incorrect line, even if it has seized political power, it will lose it. Chairman Mao taught us: "**Politics, whether revolutionary or counter-revolutionary, is the struggle of class against class, not the activity of a few individuals.**"[2] The proletariat and revolutionary people must struggle to consolidate the dictatorship of the proletariat, while the bourgeoisie and all exploiting classes seek to overthrow it. This is the central issue in the struggle between the two classes and the two lines during the socialist period. "**Politics is a concentrated expression of economics.**" "**Without a correct political approach to the matter the given class will be unable to stay on top, and, consequently, will be incapable of solving its**

[1] Quote from Mao Zedong. Shin Chun, "Again on Studying World History," *Peking Review*, No. 24 (1972).

[2] Mao Zedong, "Talks at the Yenan Forum on Literature and Art," in *Selected Works of Mao Zedong*, Vol. III (Foreign Languages Press, Peking, 1965), 86-87

**production problem either.**"[1] In socialist construction, we must uphold the principle that politics is in command of economics and revolution is in command of production, as required by the objective law of socialist economic development.

Lenin pointed out: "**Only he is a Marxist who extends the recognition of the class struggle to the recognition of the dictatorship of the proletariat.**"[2] All revisionists, old and new, oppose the dictatorship of the proletariat and the leadership of the proletarian party. The Soviet revisionist renegade clique openly declared that it would replace the state under the dictatorship of the proletariat with the so-called "the state of the entire people," and the proletarian party with the so-called "the party of the entire people." They claimed: "The dictatorship of the proletariat has fulfilled its historic mission and has ceased to be indispensable in the U.S.S.R. from the point of view, of the tasks of internal development. The state, which arose as a state of the dictatorship of the proletariat, has, in the new, contemporary stage, become a state of the entire people, an organ expressing the interests and will of the people as a whole," and "the Communist Party of the working class has become the vanguard of the Soviet people, a Party of the entire people."[3]

Marxism-Leninism holds that the state and political parties are both instruments of class struggle. As long as classes exist, every state is the state of a particular class dictatorship, and every political party represents a particular class. The dictatorship of the proletariat is the class struggle waged by the proletariat using state power as its instrument; it is the organ through

---

[1] Vladimir Ilyich Lenin, "The Trade Unions, The Present Situation and Trotsky's Mistakes," in *Lenin's Collected Works*, Vol. 32 (Progress Publishers, Moscow, 1965).

[2] Vladimir Ilyich Lenin, "Chapter II: The Experience of 1848-51."

[3] *Programme of the Communist Party of the Soviet Union* (Foreign Languages Publishing House, Moscow, 1964), 91-92, 122-123.

which the proletariat rules over the bourgeoisie. The dictatorship of the proletariat is led by the proletarian party, and the proletarian party must exist alongside the dictatorship of the proletariat. Without the Party's leadership, the dictatorship of the proletariat cannot be implemented. The Soviet revisionist renegade clique trumpets a "state of the entire people" and a "Party of the entire people." This is nothing but the bourgeoisie's habitual lie, intended to conceal the class nature of their state and political parties. In essence, it means using the dictatorship of the bourgeoisie to oppose the dictatorship of the proletariat, and using bourgeois political parties to oppose the proletarian party.

## The Party's Basic Line Throughout the Entire Socialist Historical Stage

For the proletarian party to lead the proletariat and the revolutionary people in achieving victory in continuing the revolution under the dictatorship of the proletariat, the most fundamental issue is to take Marxism-Leninism and Mao Zedong Thought as the guiding ideology, combine the universal truths of Marxism-Leninism with the practice of revolution in our country, and formulate a Marxist-Leninist line. Chairman Mao taught us: "**A revolutionary party is the guide of the masses, and no revolution ever succeeds when the revolutionary party leads them astray.**"[1] "**To lead the revolution to victory, a political party must depend on the correctness of its own political line and the solidity of its own organization.**"[2]

[1] Mao Zedong, "Analysis of the Classes in Chinese Society," in *Selected Works of Mao Zedong*, Vol. I (Foreign Languages Press, Peking, 1965), 13.

[2] Mao Zedong, "On Contradiction," *Selected Works of Mao Zedong*, Vol. I, 306.

Chairman Mao, applying the basic principles of dialectical materialism and historical materialism, summed up the experience of class struggle at home and abroad and of the struggle between the two lines within our Party. On the basis of clarifying the basic contradictions of socialist society and establishing the theory of continuing the revolution under the dictatorship of the proletariat, and in light of the principal contradiction of the socialist historical period, he formulated for our Party the basic line for the entire socialist historical stage: "**Socialist society covers a considerably long historical period. In the historical period of socialism, there are still classes, class contradictions and class struggle, there is the struggle between the socialist road and the capitalist road, and there is the danger of capitalist restoration. We must recognize the protracted and complex nature of this struggle. We must heighten our vigilance. We must conduct socialist education. We must correctly understand and handle class contradictions and class struggle, distinguish the contradictions between ourselves and the enemy from those among the people and handle them correctly. Otherwise a socialist country like ours will turn into its opposite and degenerate, and a capitalist restoration will take place. From now on we must remind ourselves of this every year, every month and every day so that we can retain a rather sober understanding of this problem and have a Marxist-Leninist line.**"[1] This Marxist-Leninist line put forward by Chairman Mao is the lifeline of our Party and the beacon illuminating the victorious advance of all our work.

The Party's basic line reflects the objective laws governing the development of socialist society. It points out that classes, class contradictions, and class struggle still exist during the socialist period; that the principal contradiction in socialist society is the struggle between the

[1] "Quotations From Chairman Mao Tsetung," *Peking Review*, No. 5 (1970), 2.

two classes, the proletariat and the bourgeoisie, and between the two roads, socialism and capitalism; and that this struggle is protracted and complex. Class struggle in society is reflected within the Party, giving rise to a sharp and complex struggle between the two lines within the Party during the socialist historical period. No one can avoid this struggle; only by understanding its laws and guiding it in accordance with circumstances can we achieve victory in socialist revolution and socialist construction.

The Party's basic line is aimed fundamentally at consolidating the dictatorship of the proletariat and making the transition to communism. The Party's general task throughout the entire socialist historical stage is to consolidate and strengthen the dictatorship of the proletariat, completely eliminate the bourgeoisie, defeat capitalism with socialism, and create conditions in which the bourgeoisie can neither exist nor re-emerge, striving to make a gradual transition to communist society in the future. Chairman Mao called on us: "**Unite to win still greater victories.**" He also clearly pointed out: "**In speaking of victory we mean to ensure that the masses of the people throughout the country are united under the leadership of the proletariat to win victory.**" "**Unite for the purpose of consolidating the dictatorship of the proletariat. This must be realized in every factory, village, office and school.**"[1] The Party's basic line clarifies the historical task of the dictatorship of the proletariat and points out the broad direction of the struggle.

The essence of the Party's basic line is "**Practice Marxism, and not revisionism.**"[2] Marxism is a powerful ideological weapon of the proletarian revolution and the theoretical

---

[1] "Quotations From Chairman Mao Tsetung," *Peking Review*, No. 24 (1969), 2.

[2] Quote from Mao Zedong. "Unite For Greater Victories," *Peking Review*, No. 1 (1972), 10.

foundation on which the proletarian party formulates its line and policies. The core and essence of Marxism is the theory of proletarian revolution and the dictatorship of the proletariat. Whether to uphold proletarian revolution and the dictatorship of the proletariat is the focal point of the struggle between Marxism and revisionism. The struggle between the two lines within the Party revolves around this fundamental question. The Party's basic line is to uphold class struggle, uphold the dictatorship of the proletariat, uphold the socialist road, and uphold continuing revolution under the dictatorship of the proletariat.

The Party's basic line stipulates the general policy of strictly distinguishing and correctly handling the two different kinds of contradictions: contradictions between ourselves and the enemy, and contradictions among the people. The Party's basic line and the Party's general policy are the two aspects of one dialectical unity: the Party's basic line determines the Party's general policy, while the Party's general policy embodies the Party's basic line. The Party's basic line points out that, to resolve the principal contradiction in socialist society, "**we must recognize the protracted and complex nature of this struggle. We must heighten our vigilance. We must conduct socialist education. We must correctly understand and handle class contradictions and class struggle, distinguish the contradictions between ourselves and the enemy from those among the people and handle them correctly.**"[1] These four musts boil down to one point: we must strictly distinguish and correctly handle the two different kinds of contradictions.

Chairman Mao taught us: "**Our Party has laid down the general line and general policy of the Chinese revolution as well as various specific lines for work and specific**

[1] Chen Yueh, "Adhere to the Party's Basic Line," *Peking Review*, No. 5 (1976), 6.

**policies. However, while many comrades remember our Party's specific lines for work and specific policies, they often forget its general line and general policy. If we actually forget the Party's general line and general policy, then we shall be blind, half-baked, muddle-headed revolutionaries, and when we carry out a specific line for work and a specific policy, we shall lose our bearings and vacillate now to the left and now to the right, and the work will suffer.**"[1] The Party's basic line is the general line and general policies our Party has formulated to consolidate and strengthen the dictatorship of the proletariat, completely eliminate the bourgeoisie and all class differences, thoroughly defeat capitalism with socialism, and prepare the conditions for the future transition to communist society. It is the general framework for the specific work lines and policies at the different stages of development of the socialist revolution. The Party's basic line provides leadership and direction for, and determines, the specific work lines and policies; all specific work lines and policies are subordinate to and serve the Party's basic line. The Party's basic line and its specific work lines and policies form a the two aspects of one dialectical unity whole. "**The line is the key link; once it is grasped, everything falls into place.**"[2] Only by using the Party's basic line to guide the implementation of specific work lines and policies, and by keeping the Party's basic line in mind while implementing them, can we correctly handle the relationship between the part and the whole, and between immediate tasks and long-term goals, so that our revolutionary cause advances victoriously along the correct path.

---

[1] Mao Zedong, "Speech at a Conference of Cadres in the Shansi-Suiyuan Liberated Area," in *Selected Works of Mao Zedong*, Vol. IV, 238.

[2] Quote from Mao Zedong. "Unite to Win Greater Victories," *Peking Review*, No. 1 (1972), 10.

Whether to uphold or change the Party's basic line is the fundamental content of the struggle between the two lines within the Party. Liu Shaoqi, Lin Biao, and their ilk, together with Deng Xiaoping, the Party's biggest unrepentant capitalist-roader, sought to fundamentally change the Party's basic line and policies for the entire socialist historical stage, overthrow the dictatorship of the proletariat, and restore capitalism. To distort the Party's basic line, they propagated the claim that the principal contradiction in the country is "the contradiction between the advanced socialist system and the backward social productive forces," and that this fabricated "principal contradiction" should replace the principal contradiction between the proletariat and the bourgeoisie. Making a Marxist-Leninist class analysis of social contradictions and doing everything possible to identify their principal contradiction is the basis on which a proletarian party formulates its line and policies. Different conclusions drawn from an analysis of the principal contradiction in society inevitably lead to two fundamentally opposed lines. The Party's basic line takes classes and class struggle as its basis and fully conforms to the laws of social development and to the revolutionary interests of the proletariat and the broad working masses. Liu Shaoqi, Lin Biao, and their ilk, along with Deng Xiaoping, viewed society from idealist and metaphysical perspectives, denied classes and class struggle, and sought to replace the Party's basic line and policies for the entire socialist historical stage with an opportunist line and policies.

Class struggle does not cease, and line struggle does not let up. The struggle over whether to uphold or change the Party's basic line will continue for a long time. As class struggle develops, new opportunist lines will emerge, and the struggle between the two lines will have to

continue. "**In short, the struggle will not cease until classes die out completely.**"[1] Therefore, with regard to the Party's basic line, we "**remind ourselves of this every year, every month and every day.**"[2]

[1] Quote from Mao Zedong. Chih Heng, "Firmly Grasp Class Struggle as the Key Link," *Peking Review*, No. 6 (1976), 5.

[2] "Quotations From Chairman Mao Tsetung," *Peking Review*, No. 5 (1970), 2.

# Part Two: Socialist Production Process

# Chapter Two: The Establishment of Socialist Ownership

## Section One: The Establishment of Socialist Ownership by the Whole People

### Expropriation of Big Capital through Confiscation

The dictatorship of the proletariat is the political precondition for establishing socialist ownership, and socialist ownership is the economic base of the dictatorship of the proletariat. Once the state under the dictatorship of the proletariat comes into being, it begins to replace capitalist ownership with socialist ownership throughout the country. Socialist ownership is the foundation of socialist relations of production; its establishment marks the beginning of an entirely new production process in human history: the process of socialist production.

Then, how can socialist ownership be established on the ashes of capitalism?

We know that, with the development of the socialization of production, capitalist private ownership has long been obsolete. It causes astonishing waste and destruction of the social productive forces, thereby demonstrating that it has become a fetter on the development of productive forces and that transforming it is imperative. In the course of capitalist development, joint-stock companies emerged; in the early twentieth century, they developed into monopolies,

and later state monopoly also appeared. The development of productive forces "**[commands] that their social character shall be recognized, forces the capitalist class itself to treat them more and more as social productive forces, so far as this is possible under capitalist conditions.**"[1] However, none of these changes in capitalism has altered, or could alter, the fundamental nature of capitalist ownership; consequently, they cannot resolve the conflict between capitalist ownership and the social productive forces, but instead intensify it. Resolving this conflict requires a violent proletarian revolution to "**expropriate the expropriators**," abolish capitalist ownership, and establish socialist ownership.

Marx and Engels had already publicly declared in the *Manifesto of the Communist Party*: "**The theory of the Communists may be summed up in the single sentence: Abolition of private property.**"[2] They also showed the proletariat the path and general measures for abolishing private ownership and establishing public ownership, stating: "**The first step in the revolution by the working class is to raise the proletariat to the position of ruling class, to win the battle of democracy.**" "**The proletariat will use its political supremacy to wrest, by degrees, all capital from the bourgeoisie, to centralize all instruments of production in the hands of the State, i.e., of the proletariat organised as the ruling class; and to increase the total of productive forces as rapidly as possible.**"[3] Here, in light of conditions in the highly developed capitalist countries of the time, the founders of Marxism had not yet raised the question of establishing collective ownership, but they had already proposed seizing all the

---

[1] Frederick Engels, "II. Theoretical, Part III: Socialism."

[2] Karl Marx and Friedrich Engels, "Chapter II. Proletarians and Communists," in *Manifesto of the Communist Party, Marx/Engels Selected Works,* Vol. One, (Progress Publishers, Moscow, 1969).

[3] Ibid.

means of production belonging to the bourgeoisie and placing them under the ownership of the proletarian state—that is, establishing ownership by the whole people.

The historical experience of the Paris Commune shows that after the proletariat seizes power, if it does not take back into its own hands the big banks, large factories, transportation, and other large enterprises owned by the bourgeoisie, then the dictatorship of the proletariat will have no economic foundation, and the bourgeoisie will use its advantage in controlling the economic lifelines of the state to launch a counterattack against the proletariat and strangle the dictatorship of the proletariat in its cradle. As Lenin pointed out, one lesson of the failure of the Paris Commune revolution was that "**instead of setting about 'expropriating the expropriators,' it allowed itself to be led astray**" and "**such institutions as the banks, for example, were not taken over.**"[1]

The Russian proletarian revolution led by Lenin drew on the historical experience of the Paris Commune and carried out the first great practical application of Marxist theory on abolishing private ownership and establishing public ownership. The day after the victory of the October Revolution, the Soviet regime promulgated the *Decree on Land*, declaring that "**private ownership of land shall be abolished forever**"[2] and replacing it with ownership of land by the whole people. Moreover, within just a few months, it nationalized the large capitalist factories, banks, railways, foreign trade, merchant ships, and so on. The establishment of socialist ownership in Russia consolidated the newly formed Soviet regime.

---

[1] Vladimir Ilyich Lenin, "Lessons of the Commune," in *Lenin's Collected Works*, Vol. 13 (Progress Publishers, Moscow, 1972).

[2] Vladimir Ilyich Lenin, "Report on Land; Decree on Land," in *Lenin's Collected Works*, Vol. 26 (Progress Publishers, Moscow, 1972).

In the course of leading the Chinese Revolution, Chairman Mao applied the universal truths of Marxism to conduct a scientific and concrete analysis of the capitalist economy in old China. He divided it into bureaucratic capital (big capital) and national capital (small and medium capital), and the Chinese bourgeoisie into the bureaucratic comprador bourgeoisie (big bourgeoisie) and the national bourgeoisie (middle class). He formulated different policies toward these groups, thereby enriching and developing Marxist theory on "**expropriating the expropriators**" and achieving socialist nationalization.

Bureaucratic capital was a product of the semi-feudal, semi-colonial economy of old China. It arose and developed under the protection of imperialism, was wholly dependent on international capital, and had a pronounced comprador character. It was also closely and inextricably bound up with domestic feudalism and had a strong feudal character. Chinese bureaucratic capital was also highly monopolistic. From the time it first emerged in the second half of the nineteenth century, it relied on imperialist forces and the reactionary state power to suppress and exclude national capital, striving to maintain its monopoly position in modern industry. After 1927, the Chinese bourgeois reactionaries led by Chiang Kai-shek betrayed the people's revolution, seized national power, capitulated completely to imperialism, colluded with domestic feudal forces, exploited the workers and peasants ruthlessly, and harmed national capital. By taking control of the state's economic lifelines, they brought about the rapid development and extreme expansion of bureaucratic capital. According to statistics, by the eve of

liberation in 1949, the bureaucratic capital of the four big families,[1] led by Chiang Kai-shek, had achieved an astonishing degree of monopoly over the economy of old China: it accounted for 67% of electricity, 33% of coal, 100% of petroleum, 90% of steel, and 100% of nonferrous metals, as well as 90% of sugar production; in banking, it accounted for 59% of total capital. In addition, they controlled all railways, roads, and air transport, more than 45% of the nation's shipping tonnage, and dozens of monopolistic trading companies. In analyzing the reactionary nature of Chinese bureaucratic capitalism, Chairman Mao pointed out: "**During their twenty-year rule, the four big families, Chiang, Soong, Kung and Chen, have piled up enormous fortunes valued at ten to twenty thousand million U.S. dollars and monopolized the economic lifelines of the whole country. This monopoly capital, combined with state power, has become state-monopoly capitalism. This monopoly capitalism, closely tied up with foreign imperialism, the domestic landlord class and the old-type rich peasants, has become comprador, feudal, state-monopoly capitalism.**" "**This state-monopoly capitalism oppresses not only the workers and peasants but also the urban petty bourgeoisie, and it injures the middle bourgeoisie.**"[2] Therefore, bureaucratic capital is China's most backward and reactionary relations of production, obstructing the development of China's productive forces, while the bureaucratic comprador bourgeoisie is the target of China's democratic revolution and an extreme counterrevolutionary faction.

---

[1] Note from translator: The four big families were four politically influential families in the Republic of China, namely, the Chiang family (Chiang Kai-shek's family), the Soong family (renowned for the Soong sisters: Soong Ching-ling, who married Sun Yat-sen, and Soong Mei-ling, who married Chiang Kai-shek), the Kung family (who funded the 1911 Revolution led by Sun Yat-sen), and the Chen family (who were in charge of the internal affairs of the Kuomintang). Collectively, they were the most notorious examples of bureaucratic comprador bourgeoisie of the old China.

[2] Mao Zedong, "The Present Situation and Our Tasks," in *Selected Works of Mao Zedong*, Vol. IV, 167.

Our country nationalized bureaucratic capital through confiscation. During the period of the democratic revolution, Chairman Mao repeatedly pointed out that bureaucratic capital had to be confiscated and the bureaucratic bourgeoisie overthrown. He also explicitly designated "**confiscate monopoly capital, headed by Chiang Kai-shek, T. V. Soong, H. H. Kung and Chen Li-fu, and turn it over to the new-democratic state**" as one of the "**three major economic policies of the new-democratic revolution.**"[1] Following the programs and policies formulated by Chairman Mao, the Party and the government successively confiscated bureaucratic-capital enterprises as the liberation War advanced victoriously. These included enterprises in China owned by Japan, Germany, and Italy that the Kuomintang took over after victory in the War of Resistance Against Japanese Aggression. By the founding of the People's Republic of China in 1949, the state had confiscated 2,858 bureaucratic-capital enterprises, employing more than 750,000 workers. After the liberation of the whole country, our country completed the task of confiscating all bureaucratic-capital enterprises in an extremely short time. Although modern industry in our country accounted for a relatively small share—only about 10% of the gross output value of the national economy—it was highly concentrated: the largest and most important capital was concentrated in the hands of the imperialists and their lackeys, the Chinese bureaucratic bourgeoisie. Before liberation, bureaucratic capital accounted for 80% of the fixed capital in China's capitalist industry and transportation industry. Therefore, "**the confiscation of this capital and its transfer to the people's republic led by the proletariat will enable the people's republic to control the economic lifelines of the country and will**

[1] Mao Zedong, "The Present Situation and Our Tasks," 167.

**enable the state-owned economy to become the leading factor of the entire national economy.**"[1]

Confiscating bureaucratic capital means using state power to expropriate it forcibly and convert it directly into state property—that is, the property of all working people. The state takes over bureaucratic-capitalist enterprises by appointing representatives and, in accordance with the Party's line and policies, carries out democratic reform and production reform in them, removes reactionary forces from their management bodies, and establishes a proletarian leadership team and a socialist system of business management. In this way, the nature of the enterprises is fundamentally changed.

Under the historical conditions of our country, the confiscation of bureaucratic capital had a dual revolutionary character. On the one hand, it entailed confiscating comprador and feudal state monopoly capitalism and thus had the character of an anti-imperialist, anti-feudal democratic revolution. On the other hand, it entailed expropriating the big bourgeoisie and thus also had the character of a socialist revolution. Through the confiscation of bureaucratic capital, our country established a powerful economy under ownership by the whole people and made it the leading force in the national economy. From then on, the proletariat and working people controlled the economic lifeline of the state. This laid the foundation for transforming national capital, the small-peasant economy, and the individual handicraft economy, and for consolidating the dictatorship of the proletariat.

---

[1] Mao Zedong, "Report to the Second Plenary Session of the Seventh Central Committee of the Communist Party of China," in *Selected Works of Mao Zedong*, Vol. IV, 367.

## Transformation of Small and Medium Capital Through the Form of State Capitalism

Although bureaucratic capital accounted for the vast majority of Chinese capitalist economic affairs, it was not all of it. After confiscating big capital, the proletariat also faces the question of how to transform small and medium capital and bring it under state ownership. This is another issue that must be resolved in order to transform the private ownership of the means of capitalist production into socialist ownership by the whole people. In any capitalist country, apart from a small number of large monopoly capitalists, there is always a considerable amount of small and medium capital. Therefore, after the establishment of the dictatorship of the proletariat, whether the right policies and methods can be adopted to transform small and medium capital is of great significance not only to the state's economic life, but also to politically disintegrating the bourgeois camp, ideologically transforming small and medium capitalists, and further consolidating the dictatorship of the proletariat.

Then, how should small and medium capital be transformed?

Marxism holds that, under certain conditions, the proletariat can expropriate the means of production from the bourgeoisie through buyout. This is not only possible but also beneficial to the proletariat. As early as the 1840s, Engels pointed out that after seizing power, the proletariat could either adopt measures of "**confiscation**," or "**gradual expropriation of land owners, factory owners, railway and shipping magnates, partly through competition by state industry, partly directly through compensation in the form of bonds.**"[1] In 1872, Engels

[1] Friedrich Engels, "The Principles of Communism," In *Marx Engels Selected Works*, Vol. 1, (Progress Publishers, Moscow, 1969).

affirmed even more explicitly that under the dictatorship of the proletariat, besides "**seize by force**," capitalists could also be expropriated through "**redeem property therein by installments.**"[1] In 1894, he further stated: "**We by no means consider compensation as impermissible in any event; Marx told me (and how many times!) that, in his opinion, we would get off cheapest if we could buy out the whole lot of them.**"[2]

After the victory of the October Revolution, Lenin, proceeding from such basic prerequisites as the Russian proletariat's having already seized power and established a firm worker-peasant alliance, was the first to propose adopting a form of state capitalism to buy out capitalists willing to accept transformation. Lenin pointed out: "**We now can and ought to employ a *combination* of two methods. On the one hand, we must ruthlessly suppress the uncultured capitalists who refuse to have anything to do with 'state capitalism' or to consider any form of compromise, and who continue by means of profiteering, by bribing the poor peasants, etc., to hinder the realisation of the measures taken by the Soviets. On the other hand, we must use the *method of compromise*, or of buying out the cultured capitalists who agree to 'state capitalism', who are capable of putting it into practice and who are useful to the proletariat as intelligent and experienced organizers of the largest types of enterprises, which actually supply products to tens of millions of people.**"[3] However, because the Russian bourgeoisie was hostile to the Soviet regime and colluded with

[1] Frederick Engels, "Part Three Supplement on Proudhon and the Housing Question," in *The Housing Question* (1873).

[2] Friedrich Engels, "Part 2: Germany," in The Peasant Question in France and Germany, *Marx Engels Selected Works*, Vol. 3.

[3] Vladimir Ilyich Lenin, "The Tax in Kind," in *Lenin's Collected Works*, Vol. 32.

imperialist states abroad to launch a counterrevolutionary civil war, state capitalism was scarcely implemented at the time and saw little development later.

In leading our country through the process of socialist revolution, Chairman Mao, taking our country's specific conditions into account, fully assessed the actual balance of class forces between the proletariat and the bourgeoisie in our country, scientifically analyzed how national capital differed from bureaucratic capital and the national bourgeoisie from the bureaucratic bourgeoisie, and formulated the correct policies. Thus, in practice, he successfully resolved the problem of expropriating small and medium capital through peaceful transformation, and in theory developed Marxism's ideas on implementing buyout and state capitalism with respect to the bourgeoisie.

The dictatorship of the proletariat led by the Communist Party in our country is powerful. It was developed over twenty-two years of revolutionary war, from the revolutionary democratic governments in one revolutionary base area after another and across the liberated areas. The Party and the government enjoy high prestige among the masses. After campaigns such as the "suppressing counter-revolutionaries" and the "elimination of counter-revolutionaries," few counterrevolutionary forces remain. At the same time, because our country rapidly confiscated all bureaucratic capital and established a socialist state-owned economy that controls the lifeblood of the state's economy, it also acquired the material basis for carrying out socialist transformation of national capital. Moreover, as the socialist revolution deepened, the worker-peasant alliance in our country grew increasingly consolidated, leaving the national bourgeoisie isolated at last. It was precisely because "**the people have a powerful state apparatus in their**

**hands -- there is no need to fear rebellion by the national bourgeoisie**,"[1] that the national bourgeoisie was compelled to embark on the road of socialist transformation.

Our country's national capital and national bourgeoisie also have historical characteristics that differ from those of bureaucratic capital and the bureaucratic bourgeoisie. During our country's democratic revolution, the national bourgeoisie already had a dual character: on the one hand, it was oppressed and excluded by imperialism, feudalism, and bureaucratic-capitalism, and thus had a revolutionary character; on the other hand, because of its economic weakness, it was dependent on the "three great enemies" and had countless ties with them, and thus also had a compromising character. During the socialist revolution, the national bourgeoisie continued to have a dual character. On the one hand, it is in the nature of the bourgeoisie to exploit the surplus value produced by the working class; on the other hand, owing to the formidable power of the dictatorship of the proletariat, the national bourgeoisie was quite weak. The consistently correct policies adopted by the proletariat toward the national bourgeoisie, as well as their historical ties, also made it willing to accept socialist transformation. This gave rise to the dual character of the national bourgeoisie during the socialist revolution: "**Exploitation of the working class for profit constitutes one side of the character of the national bourgeoisie, while its support of the Constitution and its willingness to accept socialist transformation constitute the other.**"[2] After the liberation of the whole country, the national capitalist economy still had a dual role at the time: because our country's economy had originally been extremely backward, national capitalist industry and commerce played a positive role in favor of the recovery and development

[1] Mao Zedong, "On the People's Democratic Dictatorship," in *Selected Works of Mao Zedong*, Vol. IV, 419.

[2] Mao Zedong, "On the Correct Handling of Contradictions Among the People," 386.

of the national economy by increasing the production of industrial goods, expanding the exchange of goods between urban and rural areas, maintaining employment, increasing state accumulation, and training technical personnel; however, because of the capitalist economy's profit-seeking nature and the anarchy of production, it inevitably had a negative, destructive effect on the workers' production initiative and the state's planned economic development. A contradiction of exploitation and being exploited existed between the national bourgeoisie and the working class; this was inherently an antagonistic contradiction. However, because the national bourgeoisie had a dual character and the national capitalist economy had a dual role, "**in the concrete conditions of China, this antagonistic contradiction between the two classes, if properly handled, can be transformed into a non-antagonistic one and be resolved by peaceful methods.**"[1]

Based on the balance of class forces and the characteristics of the national capitalist economy and the national bourgeoisie, Chairman Mao formulated the following policies for our Party: economically, to make use of, restrict, and transform national capital; politically, to unite with and struggle against the national bourgeoisie. The essence of these policies was to treat the contradiction between the working class and the national bourgeoisie as a contradiction among the people, on the condition that the national bourgeoisie accepted socialist transformation. Through restriction, utilization, and transformation, the ultimate aim was to expropriate the national bourgeoisie and transform the national capitalist economy into a socialist economy under ownership by the whole people.

[1] Mao Zedong, "On the Correct Handling of Contradictions Among the People," 386.

Our country is transforming national capital by adopting the form of state capitalism. State capitalism is not an independent economic form; its nature depends entirely on the nature of state power. In capitalist society, state capitalism is capitalism directly controlled by the bourgeois state, a tool used by the ruling monopoly bourgeoisie to intensify the exploitation of capital. Under the dictatorship of the proletariat, state capitalism is capitalism that the proletarian state "**shall be able to restrain, and the limits of which we shall be able to fix**"[1]; it serves socialism. As Lenin said: "**State capitalism in a society where power belongs to capital, and state capitalism in a proletarian state, are two different concepts. In a capitalist state, state capitalism means that it is recognized by the state and controlled by it for the benefit of the bourgeoisie, and to the detriment of the proletariat. In the proletarian state, the same thing is done for the benefit of the working class, for the purpose of withstanding the as yet strong bourgeoisie, and of fighting it.**"[2] State capitalism under the dictatorship of the proletariat in our country is therefore state capitalism that is led by the socialist state-owned economy, managed by the organs of the proletarian state, and supervised by the working masses, and thus benefits the proletariat. It is a transitional form from capitalist private ownership to socialist ownership by the whole people.

Under the brilliant guidance of the Party's general line for the transition period, state capitalism in our country underwent a gradual process of development from a lower to a higher stage.

---

[1] Vladimir Ilyich Lenin, "Eleventh Congress Of The R.C.P.(B.)," in *Lenin's Collected Works*, Vol. 33 (Progress Publishers, Moscow, 1965).

[2] Vladimir Ilyich Lenin, "Third Congress Of The Communist International," in *Lenin's Collected Works*, Vol. 32.

The lower form of state capitalism in industry included processing, orders, unified purchasing, and exclusive marketing; in commerce, they included distribution on commission and sales on an agency basis, and so on. Through these various forms, the state controlled the circulation process, restricting capitalist enterprises at both the buying and selling processes. This severed the ties between capitalist industrial enterprises, between capitalist industry and commerce, between capitalist commerce and the individual economy, and between capitalist wholesale and retail commerce, among others. "**The circuits of the individual capitals intertwine, presuppose and necessitate one another, and form, precisely in this interlacing, the movement of the total social capital.**"[1] However, because socialist enterprises had established direct connections with capitalist enterprises by controlling the circulation process, the individual capitals were separated from one another. This made the capitalist economy dependent on the socialist state-owned economy and disrupts the movement of social capital in its totality. As a result, the scope and degree of influence of the laws of capitalist economy were inevitably affected to a great extent. Capitalist enterprises were restricted to some degree in their purpose of production, business orientation, market prices, modes of operation, and degree of exploitation. In other words, they could no longer pursue high profits as they please, or produce and exchange freely as they did in the past; to varying degrees, they had been brought within the framework of the state plan. Relations of production had therefore begun to change. However, control over the circulation process alone could only impose certain restrictions on capitalist production and business operations; it could not, after all, change the nature of capitalist enterprises. This lower stage of state capitalism had not touched capitalist ownership. The

[1] Karl Marx, "Chapter 18: Introduction," in *Capital*, Vol. II.

contradictions between the socialist economy and the capitalist economy, between the capitalist economy and the productive forces, and the inherent class contradiction between labor and capital within the capitalist economy remained unresolved. It was necessary to advance further toward higher stages of state capitalism.

The higher form of state capitalism was joint state-private ownership. It comprised of two stages: joint state-private ownership of individual enterprises and joint state-private ownership by whole trades.

The characteristic of joint state-private ownership of individual enterprises was that the state had already invested directly and dispatched cadres to operate enterprises jointly with capitalists. As a result, relations of production had undergone significant changes. Here, the connection between the socialist state-owned economy and the capitalist economy no longer remained merely in the circulation sphere, but had entered the sphere of production. Socialist elements had directly penetrated capitalist enterprises; the state and capitalists jointly owned the means of production, with the state in a leading position. Capitalists no longer had actual management authority, and their exploitation of workers was also greatly restricted. Thus, a series of aspects—including the nature and role of the enterprises, their operation and management, and labor-capital relations—had undergone more marked changes than under the initial form of state capitalism. These enterprises were already semi-socialist in nature. However, during the stage of joint state-private ownership of individual enterprises, the enterprises under joint ownership were generally limited to a small number of large enterprises, while the numerous small and medium-sized enterprises remained in the initial form of state capitalism. This hindered comprehensive reorganization by industry in accordance with the needs of national

economic development. At the same time, capitalists continued to receive profits in proportion to their share of the enterprise's funds, which continued to negatively affect workers' enthusiasm for labor and the accumulation of state funds. The existence of this contradiction again made it necessary to advance from joint state-private ownership of individual enterprises to joint state-private ownership across entire industries.

Joint state-private ownership by whole trades meant implementing joint ownership on the basis of entire capitalist industries. Under the leadership of state-operated specialized companies, enterprises reorganized production and conducted management according to socialist principles, while the state instituted a system of fixed rate of interest for capitalists. Joint state-private ownership by whole trades was a decisive step in transforming capitalist private ownership into socialist ownership by the whole people. It brought about a fundamental change in the relations of production within these enterprises. These enterprises had basically acquired a socialist character. Guided by the general line for the transition period formulated by Chairman Mao and propelled by the policies of utilization, restriction, and transformation, in early 1956, following the high tide of cooperative transformation of agriculture, our country saw a wave of joint state-private ownership across capitalist industry and commerce. In June of that year, for 88,00 private enterprises at the end of 1995, enterprises under joint state-private ownership throughout the country accounted for 97.3% of those enterprises, 97.7% of their employees, and 99.1% of their gross output value. This marked the decisive victory of the socialist transformation of our country's capitalist industry and commerce.

In the course of the socialist transformation of capitalist industry and commerce, the state implemented a policy of redemption for the means of production owned by the national

bourgeoisie. Before joint state-private ownership by whole trades was introduced, redemption took the form of restricting profits and their distribution; afterward, it was carried out through fixed interest. Fixed interest was a distinctive system adopted in our country's transformation of the national capitalist economy. It meant that, for a specified period, regardless of whether an enterprise made a profit or incurred a loss, capitalists were paid dividends calculated at a fixed interest rate (generally 5% per annum) on the value of their private shares, as determined after assets verification and capital assessment. This meant that ownership of capital had become separate from its use. Capitalists had already lost their management authority over enterprises and their authority over personnel assignments. Their only retained ownership, which was solely reflected in the form of dividends. In essence, dividends were a transformed form of surplus value and an unearned exploitative income for capitalists; however, they were no longer connected with the production and operation of enterprises, nor could they be converted back into capital. As a result of these changes, in enterprises under joint state-private ownership by whole trades, workers' labor power was no longer a commodity, workers were basically no longer subject to exploitation by capitalists, and new types of mutual relations began to develop between workers and enterprise managers. Capitalist barriers between enterprises and industries were further broken down. This created the conditions for comprehensive production reorganization and reform of management systems, and for combining the transformation of capitalists with the transformation of enterprises. Since the Great Proletarian Cultural Revolution, with the further advance of the socialist revolution and the rapid development of socialist construction endeavors, the state has ceased paying fixed interest. By now, all enterprises under joint state-private ownership had become socialist state-owned enterprises, and

the old capitalist private ownership that had persisted in China for a long time has been entirely replaced by socialist ownership by the whole people.

## Struggle Between Restriction and Counter-Restriction

The process of our country's socialist transformation of capitalist industry and commerce was one of continually restricting the national capitalist economy, from small to large and from shallow to deep, until it was ultimately transformed completely into the socialist economy under state ownership by the whole people. In essence, therefore, it involved the gradual and thorough expropriation of the means of production owned by the national bourgeoisie. This benefited the proletariat and the broad masses of working people, while running counter to the interests of the bourgeoisie. It was therefore inevitable that it would provoke strong resistance from the bourgeoisie.

Even before the liberation of the whole country, Chairman Mao warned the entire Party: "**The policy of restricting private capitalism is bound to meet with resistance in varying degrees and forms from the bourgeoisie, especially from the big owners of private enterprises, that is, from the big capitalists. Restriction versus opposition to restriction will be the main form of class struggle in the new-democratic state.**"[1] Practice has fully confirmed the wisdom of Chairman Mao's assertion. The process of transforming our country's national capital was a process of struggle between restriction and counter-restriction between the proletariat and the bourgeoisie. In the early days after liberation, unwilling to accept economic restrictions, the bourgeoisie used the means of production still temporarily in their hands to sabotage state production, the market, public finance, and banking, etc., and launched a frenzied offensive against the proletariat. They were defeated through the 1950 struggle against

[1] Mao Zedong, "Report to the Second Plenary Session of the Seventh Central Committee of the Communist Party of China," 368.

speculation and profiteering and to stabilize market prices, and the 1952 Five-Anti campaign against bribery, tax evasion, theft of state property, cutting corners in production, and theft of state economic intelligence. In 1956, during the high tide of joint state-private ownership transformation, the bourgeoisie again resisted socialist transformation by withdrawing capital and overvaluing total assets. In 1957, after they had lost the means of production, bourgeois rightist forces once again engaged in frenzied anti-Party and anti-socialist activities, hoping to restore their former "paradise." This series of offensives by the bourgeoisie in the economic, political, and ideological spheres all ended in shameful defeat in the face of the powerful dictatorship of the proletariat.

The struggle between restriction and counter-restriction between the proletariat and the bourgeoisie was also very intense within the Party. At the historic juncture when our country's democratic revolution was transforming into a socialist revolution, Liu Shaoqi, the bourgeoisie's agent within the Party, went to Tianjin and other places, loudly propagating the fallacy that "exploitation is meritorious."[1] He falsely claimed that Chinese capitalism was "young," "progressive," and "in need of great development," and that "socialism is a matter for the future; raising it now is premature." He advocated that private enterprises "develop in parallel with state-owned enterprises" and that "the bourgeoisie be allowed to exist and develop for decades," setting himself against the line of the Party's second plenary session of the seventh central committee and frantically opposing the policy Chairman Mao had put forward of utilizing, restricting, and transforming the national capitalist economy. In 1951, Liu Shaoqi again clamored

[1] Note from translator: Although it can be argued that these quotes were taken out of context, Liu Shaoqi did make these remarks, see "Speech at a Symposium with Industrialists and Businesspeople in Tianjin" (Chinese).

for "five forms of economic components,"[1] summing up his scheme for developing capitalism in the counterrevolutionary program of "consolidating the New Democratic system." In 1955, just as the working class in our country, guided by the general line for the transition period, was launching a high tide of socialist transformation of capitalist industry and commerce, Liu Shaoqi and his ilk fabricated the slanderous so-called "theory of a composite economic base." They described our country's economic base at the time as a "composite economic base" that "included capitalist economic elements," called for the "balanced and coordinated development" of the capitalist and socialist economies, and demanded that the socialist superstructure also "serve the bourgeoisie," taking great pains to provide a "theoretical" basis for that counterrevolutionary program of "consolidating the New Democratic system." Liu Shaoqi's purpose in implementing this revisionist program and line was to preserve, develop, and restore capitalism. Chairman Mao led the entire Party in thoroughly criticizing this revisionist program and line, and incisively pointed out: "**Others have remained where they were after the victory of the democratic revolution. They fail to realize there is a change in the character of the revolution and they go on pushing their 'New Democracy' instead of socialist transformation. This will lead to Right deviationist mistakes.**" "**The idea, 'Firmly establish the new-democratic social order,' goes against the realities of our struggle and hinders the progress of the socialist cause.**"[2] The great victory of the socialist transformation of capitalist industry and commerce in our country shattered Liu Shaoqi and his ilk's pipe dream of developing capitalism in China.

---

[1] Note from translator: Liu Shaoqi's theory of "five economic components" included state-owned economy, cooperative economy, state capitalism economy, private capitalism economy and semi-traditional economy.

[2] Mao Zedong, "Refute Right Deviationist Views that Depart from the General Line," in *Selected Works of Mao Zedong*, Vol. V, 93, 94.

The revisionists claimed that our country's transformation of capitalist industry and commerce took place without sharp struggle, and even described it as a "peaceful transition." This is a shameless distortion. The facts are precisely the opposite: our country won political power only after twenty-two years of armed struggle; it was by no means a "peaceful transition." It was precisely the dictatorship of the proletariat that provided a reliable guarantee for transforming national capital through forms of state capitalism. Moreover, this peaceful transformation was in fact not peaceful; as we have seen above, it was full of intense class struggle. State capitalism is "**also a form of struggle, and are a continuation of the class struggle in another form, and in no circumstances are they a substitution of class peace for class war.**"[1]

Now, although the socialist transformation of capitalist ownership in our country has basically been completed, bourgeois right still exists. In this regard, the struggle between restriction and counter-restriction between the proletariat and the bourgeoisie is far from over, and the struggle between the proletariat and the bourgeoisie in the ideological sphere will be a protracted one. Therefore, we must never slacken our fighting spirit, even slightly.

[1] Vladimir Ilyich Lenin, "The Tax in Kind."

# Section Two: The Establishment of Socialist Collective Ownership by the Working People. The People's Commune Movement in Our Country's Rural Areas

## Co-operative Transformation of Agriculture Is the Only Way to Transform the Small-Peasant Economy

In capitalist society, although capitalist ownership is dominant, because agriculture generally lags behind industry and the levels of economic development differ from country to country, remnants of the small-peasant economy and feudal exploitation of small peasants inevitably persist. As Lenin said: "**In all capitalist countries, even the most advanced, there still exist survivals of medieval, semi-feudal exploitation of the neighboring small peasants by the big landowners as in the case of the *Instleute*** [Tenant farmers.—Editor.]"[1] Thus, after seizing power, the proletariat must, while carrying out the socialist revolution, also complete part of the tasks of the democratic revolution: completely abolish feudal exploitation and distribute some of the land confiscated from the landlords to landless and land-poor peasants. In other words, the small-peasant economy will continue to exist for some time after the establishment of the proletarian dictatorship. This is even more true of our country. Since old China was a semi-feudal, semi-colonial society, dispersed individual peasants and the handicraft economy accounted for about 90% of the entire national economy, with the small-peasant economy overwhelmingly predominant. The land reform of the democratic revolution abolished feudal exploitation. But the small-peasant economy still existed like a vast ocean. Therefore, after the

[1] Vladimir Ilyich Lenin, "Preliminary Draft Theses On The Agrarian Question," in *Lenin's Collected Works*, Vol. 31.

proletariat seizes power, in order to establish socialist ownership, it must not only expropriate the capitalists, but also properly resolve the problem of socialist transformation of the individual economy, especially the small-peasant economy.

The small-peasant economy is a form of petty private economy based on the labor of individual workers. After land reform, having only just freed itself from feudal exploitation, it played a certain role in restoring and developing production. But it is, after all, a backward economic form resembling that of ancient times, and it restricts the development of the agricultural productive forces. Because of its dispersed and individuality, it is difficult to improve it or use land rationally. It lacks the capacity to adopt new technologies and modern farm implements, to organize division of labor and cooperation, or to withstand natural disasters, and it finds it very difficult to sustain extended reproduction. This extremely low level of productive forces in individual agriculture is also incompatible with socialist industrialization: it cannot provide industry with sufficient marketable grain and industrial raw materials, open up a broad market for the sale of industrial goods, nor enable the state to accumulate more funds. At the same time, the dispersed and unplanned mode of operation of individual agriculture conflicts with the state's planned economic development. As socialist economic construction advances, these contradictions become increasingly acute.

The small-peasant economy stands at a crossroads; it is a breeding ground for capitalism. Under the conditions of commodity production, the small-peasant economy is a form of small commodity economy. Because of the law of value, it is unstable and inevitably tends toward polarization. The majority become impoverished and go bankrupt, falling into the ranks of hired farmhands; a minority grow rich and become rich-peasant exploiters. This situation is

unavoidable even under the dictatorship of the proletariat. Lenin pointed out after the October Revolution: "**Small-scale production engenders capitalism and the bourgeoisie continuously, daily, hourly, spontaneously, and on a mass scale.**"[1] After the abolition of feudal land ownership, individual peasants' production enthusiasm has a dual character: on the one hand, an enthusiasm for mutual aid and cooperation; on the other, an enthusiasm rooted in the individual economy. The broad masses of poor and lower-middle peasants firmly demand the socialist road, while a small number of rich or relatively well-off peasants yearn for the capitalist road.

In fact, new class differentiation soon emerged in our country's rural area after the land reform. The buying and selling of farmland increased year by year. According to statistics from 11 counties in the Baoding region of Hebei Province, 43,890 mu (2,926 hectares) of farmland was bought and sold in 1949, rising to 54,494 mu (3,632.93 hectares) in 1950 and then to 115,188 mu (7,679.2 hectares) in 1951. A survey of Xipu Brigade in Zunhua County, Hebei Province, also found that from 1948 to 1952 the state distributed 50,000 jin (25 tons) of relief grain and more than 100 sets of winter clothing each year, yet among the village's 137 poor and lower-middle peasant households, 11 still sold or pawned 74 mu (4.93 hectares) of farmland, while 6 pawned 15 rooms.

In addition, exploitation through usury was also growing. A 1952 survey of seven villages in Xin County, Shanxi Province, found that among 2,486 households, 20 lent money at usurious rates and 62 borrowed (80% of them were poor peasants). Monthly interest was generally over 5%, reaching as high as 10%. That same year, the Handan Prefectural Committee of the Chinese Communist Party noted in a survey report: "Over the past two years, usury in the countryside has

[1] Vladimir Ilyich Lenin, "An Essential Condition of the Bolsheviks' Success."

gradually expanded and taken many forms, with ‘advancing livestock,’ ‘advancing grain,’ and ‘advancing cotton’ being the most common. For example, in five villages, including Daodongbao in Cheng’an, 91 of a total of 922 households (10%) ’advanced cotton’ or ‘advanced livestock’ to others. ‘Advancing livestock’ and ‘advancing cotton’ generally meant lending out livestock on credit before autumn or the wheat harvest, with repayment in wheat or cotton after the harvest; the value repaid usually exceeded the original price by 50%.”

Besides the buying and selling of farmland and lending, commercial speculation and the development of tenancy relations in the countryside were also very serious. As a result, many peasants lost their farmland, fell into debt and ruin, and were forced to rent other people’s farmland again or become hired farmhands; some even left home to beg. Meanwhile, some better-off peasants bought farmland and houses and made profits, becoming new rich peasants. A survey of nine townships in Hunan Province found that rich peasants accounted for 3.18% of all households at the time of land reform, rising to 3.46% in 1952, 3.63% in 1953, and 3.7% in 1954.

In response to this situation, Chairman Mao pointedly observed: “**As is clear to everyone, the spontaneous forces of capitalism have been steadily growing in the countryside in recent years, with new rich peasants springing up everywhere and many well-to-do middle peasants striving to become rich peasants. On the other hand, many poor peasants are still living in poverty for shortage of the means of production, with some getting into debt and others selling or renting out their land. If this tendency goes unchecked, it is inevitable that polarization in the countryside will get worse day by day.**”[1]

[1] Mao Zedong, “On the Co-Operative Transformation of Agriculture,” in *Selected Works of Mao Zedong*, Vol. V, 201-202.

The reality is that unless the small-peasant economy is led onto the socialist road, it will take the capitalist road. In that case, not only will there be no socialist ownership in our country's agriculture, but it will instead become capitalist ownership, thereby not only failing to resolve but actually aggravating the contradiction between relations of production and productive forces, and putting our country's dictatorship of the proletariat at risk of being overthrown.

The small-peasant economy is also unfavorable to further consolidating and strengthening the worker-peasant alliance, which is the foundation of the dictatorship of the proletariat. During the democratic revolution, the worker-peasant alliance in our country was based on land reform. Land reform eliminated feudal land ownership and liberated the productive forces, thereby playing its proper historical role in consolidating the worker-peasant alliance. However, with the transition from the democratic revolution to the socialist revolution, the worker-peasant alliance must shift from its old foundation to a new one. As noted above, if the small-peasant economy is allowed to develop freely, the polarization of the peasantry will inevitably become increasingly severe, and the broad masses of peasants will blame the working class and its party for "standing by while they perish." At the same time, the backward state of agriculture will inevitably come into increasingly sharp conflict with industry. Under these circumstances, the worker-peasant alliance cannot remain consolidated.

These contradictions brought about by the small-peasant economy clearly show that these relations of production can no longer meet the requirements of the development of productive forces and have come into sharp conflict with the socialist superstructure. So, what is the way out?

After the proletariat seizes power, what road should it guide the small-peasant economy along? This is a major question concerning the fate and future of the Party, the state, and the people, and a matter of principle for Marxism. The attempt to preserve the small-peasant economy forever is a reactionary proposition and, in practice, impossible. In reality, the small-peasant economy faces only two roads: one is to let it develop freely, leading to capitalist large-scale agriculture in which a few grow rich while the majority go bankrupt. This runs counter to the fundamental interests of the broad masses of peasants and is wholly incompatible with establishing socialist ownership; it is therefore erroneous and reactionary. The other is to transform the small-peasant economy into a socialist publicly owned economy and set it on the road of socialist large-scale agriculture. This is a golden road to shared prosperity for the broad masses of peasants. Marxists firmly advocate guiding the small-peasant economy onto the socialist road. Engels pointed out clearly long ago: "**Taking collective possession of the means of production must be fought for by all means at the disposal of the proletariat.**" "**Not only in industry, where the ground has already been prepared, but in general, hence also in agriculture.**"[1] After land reform in our country was basically completed, the countryside faced a choice between two roads. Chairman Mao once again pointed the way forward for us, stating unequivocally: "**The socialist road is the only road for [our agriculture].**"[2]

How can the small-peasant economy be guided onto the socialist road of public ownership? Can a public-ownership economy be established by depriving peasants of their means of production, as is done with landlords and capitalists? No. This is because: First, these

---

[1] Friedrich Engels, "Part 1: France," in *The Peasant Question in France and Germany*, *Marx Engels Selected Works*, Vol. 3.

[2] Mao Zedong, "Refute Right Deviationist Views that Depart from the General Line," 93.

are "**two very different kinds of private property.**"[1] The small-peasant economy based on private ownership rests on the peasants' own labor. The vast majority of peasants are workers, not expropriators, and are constantly threatened with expropriation; second, their economic position means that they are reliable allies of the working class both during the democratic revolution and after the establishment of the proletarian dictatorship; third, since it is a small-peasant economy, it has not yet become socialized large-scale production and therefore does not require immediate conversion to ownership by the whole people, and so on. For these reasons, the means of production of individual peasants must never be expropriated; the only path is the historically inevitable one of agricultural collectivization.

Agricultural collectivization was a consistent idea in Marxism. In 1881, after conducting an in-depth study of the Russian agricultural commune, Marx scientifically foresaw that, if a revolution occurred at the right moment, the Russian countryside would "**transition from augmented to cooperative labor.**"[2] In 1894, Engels stated more explicitly the principle of transforming the small-peasant economy through cooperatives. He pointed out: "**When we are in possession of state power, we shall not even think of forcibly expropriating the small peasants (regardless of whether with or without compensation), as we shall have to do in the case of the big landowners. Our task relative to the small peasant consists, in the first place, in effecting a transition of his private enterprise and private possession to cooperative ones, not forcibly but by dint of example and the proffer of social assistance for this purpose.**" He also pointed out that this is the "**the sole means of their salvation.**"[3]

---

[1] Karl Marx, "Chapter Thirty-Three: The Modern Theory of Colonisation," in *Capital*, Vol. I.

[2] Karl Marx, "The 'First' Draft," in *Selected Correspondence* (Moscow, 1955).

[3] Friedrich Engels, "Part 2: Germany."

In many important works written after the October Revolution, including *On Cooperation*, Lenin upheld the Marxist principles of agricultural collectivization and repeatedly pointed out: "**The solution lies only in socialized farming**"[1]; "**the proletarian state must effect the transition to collective farming with extreme caution and only very gradually, by the force of example, without any coercion of the middle peasant.**"[2] He also put forward the workers' party's class line in the countryside and the "cooperative plan" for gradually transforming small peasants, moving from circulation into the sphere of production, thereby developing Marxist thought on agricultural collectivization. Under the leadership of Lenin and Stalin, the Soviet government put this brilliant idea into practice for the first time. After years of struggle and effort, by around 1937 it had fully achieved agricultural collectivization, providing valuable experience for the proletariat in all countries on how to transform the small-peasant economy after seizing power.

In the course of leading our country's socialist revolution and in the struggle against the revisionist line of Liu Shaoqi, Lin Biao, Deng Xiaoping, and their ilk, Chairman Mao further enriched and developed, in theory and practice, Marxism's ideas on agricultural collectivization.

During the stage of the democratic revolution, Chairman Mao called on the peasants, after land reform, to "**get organized!**" and pointed out: "**This is the only road to liberation for the people, the only road from poverty to prosperity.**"[3] In March 1949, in his Report to the Second Plenary Session of the Seventh Central Committee of the Communist Party of China,

---

[1] Vladimir Ilyich Lenin, "Delegates From The Poor Peasants' Committees Of Central Gubernias," in *Lenin's Collected Works*, Vol. 28.

[2] Vladimir Ilyich Lenin, "Preliminary Draft Theses On The Agrarian Question."

[3] Mao Zedong, "Get Organized!," in *Selected Works of Mao Zedong*, Vol. III, 157.

Chairman Mao explicitly laid down the line for the socialist transformation of individual agriculture, pointing out that the scattered individual agricultural economy "**can and must be led prudently, step by step and yet actively to develop towards modernization and collectivization; the view that they may be left to take their own course is wrong.**"[1] After land reform had been basically completed nationwide, the Party and the government, following the general line for the transition period formulated by Chairman Mao, also "struck while the iron was hot" and launched the cooperative transformation of agriculture movement on a broad scale throughout the country. Later, while leading the cooperative transformation of agriculture movement, Chairman Mao successively published such brilliant works as *On the Co-Operative Transformation of Agriculture* and the preface and notes to *Socialist Upsurge in China's Countryside*. These works systematically and thoroughly expounded the theory, line, principles, policies, forms, and steps of the socialist transformation of agriculture, fundamentally ensuring the great victory of cooperative transformation of agriculture in our country.

However, the revisionists Liu Shaoqi, Lin Biao, and Deng Xiaoping and their ilk took the bourgeois standpoint and frantically opposed the Marxist theory and practice of cooperative transformation of agriculture. After land reform nationwide, they did their utmost to advocate "ensuring private ownership" and the "four great freedoms" (freedom to hire labor, lend and borrow, trade, and buy, sell or lease land), claiming: "Hired labor and individual farming should be left to take their own course," and "It would be good if a few rich peasants emerged." Clearly, as the small-peasant economy became increasingly polarized, so-called "ensuring private ownership" could only mean "ensuring" the "private ownership" of exploiters such as the new

[1] Mao Zedong, "Report to the Second Plenary Session of the Seventh Central Committee of the Communist Party of China," 368.

rich peasants, while the so-called "Four Great Freedoms" were nothing but the "freedom" of the new rich peasants to exploit and oppress the broad masses of poor and lower-middle peasants. When our country's cooperative transformation of agriculture movement advanced at an exceptionally rapid pace, the revisionists panicked. Liu Shaoqi, together with Deng Xiaoping, then conspired to formulate the reactionary policy of "stopping," "contracting," and "rectifying," using the so-called "opposing rash advance" as a pretext to slash the number of cooperatives. In just over two months, they eliminated 200,000 cooperatives. One of their so-called principal theories against cooperative transformation of agriculture was "mechanization first, collectivization later." They claimed that "without supplying the peasants with tens of thousands upon tens of thousands of agricultural machines," "agriculture could not possibly be collectivized," and "it is impossible to put China's agriculture on a socialist footing universally." They slandered the broad masses of peasants' demand to take the road of collectivization as "erroneous, dangerous, utopian agricultural socialist thinking." This so-called theory of "mechanization first, collectivization later" was nothing but a rehash of the "theory of productive forces" espoused by the old revisionists Bernstein and Kautsky. In fact, the individual peasants' economy that emerged after land reform in our country had long since become a serious obstacle to agricultural mechanization. Because the small-peasant economy could not provide strong support for our country's industrialization, industry could hardly supply enough machinery to equip agriculture. Even if agricultural machinery were available, individual peasants could neither afford to buy nor use it; moreover, it was highly inefficient for the small-peasant economy to use various kinds of agricultural machinery. Therefore, "**in agriculture, with conditions as they are in our country, co-operation must precede the use of big machinery**

**(in capitalist countries agriculture develops capitalistically).**"[1] The so-called "mechanization first, collectivization later" advocated by Liu Shaoqi and his ilk was in essence intended to abolish collectivization and turn our country's agriculture capitalist. However, the revolutionary tide could not be stopped. In the second half of 1955, guided by Chairman Mao's revolutionary line, our country witnessed a high tide of cooperative transformation of agriculture. The tremendous socialist enthusiasm latent among the broad masses of peasants burst forth like a volcano. They joined the cooperative transformation of agriculture movement with such enthusiasm and in such good order. "**It is a vast socialist revolutionary movement involving a rural population of more than 500 million, and it has tremendous, world-wide, significance.**"[2]

[1] Mao Zedong, "On the Co-Operative Transformation of Agriculture," 197.

[2] Ibid.

## The Class Line and Steps of Agricultural Collectivization

Agricultural collectivization is a broad and profound socialist revolution in rural relations of production; without a clear Marxist class line, victory is impossible. Lenin once formulated the Bolshevik Party's class line in the countryside based on changes in rural class relations after the victory of the October Revolution: rely on the poor peasants, unite with the middle peasants, and oppose the rich peasants.

After land reform in our country, the landlord economy was eliminated. Although the rich-peasant economy was restricted, it continued to exist, while the individual economy of the peasants existed on an even vaster scale. Agricultural collectivization was a social transformation that would gradually eliminate the rich-peasant economy and eradicate the foundations of the system of exploitation. The different economic positions of the classes and strata in our country's rural areas led them to hold different attitudes toward this great social transformation.

The landlord class and rich-peasant class were the feudal forces and capitalist forces in our countryside. Having already lost or being on the verge of losing the means of production on which they relied to exploit the broad masses of peasants, they were bound to hate and oppose cooperative transformation of agriculture a hundredfold. Their contradiction with the broad masses of the people was a contradiction between ourselves and the enemy.

The working peasant class was a class with a duality. On the one hand, its members were workers who were willing to take the socialist road; on the other hand, they were also private owners, with a tendency to take the capitalist road. However, the duality of the peasants could

not be treated as uniform; it must be analyzed concretely. The economic positions of the various strata within the peasantry also differed, and consequently their duality varied as well.

Poor peasants were the semi-proletariat in the countryside. Before land reform, they had only a small amount of means of production and suffered exploitation by landlords and rich peasants. After land reform, although they had gained their freedom and received farmland, they still faced hardship because they lacked sufficient means of production to withstand natural disasters, and were at risk of losing their land again and suffering exploitation once more. In fact, this phenomenon had already emerged. Therefore, they had the fewest ideas of private ownership, were the most resolute in taking the path of collectivization, and had the highest level of enthusiasm.

Before land reform, the middle peasants were part of the petty bourgeoisie in the countryside. The situation of the middle peasants after land reform was more complex. Apart from the old middle peasants, most poor peasants also rose to become middle peasants, and for a time a so-called trend toward the “middle-peasantization” of the population emerged. Even among the middle peasants, levels of wealth varied. Chairman Mao carefully analyzed these new changes in class relations and complex circumstances, scientifically distinguishing the lower-middle peasants from the upper-middle peasants, with further distinctions between old and new. This distinction was of great significance, as it provided a theoretical basis for our Party to formulate its class line in the countryside.

Lower-middle peasants, especially the new lower-middle peasants who had only just risen from the status of poor peasants after land reform, were close to poor peasants in their economic position and political attitudes, and belonged to the semi-proletariat in the countryside.

Chairman Mao pointed out: "**For the rural semi-proletariat are not so stubborn in clinging to small peasant private ownership of the means of production; they are more ready to accept socialist transformation. Most of them have now become new middle peasants, but except for a section who have become well-to-do, the majority of the new middle peasants have a higher level of political consciousness than the old middle peasants, as they can easily recall their past misery. Then there are the old lower-middle peasants, in economic status and political attitude, they are more or less similar to the new lower-middle peasants but different from the new and old upper-middle peasants, i.e., the well-to-do or fairly well-to-do middle peasants.**"[1] For this reason, poor peasants, new lower-middle peasants, and old lower-middle peasants became the forces on which our country's countryside relied.

The new and old upper-middle peasants, that is, the wealthy middle peasants, had relatively ample means of production and exploited others to a small degree; consequently, their ideas of private ownership were relatively strong, and their spontaneous capitalist tendencies were relatively serious. They wavered in their support for socialism, and some sought to turn themselves into rich peasants, eagerly pursuing the capitalist road. "**In China, the rich peasant economy is very weak (that portion of the rich peasants' land operated in a semi-feudal way was requisitioned during agrarian reform, most of the old rich peasants no longer hire labor, and socially they are very much discredited), but the well-to-do and fairly well-to-do middle peasants who constitute 20 to 30 per cent of the rural population are quite strong.**"[2] Therefore, during cooperative transformation of agriculture in our country and for a long time

---

[1] Mao Zedong, "Editor's Notes from Socialist Upsurge in China's Countryside," in *Selected Works of Mao Zedong*, Vol. V, 255.

[2] Ibid.

afterward, an important aspect of the struggle between the two roads was manifested through the contradictions and struggles between the poor and lower-middle peasants and the wealthy middle peasants. The wealthy middle peasants should still be united with; however, only by relying on the poor and lower-middle peasants, while educating the wealthy middle peasants and struggling against their capitalist tendencies, can they be won over to the socialist road.

In summary, our Party's class line in the cooperative transformation of agriculture movement was: "We must rely on the poor peasants (including the old poor peasants who have become new middle peasants after the land reform), consolidate our alliance with the middle peasants, gradually develop mutual aid and cooperation, and gradually limit the exploitation of the rich peasants and finally eliminate the exploitation of the rich peasants."[1] Later, Party documents further clarified the groups in the countryside on whom the Party should: "rely on the poor peasants and lower-middle peasants." Chairman Mao's analysis of class relations in the countryside after land reform in our country, and the class line he formulated for our Party in the countryside, represented a major development of Marxism's theory of agricultural collectivization and its theory of class struggle.

In the cooperative transformation of agriculture movement, implementing the Party's class line required first guiding poor and lower-middle peasants to join cooperatives in successive stages and groups, and only then admitting wealthy middle peasants. As for law-abiding landlords and rich peasant elements who had already stopped exploitation and taken up labor, they may be admitted only conditionally, in successive stages and groups, within regions where cooperative transformation was already largely complete and in cooperatives that had

[1] *Struggle to Mobilize All Forces to Build Our Country Into a Great Socialist Country - Outline For Studying and Promoting the Party's General Line in the Transition Period*. December 28, 1953.

already been consolidated; they must also continue to be reformed through labor. Their acts of sabotage, however, must be firmly suppressed. In addition, poor peasants and new lower-middle peasants must hold the advantage in the leadership bodies of cooperatives. Otherwise, cooperatives could not be consolidated. Practice has proved that the Party's correct class line had ensured the sound and victorious development of our country's cooperative transformation of agriculture movement.

Our country's cooperative transformation of agriculture was achieved under the guidance of Chairman Mao's revolutionary line, by adhering to the policy of making comprehensive plans and strengthening the Party's leadership, following the principle of voluntariness and mutual benefit, using persuasion and education, exemplary demonstration, and state assistance, and proceeding step by step from lower to higher levels.

The first step was to organize agricultural production mutual-aid teams with the embryonic form of socialism (including temporary and year-round mutual-aid teams). They generally consisted of several or a dozen or so peasant households, retained private ownership of the means of production, and only practiced mutual aid in labor and in the means of production. This was the form of organization most readily accepted by peasants. Collective labor and the mutual allocation of means of production raised labor productivity to some extent; at the same time, peasants gradually developed a collectivist spirit and habits of mutual aid and cooperation. Year-round mutual-aid teams also had a small amount of public accumulation. Clearly, mutual-aid teams were far superior to individual farming. However, they did not alter individual peasants' private ownership of the means of production. Consequently, the contradiction between collective labor and individual operation remained, and farmland and labor could not yet be used

rationally and in a unified manner. Overcoming this contradiction required a higher form of organization.

Step two was to organize small elementary agricultural producers' cooperatives. This was a transitional form between the private-ownership economy of individual peasants and the socialist collective economy. Its defining features were land contributed as shares and unified management. That was, the means of production, such as farmland, draft animals, and large farm implements, still belonged to the individual members of cooperatives, but were already managed and used collectively and uniformly by the cooperative. It therefore had a semi-socialist character. This was reflected specifically in the following: (1) After members contributed their land and means of production to the cooperative, not only were ownership and the right of use separated, but members could no longer freely buy, sell, or lease them as individuals. At the same time, public accumulation had already begun within the cooperative. It was therefore no longer entirely an economy based on private ownership, but had become an economy that was partly private and partly public; (2) the labor power of members was allocated and used collectively and uniformly by the cooperative, so that their labor was from the outset part of collective labor. The nature of members' labor had changed and, within the scope of the primary cooperative, it already had a direct social character; (3) since the means of production and labor power were both managed and used collectively, and the purpose and direction of production were determined by the will of the state and the collective, it became possible for the cooperative to implement a planned economy; (4) although some remuneration must still be paid for land and other means of production contributed to the cooperative, the distribution among members had already, to some extent, put into practice the socialist principle of "from each according to their

ability, to each according to their work." Moreover, remuneration for labor accounted for a somewhat larger share than remuneration for the means of production. Therefore, semi-socialist primary cooperatives had greater advantages than mutual-aid teams. Labor power and the means of production are used in a unified and rational manner; members' enthusiasm for work has already surpassed that in mutual-aid teams, and even more so that of individual farming households. The cooperative's production could also be more readily incorporated into the state plan, further promoting the development of productive forces and increasing members' individual incomes, while helping even more to overcome peasants' ideas of private ownership and narrow-mindedness. The primary cooperative was a decisive step in guiding peasants onto the socialist road. It laid a sound material, ideological, and organizational foundation for the development of cooperative transformation of agriculture toward higher forms.

Because primary cooperatives did not fundamentally change the nature of private ownership among peasants, they continued to conflict with the further development of the productive forces. Private ownership of farmland and other means of production continued to affect the cooperative collective's unified management and use of these resources, hindering capital construction on farmland and extended reproduction. The distribution of dividends from farmland and other means of production, among other things, was not conducive to mobilizing the production initiative of poor and lower-middle peasants with little farmland and abundant labor. These contradictions could be resolved only through a higher form of production cooperative.

The third step was to organize large advanced agricultural producers' cooperatives. The transition from a primary cooperative to an advanced cooperative was a leap forward; the

advanced cooperative had a fully socialist character. First, it was founded on collective ownership of the means of production: the farmland, draft animals, large farm tools, and other means of production previously owned by members of cooperatives now belonged collectively to the cooperative. Within the cooperative, the working people had achieved equality in their relations of ownership of the means of production. Second, in the distribution of products, compensation for farmland and other means of production was abolished, and the socialist principle of "from each according to their ability, to each according to their work" was put into practice. Advanced cooperatives were several times larger than primary cooperatives, generally comprising around 200 households each. They resolved contradictions that primary cooperatives could not, and therefore had greater advantages.

From mutual-aid teams to advanced cooperatives, this was a gradual process of qualitative transformation from an individual economy to a collective economy. Under the wise leadership of Chairman Mao, the Party's line, policies, and steps for cooperative transformation of agriculture were correct and represented the fundamental interests of the broad masses of peasants. They thus met both the requirements of the development of productive forces and the level of political awareness among the peasants. As a result, the cooperative transformation of agriculture movement in our country developed in a healthy and rapid manner. In the second half of 1955, the countryside entered a socialist upsurge, with more than 60% of farm households joining agricultural producers' cooperatives. By the end of 1956, 96.3% of all farm households had joined cooperatives, of which 87.8% had joined advanced cooperatives. This marked the basic completion of cooperative transformation of agriculture in our country.

While achieving cooperative transformation of agriculture, our country also achieved victory in the socialist transformation of individual handicrafts and individual small commerce.

Compared with the economy of individual peasants, individual handicrafts in our country were characterized by a purely small commodity economy and were closely connected with the market. In light of this characteristic, the Party and the government adopted a policy of moving from the circulation sphere to the sphere of production: first organizing them in terms of supply and marketing and then, on that basis, organizing them in terms of production, thereby transforming the individual economy into the collective economy. In accordance with this Party policy, the socialist transformation of handicrafts in our country proceeded step by step, from handicraft supply and marketing groups to handicraft supply and marketing cooperatives, and then to handicraft producers' cooperatives. By the summer of 1956, more than 90% of handicraft workers nationwide had been organized, and the socialist transformation of handicrafts had been basically completed.

At the same time, individual small commerce in our country had also largely been organized into cooperatives, operating as cooperative groups and cooperative stores to provide distribution and agency sales services for state-owned commerce and supply and marketing cooperatives.

## The People's Commune Movement in Our Country's Rural Areas

The widespread establishment of advanced agricultural cooperatives marked the basic completion of the socialist revolution in ownership of the means of production in our country's

rural areas: individual peasant ownership had been transformed into the collective ownership of socialist working peasants. Advanced cooperatives further liberated the agricultural productive forces and greatly promoted their development. In 1957, total grain output in our country reached 370 billion jin (185 million tons), 20% higher than in 1952, before the cooperative transformation of agriculture movement; total cotton output reached 32.88 million dan (1,644,000 tons), an increase of 26% over 1952. However, as the productive forces developed further, the organizational form of advanced cooperatives soon became unsuitable. That same year, our country launched the rectification campaign and the anti-rightist struggle, and socialist education was widely carried out in rural areas, greatly stimulating the socialist enthusiasm of the peasant masses. In the winter of 1957 and the spring of 1958, a large-scale movement for basic farmland water conservancy construction, soil improvement, and afforestation swept across the countryside. In 1958, under the guidance of the Party's general line for socialist construction, a new Great Leap Forward in production emerged nationwide, and a wave of establishing local industries and promoting agricultural technological innovation arose throughout the countryside. Under these new circumstances, the existing advanced cooperatives increasingly showed their limitations in relation to the development of productive forces in our country at that time.

The limitations of our country's existing advanced cooperatives at the time were reflected in the following aspects:

(1) The organizational form of the advanced cooperatives could no longer met the needs of farmland water conservancy construction. After cooperative transformation of agriculture, a notable feature of the Great Leap Forward in rural production in our country was that it began with the construction of farmland water conservancy projects. The rise of this movement brought

many problems. Water conservancy projects were generally large in scale and covered extensive areas. Advanced cooperatives were neither well placed to plan them on their own nor capable of undertaking them independently. Even if they could undertake them jointly, many conflicts remained difficult to resolve concerning the allocation of farmland, labor, materials, and funds; the management and use of water conservancy facilities; and the distribution of benefited areas and investment.

(2) The organizational form of the advanced cooperatives also came into conflict with the development of diversified operations in rural areas. The development of rural water conservancy and agricultural production urgently required forestry, animal husbandry, sideline production, and fisheries, along with other sectors, to keep pace. In particular, it called for setting up small-scale industry and sideline production to repair and improve tools, supply building materials, process agricultural products, and so on. However, the advanced cooperatives lacked the capacity and were highly limited, facing many difficulties in personnel, technology, raw materials, and funding.

(3) After cooperative transformation of agriculture, advanced means of production—including various new farm implements, agricultural machinery, and irrigation and drainage equipment—were increasing in number. However, the existing advanced cooperatives were relatively small in scale, making it difficult to fully utilize modern agricultural machinery and equipment or to adequately address their management and maintenance. Further increasing their share of the means of production as a whole would encounter even greater constraints.

All this showed that the former advanced cooperative must undergo further changes and further increase its degree of public ownership and expand its organizational scale in order to meet the needs of the development of productive forces.

In fact, during the Great Leap Forward in agriculture, peasants across many regions of our country had already begun to break through the boundaries of advanced cooperatives and work together. Federations of cooperatives formed by several advanced cooperatives, as well as large communes created through mergers, had appeared everywhere. In many places, the township government also shared offices with federations of cooperatives and large communes, with the township head serving concurrently as commune head. These federations of cooperatives and large communes were, in effect, the embryonic form of the people's commune. The great leader Chairman Mao enthusiastically supported the initiative and creativity of the broad masses of peasants, summed up their experience in establishing federations of cooperatives and large communes, and promptly led the mass movement to establish people's communes. In August 1958, while inspecting the countryside in Shandong, Chairman Mao issued the great call: "**It is better to establish people's communes.**" Following this, the Party's conference at Beidaihe adopted the Resolution on the Establishment of People's Communes in Rural Areas. From then on, "a new social organization appeared, fresh as the morning sun, above the broad horizon of east Asia. This was the large-scale people's commune in the rural areas of our country which combines industry, agriculture, trade, education and military affairs and in which government administration and commune management are integrated."[1] The people's commune movement developed with extraordinary speed. Beginning in August 1958, in just a

[1] "Resolution on Some Questions Concerning the People's Communes," 10.

few months it spread throughout the vast countryside, and by December of that year, households participating in communes accounted for more than 99% of all households among the country's ethnic groups.

The rural people's commune is both the rural grassroots unit of our country's socialist social structure and the rural grassroots unit of our country's proletarian state-power organization. Moreover, it will become the best form for our country's rural areas to transition from collective ownership to ownership by the whole people, and the best form for our country to transition from socialist society to communist society.

The characteristics of rural people's communes are "**both big and public**."[1] "Big" refers, first, to the large organizational scale: many people, extensive land, abundant resources, and considerable strength. The size of rural people's communes varies from place to place, averaging about 3,000 households—more than ten times the size of the former advanced cooperatives. Second, it refers to the broad scope of their operations. Because communes are strong, they can undertake more activities. In agricultural areas, agriculture is generally the main activity, while other sectors, such as forestry, animal husbandry, sideline production, fisheries, and industry, can also be developed comprehensively according to local conditions. "Public" means that the degree of public ownership has increased compared with that of the former advanced cooperatives. At the present stage, rural people's communes in our country implement the system of "ownership at three levels, with the production team as the basic unit." In addition to ownership at the production-team and production-brigade levels, there is also ownership at the commune level;

[1] Quote from Mao Zedong. Tan Chen-Lin, "Strike for the Fulfillment, Ahead of Schedule, Of the National Programme for Agricultural Development," *Peking Review*, No. 15, (1960), 6.

moreover, the system includes certain elements of ownership by the whole people, none of which existed in the former advanced cooperatives.

Practice has fully demonstrated that the people's commune has promoted the further development of our country's productive forces and played a tremendous role in consolidating our country's dictatorship of the proletariat and raising the ideological consciousness of the peasants. It has boundless vitality and great superiority.

# Section Three: The Main Characteristics of the Establishment of Socialist Ownership in Our Country

From the preceding two sections, we can see that the establishment of socialist ownership in our country was both rapid and steady, and had several distinctive features. Practice has shown that the line, policies, forms, steps, and so forth adopted by Chairman Mao in leading our Party, on the basis of Marxist theory and in light of our country's specific conditions, to eliminate capitalist private ownership and establish socialist public ownership were entirely correct. Through the practice of leading our country's democratic revolution and socialist revolution, Chairman Mao greatly developed Marxism-Leninism's theory on eliminating private ownership and establishing public ownership.

Although socialist ownership in our country was fully established during the stage of the socialist revolution, it had already emerged during the stage of the new-democratic revolution. This is one of the characteristics of the establishment of socialist ownership in our country.

Before liberation, our country was not a highly developed capitalist society, but a semi-feudal, semi-colonial society. The proletariat could not proceed directly to socialist revolution; it first had to complete the bourgeois-democratic revolution before beginning the socialist revolution. During the democratic revolution, the proletariat's main task was to lead the masses in opposing imperialism and feudalism, not to oppose the capitalist economy in general or establish a socialist economy. Nevertheless, during the democratic revolution, under conditions in which private ownership predominated overwhelmingly, a small socialist economic sector inevitably emerged in the revolutionary base areas and liberated areas led by the proletariat. As

early as 1934, Chairman Mao pointed out: "**Our economy is made up of three sectors, state enterprise, cooperative enterprise and private enterprise.**"[1]

During the democratic revolution, our economy under ownership by the whole people came into being mainly through the confiscation of bureaucratic capital. As our army occupied cities and industrial areas, it successively confiscated the property of the bureaucratic bourgeoisie and established the state of the entire people-owned economy. But that was not all. The military and civilians in our revolutionary base areas also established, through self-reliance and appropriations from the democratic government, various state-owned agricultural enterprises serving the revolutionary war, as well as state-owned industries, such as small-scale military manufacturing, printing, and industries producing daily necessities.

In addition to the state-owned economy, various agricultural mutual aid and cooperation organizations with nascent socialist features emerged widely during the democratic revolution in our country. Mutual aid and cooperation organizations in our countryside have a fairly long history. As early as the agrarian revolution, our Party led the peasants in the red areas to launch a mutual aid and cooperation movement on the basis of land reform. In 1931, the first labor mutual aid society was established in Caixi Township, Shanghang County, Fujian. Soon afterward, such societies were established in succession in various places. In 1934, in just four counties—Ruijin, Xingguo, Changting, and Xijiang—91,193 members had joined labor mutual aid societies.[2] During the War of Resistance Against Japanese Aggression, the mutual aid and cooperation movement had already grown to a considerable scale: in 1944, throughout the Shaanxi-Gansu-

---

[1] Mao Zedong, "Our Economic Policy," in *Selected Works of Mao Zedong*, Vol. I, 144.

[2] Shi Jingtang et al., eds., *Zhongguo nongye hezuohua yundong shiliao* (中国农业合作化运动史料), vol. 1 (Beijing: Shenghuo, Dushu, Xinzhi Sanlian Shudian, 1957), 107, 143.

Ningxia Border Region, about 70% of the agricultural labor force participated in mutual aid and cooperation organizations such as work exchange teams and labor exchange teams.[1] During the liberation War, the movement spread even more widely and rapidly. According to statistics from 20 counties in Taihang District in 1946, 841,896 workers had joined various agricultural mutual aid groups, an average of 42,095 per county, amounting to 78% of the total labor force.[2] Over the long course of the mutual aid and cooperation movement, semi-socialist or socialist agricultural producers' cooperatives also appeared sporadically in our country; such cooperatives, for example, existed in Ansai County, northern Shaanxi. Rural cooperative commerce organizations, such as consumer cooperatives and grain cooperatives, were even more numerous. The various mutual aid and cooperation organizations that emerged during the democratic revolution in our country accumulated rich experience for carrying out the cooperative transformation of agriculture movement on a large scale during the socialist revolution and laid the foundation for comprehensively transforming the individual economy along socialist lines.

The fact that elements of the socialist economy could emerge in our country during the period of the democratic revolution was because the democratic revolution led by our country's proletariat and its Party was a new-democratic revolution, unlike the old democratic revolution. The future of the new-democratic revolution was not the establishment of a capitalist society under the dictatorship of the bourgeoisie, but development toward a socialist and communist society. It was not opposed to the socialist revolution; rather, they were two distinct but interconnected stages of revolution. "**The democratic revolution is the necessary preparation**

[1] Shi Jingtang et al., eds., *Zhongguo nongye hezuohua yundong shiliao*, 211.

[2] Ibid, 821.

**for the socialist revolution, and the socialist revolution is the inevitable sequel to the democratic revolution.**"[1] Therefore, the completion of the new-democratic revolution would not only clear the way for the socialist revolution, but certain elements of the socialist economy would inevitably emerge in the course of this revolution as well. Some economic measures, such as organizing mutual aid and cooperation among working people, although adopted at the time mainly to secure victory in the democratic revolution, already contained certain elements of the socialist revolution. Some revolutionary tasks were themselves dual in nature: for example, confiscating bureaucratic capital and establishing a state-owned economy on that basis had both an anti-imperialist and anti-feudal democratic revolutionary character and a socialist revolutionary character. At the same time, in the course of leading the democratic revolution, our Party had already gradually and piece by piece destroyed the reactionary regime and established people's democratic power. Although it was not yet a dictatorship of the proletariat, like the power under the dictatorship of the proletariat, it was led by the proletariat (through the Communist Party). This provided the fundamental guarantee for the nascent emergence of elements of the socialist economy during the democratic revolution.

However, this absolutely does not mean that socialist economic factors can arise spontaneously within the old capitalist society. During the democratic revolution in our country, socialist economic factors did not emerge in areas under Kuomintang reactionary rule, but in the red revolutionary base areas and liberated areas led by the Communist Party. In other words, they presupposed a violent revolution by the proletariat and the masses, and the overthrow of the landlord and bourgeois regime; they did not grow peacefully and spontaneously out of the old

[1] Mao Zedong, "The Chinese Revolution and the Chinese Communist Party," in *Selected Works of Mao Zedong*, Vol. II, 331.

capitalist society. History has long shown that landlords and the bourgeoisie always use their state apparatus to protect their private ownership economy, and never allow the establishment of any public ownership economy that would harm their interests. The revisionists' talk of "peaceful growth," "peaceful transition," and the like is pure deception, aimed at preserving the dictatorship of the bourgeoisie and capitalist ownership.

Another characteristic of the establishment of socialist ownership in our country is its timeliness.

Although socialist economic factors had already emerged during the democratic revolution in our country, they were not, and could not have been, the principal content of the revolution at that time. The task of the socialist revolution was to establish socialist ownership on a comprehensive and large scale. However, these two stages of revolution had to be linked to each other; under no circumstances could there be an intervening period of revolutionary stagnation. During the democratic revolution, Chairman Mao used the Marxist theory of uninterrupted revolution and theory of stages of revolutionary development to educate the entire Party, and clearly stated: "**To complete China's bourgeois-democratic revolution (the new-democratic revolution) and to transform it into a socialist revolution when all the necessary conditions are ripe--such is the sum total of the great and glorious revolutionary task of the Chinese Communist Party.**"[1] Thus, while the entire Party and the people throughout the country were still engaged in the struggle against imperialism, feudalism, and bureaucratic capital, they were already fully prepared ideologically to turn in due course to the socialist revolution. On the eve of nationwide victory, at the Party's second plenary session of the seventh

[1] Mao Zedong, "The Chinese Revolution and the Chinese Communist Party," 330.

Central Committee, Chairman Mao appropriately placed before the entire Party and the people throughout the country the task of the socialist revolution to transform individual agriculture, handicrafts, and capitalist industry and commerce. He also clearly defined the main content of the Party's general line and general task for the transition period. Soon after the liberation of the whole country, Chairman Mao formulated an even more complete and systematic general line for the transition period for our Party. Since our Party already had a clear Marxist line and specific policies for transforming the non-socialist economic sector around the founding of the People's Republic of China, this pointed the way and created the conditions for our country to take timely steps to replace private ownership with a socialist publicly owned economy. In the countryside, as soon as land reform had been basically completed, our Party, following Chairman Mao's instructions, "struck while the iron was hot," guiding the broad masses of peasants without interruption onto the road of cooperative transformation of agriculture. By the winter of 1952, 40% of the country's farm households had joined agricultural production mutual-aid teams. By December 1953, more than 14,000 agricultural producers' cooperatives had been established; in 1954, their number rapidly grew to more than 100,000. In just one year, the number of cooperatives increased more than sevenfold, and soon afterward a high tide of cooperative transformation of agriculture took shape. The socialist transformation of private capitalist industry and commerce in our country was also carried out in a timely manner. As soon as the whole country was liberated, the proletariat began restricting and transforming national capital while making use of it, and in just a few years transformed it into a socialist economy under ownership by the whole people.

Clearly, the timely transformation of the non-socialist economy into a socialist economy prevented the individual economy from polarizing on a large scale over an extended period, and curbed the unlimited growth and spread of the capitalist economy in our country. As a result, it reduced the obstacles on the path of socialist transformation. Had we not done this, but instead waited until the rich-peasant economy had emerged on a large scale and the economic strength of capitalism had become considerable before undertaking socialist economic transformation, the task would inevitably have been much more difficult and involved many more reversals, while inflicting greater suffering and losses on the masses. The great teachers of Marxism never advocated passively waiting for capitalism to develop without limit and delaying the implementation of socialist transformation. As early as the 1890s, when discussing the significance of transforming small farmers in a timely manner after the proletariat had seized state power, Engels pointed out: "**The greater the number of peasants whom we can save from being actually hurled down into the proletariat, whom we can win to our side while they are still peasants, the more quickly and easily the social transformation will be accomplished. It will serve us nought to wait … until the last small handicraftsman and the last small peasant have fallen victim to capitalist large-scale production.**"[1] Our country's experience of timely transforming the economy based on private ownership into an economy based on public ownership has fully confirmed this scientific conclusion of Engels. The establishment of public ownership in our country promoted the rapid development of the productive forces, consolidated the worker-peasant alliance on a new basis, and strengthened the

[1] Friedrich Engels, "Part 2: Germany."

new proletarian state power by providing it with an increasingly solid foundation in public ownership.

Liu Shaoqi, the chieftain of the revisionist line in the Party, vigorously opposed our Party's correct line of carrying out the revolutionary transition in a timely manner, and instead pursued a reactionary line of "consolidating the New Democratic system." In 1951, he was still clamoring that "socialism is a matter for the future; it is too early to raise it now," advocating that the individual economy be "left to run its course" and that "capitalists be allowed to exist and develop for decades," and so on. It is easy to imagine that if Liu Shaoqi's revisionist line had prevailed, not only would it have been impossible to consolidate the New Democratic system, but society would have regressed to the old semi-feudal, semi-colonial society. It was only because our Party, under the leadership of Chairman Mao, criticized his reactionary line that socialist ownership was established in our country in a timely manner and replaced the various forms of non-socialist ownership.

The third characteristic of the establishment of socialist ownership in our country is its gradualness.

The establishment of socialist ownership in our country was timely, but it was not sudden or accomplished all at once; rather, it was achieved gradually. This gradual process was reflected not only in the fact that democratic revolution came first, with the confiscation of bureaucratic capital, followed by socialist revolution, the transformation of other non-socialist economic sectors, and the comprehensive establishment of a socialist publicly owned economy; nor only in the gradual replacement of private ownership by public ownership, proceeding from isolated instances to widespread adoption and from less to more; it was also reflected in the forms of

socialist transformation of individual economy and private capitalist industry and commerce in our country, which advanced gradually from lower to higher levels through several transition stages that were distinct yet interconnected. As early as the eve of the liberation of the whole country, Chairman Mao had set out for our Party the policy of transforming individual economy "**prudently, step by step and yet actively**"[1]; in 1953, the Central Committee of the Communist Party, in its *Resolution on Agricultural Mutual Aid and Cooperation*, further specified three transitional forms for moving from individual agriculture to socialist agriculture. Among these, the temporary mutual-aid team was "the simplest" form; the year-round mutual-aid team was "a form more advanced than the first"; and the agricultural producers' cooperative characterized by land contributed as shares was "a higher form of the mutual-aid movement in the present transitional period, yet compared with the socialist collective farm in its fullest sense, i.e., the agricultural producers' co-operative of a higher level, it is a relatively lower form."[2] In 1955, Chairman Mao delivered the report "On the Co-Operative Transformation of Agriculture," further clarifying the three steps by which our country would gradually advance in the socialist transformation of agriculture, from mutual-aid teams to advanced cooperatives. Socialist public ownership in our country's countryside was realized in this way, step by step. The transformation of capitalist industry and commerce in our country proceeded in the same way: first through the elementary form of state capitalism, and then through its advanced form. The advanced form of state capitalism was further divided into joint state-private ownership of individual enterprises

[1] Mao Zedong, "Report to the Second Plenary Session of the Seventh Central Committee of the Communist Party of China," Vol. IV, 368.

[2] Central Committee of the Communist Party of China, "Decisions on Mutual Aid and Co-operation in Agricultural Production," Supplement to *People's China* (July 1953).

and joint state-private ownership by whole trades, likewise demonstrating a gradual process of development.

The transition from a non-socialist economy to a socialist economy is a fundamental transformation, a qualitative leap. Quantitative and qualitative change are a unity of opposites. In the process of the development of things, before the final qualitative change is completed, there must be continuous quantitative change and many partial qualitative changes. In establishing socialist ownership, our country adopted a policy of gradual progress, which reflected a correct understanding and application of this objective law. Each form and step adopted as our country gradually replaced private ownership with public ownership constituted a relatively small stage of development of a quantitative nature when viewed in relation to the entire process of fundamental qualitative change; viewed in terms of the succession of the various stages of development, each is also a small partial qualitative change. Thus, they are closely connected in a process of development from quantitative change to qualitative change, and from partial qualitative change to fundamental qualitative change. Each preceding step prepares the conditions for the next, while the next is the inevitable result of the development of the preceding step.

Our Party's adoption of appropriate forms and steps, in light of our country's specific conditions, to gradually transform the non-socialist economic sectors was entirely correct. It had several advantages. First, it was relatively well suited to the ideological level of the broad masses of peasants and other workers, while enabling them to experience in practice, through their own experience, the superiority of taking the socialist road and gradually raise their level of awareness. This not only meant that the change in their way of life did not come as a shock to

them, but also helped us avoid commandism in our work, ensuring that the transformation of the individual economy in our country was based on the socialist enthusiasm and consciousness of the broad masses of working people. At the same time, the gradual transformation of the private capitalist economy was also more readily accepted by our country's national bourgeoisie, helping to transform them into self-supporting workers.

Second, our country's practical experience in gradually transforming the non-socialist economy was a great school for cadres. It trained and developed the abilities of the large numbers of leading cadres, administrators, and technical personnel needed by our country's socialist state-owned economy and cooperative economy.

Third, for the two reasons above, we also avoided the decline in industry and agriculture over a period of time that might have been caused by a sweeping change in the ownership of the means of production. In the course of transforming the non-socialist economy, our country not only avoided any decline in output but also achieved annual increases, further strengthening the confidence of the people throughout the country in taking the socialist road.

Fourth, it greatly accelerated the process of establishing a socialist economy in our country. In form, adopting certain transitional steps between private ownership and public ownership might seem to delay the establishment of a socialist economy. In substance, however, it was precisely these necessary and appropriate transition stages that laid the ideological, cadre, and material foundations for our country to establish a single socialist economic structure. In fact, from the founding of the People's Republic of China, our country took only seven years—until 1956—to basically complete the socialist revolution in the ownership of the means of production.

In addition, our country made a scientific and detailed distinction among the various non-socialist economic sectors and the classes and strata occupying different positions within these economic relations, and adopted different policies for them, thereby ensuring the successful progress of our country's socialist transformation. This was also an important feature of the process by which socialist ownership was established in our country.

In short, under the leadership of Chairman Mao and the Central Committee of the Communist Party, guided by the universal truths of Marxism, the people of our country have developed many distinctive and creatively revolutionary features and experiences in the practice of eliminating private ownership and establishing socialist public ownership. These are a valuable legacy in the history of the socialist revolution and construction of our country. Summarizing these experiences will help the revolutionary people combat revisionism and prevent its resurgence, continue the revolution, uphold forever the principle of combining Marxism with concrete realities, and achieve one victory after another on the road of socialist revolution.

# Chapter Three: Consolidation and Development of Socialist Ownership

## Section One: The Superiority of Socialist Ownership

Socialist ownership replacing capitalist ownership is a great and fundamental economic transformation in human history. The private ownership of the means of production that had lasted for thousands of years has now come to an end, and the proletariat and the broad masses of working people have become the masters of the means of production. This is the most important economic achievement won by the proletariat and the masses under the leadership of the Communist Party, through a long period of heroic sacrifice and arduous revolutionary struggle.

Although the two forms of socialist ownership differ, in essence they are both socialist public ownership and both constitute the economic base of socialism. The socialist system is fundamentally different from the capitalist system and has advantages unmatched by the capitalist system. The basic reason for this is that "**the system of ownership has changed.**" Therefore, fundamentally speaking, what is called the superiority of the socialist system is primarily the superiority of socialist ownership.

Socialist ownership determines that the socialist economic system is one in which people do not exploit one another. Since the disintegration of primitive society, humanity has spent thousands of years of its long history under systems of exploitation, with a small minority invariably exploiting the majority: "Those who labor do not reap; those who reap do not labor."

The capitalist system is the last system of exploitation in history, and the degree of exploitation under it has reached its highest point. Why can a small minority exploit the majority of working people? Because they own the means of production. Private ownership of the means of production is precisely the social root that sustains systems of exploitation. Marx pointed out: "**The man who possesses no other property than his labor power must, in all conditions of society and culture, be the slave of other men who have made themselves the owners of the material conditions of labor. He can only work with their permission, hence live only with their permission.**"[1] That is to say, the cause of a small minority becoming fabulously wealthy while the majority live in extreme poverty is not unfair distribution, but private ownership of the means of production.

Socialist ownership is public ownership of the means of production. Once it replaces capitalist private ownership, it also destroys the foundation of the system of exploitation and deprives the small minority of the right on which their exploitation depends. The working people thereby gain the economic conditions to live free from exploitation and enslavement. It is precisely because socialist public ownership has been established that the socialist principle of "from each according to their ability, to each according to their work" can be realized, that elements of "to each according to their needs" can emerge, and that the fruits of the working people's labor are no longer appropriated by others but enjoyed by the workers themselves. As Lenin said, "**for the first time after centuries of working for others, of forced labor for the exploiter, it has become possible to work for oneself.**"[2] This system, in which the working

---

[1] Karl Marx, "I."

[2] Vladimir Ilyich Lenin, "How to Organise Competition?,"in *Lenin's Collected Works*, Vol. 26.

people are free from exploitation and labor for the interests of their entire class, is impossible to achieve in any private-ownership society.

The establishment of socialist ownership has changed the position of the working people in production and people's mutual relations. In a private-ownership society, the workers have no means of production; consequently, in the production process, their labor also belongs to the owners of the means of production. Thus, leadership, direction, and management of production are all in the hands of the exploiting classes, while the working people are oppressed and enslaved. Their relations with production managers are relations of oppressor and oppressed, enslaver and enslaved. The establishment of socialist ownership shows that the working people have become the masters of the means of production. This determines that they must become the masters of production, with workers and peasants themselves leading, organizing, and managing the entire production process. The exploiting classes of the past, by contrast, have become the objects of transformation in production. As for the working people themselves, regardless of rank, they are all ordinary workers, and their relations with one another are equal and characterized by comradely mutual aid and cooperation. Chairman Mao said: "**Overthrowing the old social system and establishing a new one, the system of socialism, means a great struggle, a great change in the social system and in men's relations with each other.**"[1] The foundation of this great change is the replacement of capitalist private ownership by socialist public ownership.

Socialist ownership has greatly promoted the development of social productive forces. We know that capitalist private ownership has long been in sharp opposition and conflict with

[1] Mao Zedong, "Speech at the Chinese Communist Party's National Conference on Propaganda Work," in *Selected Works of Mao Zedong*, Vol. V, 422.

socialized large-scale production. The socialization of production demands the destruction of the shell of private ownership. Socialist public ownership emerged as the antithesis of capitalist private ownership, adapted to the nature of modern productive forces. In accordance with the requirements of the productive forces, it enables society as a whole or the collective of working people to use the means of production and labor power collectively, to make social production serve the needs of the broad masses of working people, and to ensure the planned, proportionate development of the entire national economy, among other things. This has not only eliminated the enormous waste of productive forces caused by capitalist private ownership, but has also liberated the workers, the means of production, and the vast natural world. As a result, productive forces can advance at a pace unknown in capitalist society. The great achievements in industry and agriculture in our country since liberation—particularly the successive bumper harvests in agricultural production and the flourishing development of industry since the Great Proletarian Cultural Revolution—provide extremely clear proof of this. This stands in sharp contrast to the decline of the Soviet revisionist national economy and the economic crises of the capitalist world.

The establishment of socialist ownership is of great significance for consolidating and strengthening the dictatorship of the proletariat. The dictatorship of the proletariat is the fundamental guarantee for the establishment, consolidation, and development of socialist ownership; conversely, socialist ownership is the economic base of the dictatorship of the proletariat. Without the establishment of socialist ownership, the dictatorship of the proletariat cannot be consolidated. After proletarian state power is established, if no socialist revolution is carried out in the sphere of ownership and no socialist economy is established, but instead

capitalist economic activity is allowed to develop unchecked, preserving and strengthening the economic power of the bourgeoisie, the bourgeoisie will use its formidable economic strength either to launch an armed counterrevolutionary rebellion and overthrow the dictatorship of the proletariat, or, through its agents within the Party, to transform the dictatorship of the proletariat into a dictatorship of the bourgeoisie. Chairman Mao once pointedly observed: "**What will happen if our country fails to establish a socialist economy? It will turn into a country like Yugoslavia, a bourgeois state in effect, and the dictatorship of the proletariat will turn into a bourgeois dictatorship and, for that matter, into a reactionary, fascist dictatorship. This question very much warrants our vigilance and I hope comrades will give it serious consideration.**"[1] Practice has proved that it is impossible for the proletariat to maintain its political rule without socialist ownership as its economic base. The establishment of socialist ownership enables the proletarian state to control the economic lifelines of society as a whole, to secure the economic conditions for gradually developing communist elements and eliminating capitalist elements in relations of production and all social relations, and to possess reliable and powerful material strength to suppress the resistance of landlords and the bourgeoisie at home and defend against imperialist and social-imperialist aggression and subversion from abroad. This greatly consolidates and strengthens the dictatorship of the proletariat.

Socialist ownership is the most advanced system of ownership of the means of production to date; it meets the requirements of social development and the fundamental interests of the working people. However, traces of capitalism still exist within socialist ownership.

---

[1] Editorial Departments of *Hongqi* and *Renmin Ribao*, "Along the Socialist Road or the Capitalist Road?," *Peking Review*, No. 34 (1967), 14.

Socialist ownership will inevitably be consolidated and developed through contradiction and struggle.

# Section Two: Consolidation and Development of Socialist Ownership by the Whole People

## The Nature, Status, and Management System of Ownership by the Whole People

Socialist ownership by the whole people is ownership by all working people, represented by the proletarian state. This is because, in socialist society, after the means of production of the landlord and bourgeois classes have been expropriated, they cannot be eliminated immediately as exploiting classes, but will continue to exist for a long time. There has never been any equality between exploiting and exploited classes in the ownership of the means of production. The means of production belonging to working people cannot be jointly owned with the exploiting classes. Under conditions in which classes and the state exist, the only form that ownership by the whole people can take is the socialist state-owned economy. As Engels foresaw: "***The proletariat seizes political power and turns the means of production in the first instance into state property.***"[1] The scope of socialist ownership by the whole people in our country includes mineral deposits, rivers, forests, wastelands and other natural resources designated by law as state-owned, railways, post and telecommunications, banks, state-owned factories, state-owned farms, state-owned stores, and so on.

The state-owned economy under socialism fundamentally differs from the state-owned economy under capitalism. The character of a state-owned economy is determined by the character of the state. A state under the dictatorship of the proletariat represents the interests of

[1] Frederick Engels, "II. Theoretical, Part III: Socialism."

the proletariat and all working people; under these conditions, the state-owned economy necessarily has a socialist character. In a state under the dictatorship of the bourgeoisie, the state-owned economy can only be capitalist in character; it is a form of ownership of the bureaucratic monopoly bourgeoisie. For the bourgeois state, "**no matter what its form, is essentially a capitalist machine, the state of the capitalists, the ideal personification of the total national capital. The more it proceeds to the taking over of productive forces, the more does it actually become the national capitalist, the more citizens does it exploit. The workers remain wage-workers — proletarians. The capitalist relation is not done away with. It is rather brought to a head.**"[1] The state-owned economy in old China, and the so-called state-owned economies of modern Soviet revisionism and of capitalist countries, all belong to this kind of capitalist economy. Revisionists describe every kind of state-owned economy as a socialist economy, thereby erasing the fundamental distinction between the dictatorship of the proletariat and the dictatorship of the bourgeoisie. Their aim is to uphold the reactionary systems of capitalism, imperialism, and social-imperialism, and to obstruct people's revolution and the establishment of the dictatorship of the proletariat. Engels had already sharply ridiculed this fallacy, pointing out: "**Since Bismarck went in for state-ownership of industrial establishments, a kind of spurious socialism has arisen, degenerating, now and again, into something of flunkeyism, that without more ado declares all state ownership, even of the Bismarckian sort, to be socialistic. Certainly, if the taking over by the state of the tobacco industry is socialistic, then Napoleon and Metternich must be numbered among the**

[1] Frederick Engels, "II. Theoretical, Part III: Socialism."

**founders of socialism.**"[1] Modern revisionists in the Soviet Union also tout their long-since degenerated state-owned economy as socialist ownership by the whole people, when in fact it is merely a form of phoney socialism.

Socialist ownership by the whole people is a form of public ownership suited to the highly socialized productive forces of modern industry. The development of modern industry has created extensive and close ties of social production among enterprises and sectors. This requires society as a whole to manage production. To achieve this, the means of production of these industrial enterprises and sectors must be owned by society as a whole.

Compared with collective ownership, socialist ownership by the whole people has a higher degree of socialization. It is the advanced form of socialist ownership and therefore has greater advantages. The means of production, labor power, products, and profits of state-owned enterprises can be uniformly allocated and managed by the state nationwide, allowing them to be used more fully, rationally, and effectively. In state-owned enterprises, the state's unified plan can be implemented and enforced more rigorously, which is of great significance for ensuring the planned, proportionate development of the entire national economy. The wage levels and standards of employees of state-owned enterprises are set uniformly by the state in accordance with the development of the state-owned economy as a whole, and based on the principle of "from each according to their ability, to each according to their work," and state policies. Workers' wage income is not restricted or affected by the income of their own enterprise, and so on. These advantages in production and distribution are precisely determined by the nature of socialist ownership by the whole people.

---

[1] Frederick Engels, "II. Theoretical, Part III: Socialism."

Because the socialist state-owned economy is linked to modernized large-scale production and is an advanced form of socialist public ownership, representing the direction of development of ownership of the means of production, it is necessarily the leading force in the socialist national economy. Our country's state-owned economy controls the country's important resources and all modern industrial production sectors, and holds the lifeblood of the national economy. This gives it a strong material foundation for leading the entire national economy. In 1973, state-owned industry accounted for 97% of the fixed assets of all industry, while state-owned commerce accounted for 92.5% of total retail sales of commodities. This shows that the economic strength of ownership by the whole people in our country had grown even greater, and its leading position in the national economy had become even more firmly established.

Our country's socialist state-owned economy played a significant leading role in the socialist transformation of individual agriculture, handicrafts, and capitalist industry and commerce; in the recovery of our country's national economy; and in large-scale socialist economic construction. After the socialist transformation of the means of production was basically completed, it continues—and will continue—to play a leading role in upholding the socialist orientation of our country's national economy; consolidating and developing the socialist collective economy; transforming the habitual forces of small-scale production and combating capitalist activity; and achieving the modernization of our country's industry, agriculture, national defense, and science and technology.

The tremendous role of the socialist state-owned economy is also widely evident in various fields. The state-owned economy is concentrated in commerce and industry: the vast majority of all industrial means of production, means of transportation, agricultural support

supplies, defense supplies, export goods, and industrial necessities for people's livelihood, among other things, come from state-owned industry and are supplied by state-owned commerce. The state-owned economy exists in agriculture only to a limited extent, namely in state-owned farms and Production and Construction Corpses. These are important in demonstrating agricultural mechanization, accumulating experience in managing state-owned agriculture, and reclaiming wasteland on a large scale, developing and defending the border regions. Ownership by the whole people is the principal economic base of the dictatorship of the proletariat, and it plays an exceptionally important role in consolidating the worker-peasant alliance and the dictatorship of the proletariat.

The economy under ownership by the whole people in our country's socialist system operates under a management system that combines centralized leadership with different levels of local management. This system is an application of democratic centralism to socialist economic management. Its essence is to fully mobilize the initiative of both the central and local authorities and to carry out socialist economic construction with greater, faster, better, and more economical results. To implement this management system, the central authorities must retain control over major policies, while certain key enterprises are managed directly by the central authorities in charge. At the same time, there must be an appropriate degree of decentralization between the central and local authorities at all levels with regard to enterprise subordination, planned management, materials allocation, and fiscal revenues and expenditures.

Since the founding of the People's Republic, the management system has been continuously adjusted under the guidance of Chairman Mao's revolutionary line, alongside the development of our country's economy under ownership by the whole people and of the national

economy as a whole. In the early days after liberation, to suit the political and economic conditions of the time, our country adopted a policy of greater centralization in managing the state-owned economy. In 1958 and 1959, in accordance with the relevant directives given by Chairman Mao in *On the Ten Major Relationships* and *On the Correct Handling of Contradictions Among the People*, the Party and the state adjusted the balance between centralization and decentralization in the management system. The State Council decided that except for certain key large enterprises of crucial importance to national economic development, enterprises formerly managed by central authorities would be delegated to the provinces, municipalities, and autonomous regions; many enterprises formerly managed by the provinces, municipalities, and autonomous regions were also delegated to prefectures or counties. A system combining unified leadership with management at different levels was thus implemented. The management authority of enterprises over the use of funds and materials was also expanded. Delegating large numbers of state-owned enterprises to local authorities at various levels and expanding some of the management authority of enterprises does not mean weakening the unified leadership of the central authorities. The central authorities in charge still need to set guiding principles, draw up work plans, and carry out comprehensive balancing. In relations between the central and local authorities, the leading role remains with the central authorities. Local authorities need to obey the central authorities, the part needs to obey the whole, and lower levels need to obey higher levels. In this way, excessive centralization is avoided, while decentralism among local authorities and enterprises is also prevented. Practice has shown that the system of centralized leadership and local management at different levels helps bring out the

advantages of ownership by the whole people, greatly mobilizes the initiative of local authorities and enterprises, and powerfully promotes the development of our country's national economy.

## The Consolidation and Development of Ownership by the Whole People Under Struggle

Ownership by the whole people under socialism is the advanced form of socialist ownership. This form indicates that all the workers in socialist society have already achieved equal rights in their relations of possession of the means of production. Therefore, "**to that extent–and to that extent alone–'bourgeois law' disappears.**"[1] In this sense, ownership by the whole people under socialism and communist ownership by the whole people have essentially the same nature. It is precisely for this reason that socialist society can be described as "communism," and called the first stage of communist society. As Lenin said: "**Insofar as the means of production becomes common property, the word "communism" is also applicable here, providing we do not forget that this is not complete communism.**" By "**common property**," Lenin here meant "**common property of the whole society**"—that is, ownership by the whole people. Ownership by the whole people is the common economic base of socialist society and communist society.

Although ownership by the whole people under socialism, by its inherent nature, does not involve bourgeois right, the influence and effects of capitalist elements in the socialist

[1] Vladimir Ilyich Lenin, "Chapter V: The Economic Basis of the Withering Away of the State."
Note from translator: "bürgerliche Recht" in original German text is translated as both "right" and "law" in different texts.

superstructure and other aspects of the relations of production can still leave it bearing certain traces of the old society.

As mentioned above, in socialist society, ownership by the whole people still has to take the form of state ownership. This is entirely necessary for consolidating and developing ownership by the whole people and for finally eliminating the bourgeoisie. However, within the state power under the dictatorship of the proletariat, capitalist roaders within the Party, as well as a bourgeois line, ideas, and style of work, inevitably exist. All this hinders state property from serving the interests of all working people, and may even cause some state property to serve the interests of a minority and of the bourgeoisie. Under ordinary circumstances, when the bourgeois line pursued by capitalist-roaders is criticized and bourgeois ideas and style of work are resisted, this will not change the nature of the state under the dictatorship of the proletariat, nor, consequently, the nature of socialist ownership by the whole people; nevertheless, it gives ownership by the whole people traces of capitalism.

Enterprises under ownership by the whole people are led and managed by representatives appointed by the state. As long as the development of production cannot eliminate the old division of labor, leadership and management authority over these enterprises can only be relatively fixed in the hands of a small number of people, while the majority of the working masses engage relatively fixedly in direct production labor. This situation places certain limits on the extent to which all workers exercise ownership of the means of production, thereby creating the possibility that leadership and management authority may become separated from ownership. This is precisely the harm caused by the old division between mental and manual labor. If this is not handled properly, a small number of people may become detached from manual labor and

from the working masses, and may even turn into a spiritual aristocracy. They may use the power in their hands to deprive all workers of ownership of the means of production, thereby changing the nature of ownership by the whole people. Therefore, it is necessary gradually to narrow the difference between mental and manual labor and create the conditions to eliminate it eventually, so that the functions of leadership and management "**will be performed by each in turn, will then become a habit and will finally die out as the special functions of a special section of the population.**"[1]

At the same time, under conditions in which commodity production exists, each enterprise under ownership by the whole people must also use value to conduct economic accounting independently; the exchange of products among them must also be priced and paid for. This means that although they are in fact under the same ownership, in exchange they must treat one another as different owners. Moreover, within an enterprise, if the operation of the law of value is not restricted, capitalist tendencies to pursue profit may also arise.

Therefore, ownership by the whole people under socialism has two possible paths of development: it may either transition to communist ownership by the whole people, or it may degenerate into capitalist ownership. After ownership by the whole people under socialism has been established and the single form of ownership by the whole people under socialism has been realized, there remains the question of its consolidation and development.

The question of leadership is a fundamental one. To consolidate and develop ownership by the whole people, the leadership of the state-owned economy must be firmly held by Marxists and the broad masses of workers.

---

[1] Vladimir Ilyich Lenin, "Chapter III: Experience of the Paris Commune of 1871. Marx's Analysis," in *State and Revolution*, *Lenin's Collected Works*, Vol. 25.

Leadership means Party authority and state power; in this sense, it belongs to the superstructure. On the other hand, it is also the authority to manage and direct production activities, and therefore belongs to the relations of production. Leadership embodies and reflects ownership of the means of production; conversely, under certain conditions, it determines the nature of that ownership. In a socialist society, public ownership requires leadership to be in the hands of Marxists and the worker and peasant masses. Nevertheless, leadership may still be usurped by the bourgeoisie and its agents. The bourgeoisie are unwilling to accept the expropriation of their means of production; they constantly dream of "[reviving] states that had been extinguished, [restoring] families whose line of succession had been broken, and [calling] to office those who had retired into obscurity"[1] in order to recover ownership of the means of production. Once leadership of the socialist economy under state ownership by the whole people falls into their hands, they will use the power at their disposal to lead the economy under ownership by the whole people astray and restore capitalist ownership. To prevent the economy under ownership by the whole people from degenerating, leadership must not be usurped by the bourgeoisie, but must be held by Marxists and the broad working masses. This is the fundamental guarantee for consolidating and developing the socialist economy under state ownership by the whole people.

In 1969, Chairman Mao pointed out at the First Plenary Session of the Ninth Central Committee of the Party: "**It seems that it won't do not to carry out the Great Proletarian Cultural Revolution, for our foundation is not solid. Judging from my observations, I am afraid that in a fairly large majority of factories—I don't mean all or the overwhelming**

[1] Note from translator: From "Yao Yue," in *The Analects*. English translation is from *Chinese Text Project*.

**majority of them—leadership was not in the hands of genuine Marxists and the masses of workers. Not that there were no good people among those in charge of the factories. There were. There were good people among the secretaries, deputy secretaries and members of Party committees and among Party branch secretaries. But they were following that line of Liu Shao-chi—simply resorting to material incentives, putting profit in command and, instead of promoting proletarian politics, handing out bonuses, and so forth.**" "**But there were indeed bad people in the factories.**" "**This showed that the revolution remained unfinished.**"[1] These words of Chairman Mao not only explained the necessity of the Great Proletarian Cultural Revolution but also showed the seriousness of the question of leadership in state-owned enterprises, making us clearly understand that the ownership question cannot be judged by its form alone; its actual content must also be examined. Whether the line is correct and which class holds leadership determine which class in fact owns an enterprise.

For this very reason, the struggle between the proletariat and the bourgeoisie for leadership of enterprises has never ceased. Liu Shaoqi and his ilk represented the interests of the bourgeoisie and once pursued a revisionist line on running enterprises, opposing the Party's leadership and proletarian politics in command, advocating revisionist "one-man management system," and absurdly claiming that "the factory director has the final say" and that the Party's "committee is an organ to ensure that the factory director completes their tasks, and is the factory director's office," and so on. They propagated "theory of productive forces," "material incentives," "putting profit in command," and the like. Their purpose came down to one thing: to

[1] Quote from Mao Zedong. Zhang Chunqiao, "On Exercising All-Round Dictatorship Over the Bourgeoisie," *Peking Review*, No. 14 (1975), 7.

wrest leadership of enterprises from Marxists and the working masses and turn enterprises under ownership by the whole people into capitalist enterprises.

But Chairman Mao led the entire Party and the people throughout the country in forcefully criticizing their revisionist line. The broad working masses held high the banner of the **Constitution of the Anshan Iron and Steel Company**, personally formulated by Chairman Mao, and launched the "**In Industry, Learn From Daqing**" movement, "**keep politics firmly in command; strengthen Party leadership; launch vigorous mass movements; institute the system of cadre participation in productive labor and worker participation in management, of reform of irrational and outdated rules and regulations, and of close co-operation among workers, cadres and technicians; and go full steam ahead with technical innovations and technical revolution.**"[1] They waged a head-on struggle against Liu Shaoqi's revisionist line on running enterprises and, especially through the Great Proletarian Cultural Revolution, smashed their sinister plot.

Now Deng Xiaoping, a capitalist-roader in the Party who refuses to mend his ways, has emerged again to oppose the **Constitution of the Anshan Iron and Steel Company** and continue peddling the same stale notions of "theory of productive forces," "putting profit in command," and "relying on experts to run the factories." This could not but provoke a forceful response from the people throughout the country. Practice has proved that if their revisionist line were allowed to prevail, the bourgeoisie would usurp leadership of enterprises, and socialist ownership by the whole people would degenerate into capitalist ownership. After the Soviet revisionist renegade clique of Khrushchev, Brezhnev, and their ilk usurped the leadership of the

[1] "Constitution of Anshan Iron and Steel Compony Spurs Revolution And Production," *Peking Review*, No. 16 (1970), 3.

Party and the state, they comprehensively implemented a whole set of revisionist policies. They loudly advocated "expanding factory directors' authority," made profit the "law governing Soviet enterprise activity," frantically promoted Lieberman's reactionary articles and enterprise management plan centered on "material incentives" and "profit in command," and, through "extensive trials" and "reform," established "economic incentives" and the "new system," and promulgated the so-called Statute on the Socialist State Production Enterprise. They took every organizational measure, even invoking Party "resolutions" and state "legislation," to force this revisionist line upon all state-owned enterprises. Because leadership has been completely usurped by revisionists, Soviet state-owned enterprises have long since become the property of a small handful of the monopoly bourgeoisie. The economy under ownership by the whole people, established by Lenin and Stalin as they led the Soviet people, has finally become a mere name. This bitter historical lesson teaches us that whether socialist ownership by the whole people can be consolidated and developed depends not on what label it bears, but on which class holds leadership and what line is implemented.

When leadership is in the hands of Marxists and the broad masses of workers, the two are in accord and complement each other. In socialist society, the working masses are by no means merely a source of labor power; more importantly, they are the masters of socialist enterprises and hold leadership over them. It is wrong to speak only of workers' right to work, right to rest, and right to education, while saying nothing about their leadership. In fact, leadership is the most fundamental right of the working class; without this right, all other rights are out of the question. After the October Revolution, Lenin placed great emphasis on the working masses' management and supervision of enterprises. Lenin pointed out: "**They should do away, once and for all,**

**with the illusion that state affairs or the management of banks and factories were beyond the power of the workers.**" "**The working-class masses must set about the organization of control and production on a country-wide scale.**"[1] Practice has taught us that if the working masses do not participate in the leadership, management, and supervision of socialist enterprises, those enterprises are very likely to come under the rule of the revisionist line. In that case, the claim that leadership of enterprises is in the hands of Marxists becomes empty talk. Likewise, only Marxists value the initiative and pioneering spirit of the working masses; therefore, they can rely wholeheartedly on the working class, select and train revolutionary successors from among the workers, mobilize the masses to participate in management, and increasingly fully realize the working masses' leadership over enterprises.

The foregoing shows that leadership plays a major role in consolidating and developing the economy under ownership by the whole people. In particular, as political power and part of the superstructure, it determines the nature of that economy under certain conditions. This by no means reverses the relationship between the superstructure and the economic base; on the contrary, it confirms the dialectical relationship between them. In 1890, Engels wrote in a letter to Schmidt: "**reacts in its turn upon the economic basis and may, within certain limits, modify it.**" He also wrote: "**Why do we fight for the political dictatorship of the proletariat if political power is economically impotent? Force (that is state power) is also an economic power.**"[2] This clearly points to the intrinsic connection between political power and the economic base.

---

[1] Vladimir Ilyich Lenin, "Report On The Economic Condition Of Petrograd Workers And The Tasks Of The Working Class," in *Lenin's Collected Works*, Vol. 26.

[2] Friedrich Engels, "Engels to Conrad Schmidt in Berlin, October 27, 1890," in *Marx-Engels Correspondence 1890*.

To consolidate and develop ownership by the whole people under socialism, it is also necessary to properly handle the relationship between centralization and decentralization.

The socialist state-owned economy operates under a system combining centralized leadership with local management at different levels. Under the unified leadership of the central government, local authorities and enterprises each have a certain degree of authority to manage enterprises. This management authority is not ownership, but is determined by ownership and has a significant impact on it. Properly resolving the relationship between centralization and decentralization is important for consolidating and developing the economy under ownership by the whole people.

The proletarian state represents the unified will of all working people. Ownership by the whole people requires strengthening centralization in economic management; otherwise, an economy under ownership by the whole people in socialism would be inconceivable. Any action that violates centralization means weakening and undermining the economy under ownership by the whole people. Revisionists at home and abroad do everything they can to turn the relative independence of socialist enterprises and localities into absolute independence from centralization. They advocate such notions as “workers’ self-management” and “factories belong to the workers,” and urge that the Party and the government should not “interfere in economic affairs,” that enterprises should be given “the authority to handle all economic affairs independently,” and even that “independent kingdoms” and “feudal separatism” could be promoted. Their purpose is to turn the dictatorship of the proletariat into the dictatorship of the bourgeoisie and the socialist economy into the capitalist economy. Lenin once pointedly observed: “**Any direct or indirect legalization of the rights of ownership of the workers of**

**any given factory or any given trade on their particular production, or of their right to weaken or impede the orders of the state authority, is a flagrant distortion of the basic principles of Soviet power and a complete rejection of socialism.**"[1] By undermining centralization and making the devolution of power to localities and enterprises absolute, revisionists inevitably cause ownership by the whole people to be divided and disintegrated. Nor do they do this in order to establish some kind of ownership by the workers in localities or enterprises. Their devolution of power to localities or enterprises is merely the bourgeoisie's devolution of power of the proletariat and all working people; the ownership of the means of production they establish is simply ownership by a small handful of bureaucratic monopoly bourgeoisie.

However, under unified central leadership, decentralization to local levels and enterprises is also necessary. While emphasizing centralized economic management, Lenin also once pointed out: "**Centralism, understood in a truly democratic sense, presupposes the possibility, created for the first time in history, of a full and unhampered development not only of specific local features, but also of local inventiveness, local initiative, of diverse ways, methods and means of progress to the common goal.**"[2] Once the initiative of localities and enterprises is mobilized, centralized and unified leadership by the center will have a broader and stronger foundation, and the economy under ownership by the whole people will be further consolidated and developed. In short, "**It is far better to have initiative from both than from**

---

[1] Vladimir Ilyich Lenin, "The Democratism and Socialist Nature of Soviet Power," in *Lenin Collected Works*, Vol. 42 (Progress Publishers, Moscow, 1971).

[2] Vladimir Ilyich Lenin, "Original Version of the Article 'The Immediate Tasks of the Soviet Government,'" in *Lenin's Collected Works*, Vol. 27.

**only one,**" and "**let the local authorities engage i n more undertakings under the unified planning of the central authorities.**"[1]

Liu Xiaoqi, Lin Biao, and their ilk, seeking to undermine the economy under ownership by the whole people and restore capitalism, sometimes advocate anarchism and decentralism, and at other times impose "sectional dictatorship" and absolute centralism, attempting to concentrate all power in the center. Using the methods of capitalist trusts, they promote monopolies by individual enterprises, preach the "theory of absolute division of labor," create rigid industry boundaries, and stifle the legitimate initiative of localities. We must do the opposite. Only by correctly combining centralization and decentralization, the economy under ownership by the whole people can be increasingly consolidated and developed.

Furthermore, to consolidate and develop ownership by the whole people, we must safeguard the property of all working people and wage a resolute struggle against every evil phenomenon of embezzlement and theft, speculation and profiteering, using public property for private gain, and turning public property into private property. Forms of ownership cannot be separated from material conditions. Ownership by the whole people means that the means of production belong to all working people. Therefore, safeguarding and increasing the property owned by all working people consolidates and develops ownership by the whole people; damaging or seizing that property weakens and undermines ownership by the whole people. Soon after the October Revolution, Lenin immediately issued a call to the workers, peasants, and soldiers and all laborers: "**Be watchful and guard like the apple of your eye your land, grain, factories, equipment, products, transport—all that from now onwards will be entirely your**

[1] Quote from Mao Zedong. Editorial by *Renmin Ribao*, *Hongqi* and *Jiefangjun Bao*, "Advance Victoriously Along Chairman Mao's Revolutionary Line," *Peking Review*, No. 1 (1971), 10.

**property, public property.**"[1] To this end, we must strengthen socialist labor discipline, increase production, and practice strict economy; at the same time, we must wage a merciless struggle against all kinds of illegal acts and criminals that endanger the people's property. Because of the influence of bourgeois ideas and the existence of bourgeois right, not only will members of the exploiting classes who cling to a reactionary stance and various other bad elements cause trouble, but "**both within the ranks of the proletariat and among the personnel of state organs there are people who follow the bourgeois style of life.**"[2] Therefore, the struggle by the proletariat and the broad masses of working people against the bourgeoisie's destruction of the people's property will also be a protracted one. Only by persevering in this struggle and continually achieving victories can the socialist economy under state ownership by the whole people be consolidated and developed.

[1] Vladimir Ilyich Lenin, "To The Population," in *Lenin's Collected Works*, Vol. 26.

[2] Quote from Mao Zedong. "Marx, Engels and Lenin on the Dictatorship of the Proletariat," 5.

# Section Three: The Consolidation and Development of Collective Ownership by the Socialist Working People

## The Nature, Role, and Organizational Forms of Collective Ownership

Socialist collective ownership by the working people is a form of socialist public ownership and is entirely different from the cooperative economy of capitalist society.

So-called cooperatives or "communes" also exist in countries under the dictatorship of the bourgeoisie. On the surface, these too are collective economies, but the issue is not their name; it is their essence. There, the class character of the bourgeois state determines that the so-called collective economies are controlled by bourgeois elements and serves the interests of the bourgeoisie. Their nature, therefore, can only be that of "**collective capitalist institutions**."[1] In fact, a genuine collective economy of the working people could not be established under the dictatorship of the bourgeoisie, because "**the lords of the land and the lords of capital will always use their political privileges for the defense and perpetuation of their economic monopolies. So far from promoting, they will continue to lay every possible impediment in the way of the emancipation of labor.**"[2]

However, once the proletariat has seized power, the situation is entirely different. The collectively owned economy established under the dictatorship of the proletariat is the working people's own collective economy. Its means of production are collectively owned by the workers; its production and operations are subject to the leadership of the proletarian state and

---

[1] Vladimir Ilyich Lenin, "On Cooperation," in *Lenin's Collected Works*, Vol. 33.

[2] Karl Marx, "Inaugural Address and Provisional Rules of the International Working Men's Association," *Marx & Engels Internet Archive.*

the state-owned economy, follow the guidance of the state plan, and serve the interests of the working people. It is therefore a component of the socialist economy. As Lenin said: "**Given social ownership of the means of production, given the class victory of the proletariat over the bourgeoisie, the system of civilized cooperators is the system of socialism.**"[1]

Although collective ownership is also a form of socialist ownership, its degree of public ownership is lower than that of ownership by the whole people. Ultimately, this less extensive form of public ownership is linked to the lower level of productive forces in the collective economy. In our country, the collective economy accounts for a relatively small share of industry but a very large share of agriculture. According to statistics, in 1973, collectively owned industry accounted for only 14% of gross industrial output, while 90% of cultivated land and irrigation and drainage machinery, and about 80% of tractors and large livestock among the agricultural means of production, were collectively owned. This is because the level of agricultural productive forces in our country still lags behind that of industry. Of course, since liberation, agricultural production in our country has developed considerably, and various kinds of agricultural machinery have come into fairly widespread use; nevertheless, the degree of mechanization remains low, and manual work still accounts for a substantial share. This state of productive forces indicates that the means of production of rural communes and brigades are generally not yet suited to being immediately placed under unified management and centralized use by society as a whole; collective ownership in varying degrees is more suitable. Even when agricultural mechanization is basically achieved in the near future, collective ownership cannot be transformed into ownership by the whole people all at once. Rather, the scope of public

[1] Vladimir Ilyich Lenin, "On Cooperation."

ownership of the means of production can only be gradually expanded as the level of agricultural mechanization and modernization continues to rise, ultimately attaining ownership by the whole people. The level of productive forces in our country's collectively owned industry is generally higher than in agriculture, but it still lags behind that of state-owned industry. For example, in 1973, workers in collectively owned industry accounted for 36.2% of all industrial workers, while machinery, equipment, and other fixed assets accounted for only 3%. This shows that its level of mechanization was still far below that of state-owned industry.

Collective ownership, as a form of socialist ownership, plays a tremendous role both economically and politically. It complements ownership by the whole people, and the two support one another, jointly promoting the prosperity of our country's socialist national economy and consolidating the dictatorship of the proletariat. Our country's collectively owned economy is concentrated mainly in agriculture. For example, in 1973, more than 90% of the nation's grain and various agricultural products were produced by the collective economy. The collective economy is also widely distributed across such industries as construction, transportation, small and medium-sized farm tools, hardware products, leather and fur, knitting and sewing, daily-use goods and handicrafts, and repair services. In addition, there is a portion of collectively owned commercial exchange. Clearly, the state of the collective economy is of great importance. Its consolidation and development are highly significant for fully bringing agriculture's foundational role into play; accumulating funds for the state's industrialization and providing grain, raw materials, and markets; meeting the needs of people between urban and rural areas; supporting agriculture and developing foreign trade; and strengthening the worker-peasant alliance and consolidating the dictatorship of the proletariat.

At the present stage, the organizational form of our country's socialist collective ownership by the working people in rural areas is the people's commune. Rural people's communes were formed through the union of advanced agricultural producers' cooperatives and, for a long historical period, have been our country's socialist collective economic organizations based on mutual assistance and mutual benefit. At present, people's communes operate under the system of "ownership at three levels, with the production team as the basic unit"; the basic accounting unit is the production team. There are also two-level systems, namely the commune and the production team (or brigade).

Generally speaking, ownership by production team is fundamental. Its means of production account for the vast majority of those held at the three levels of the commune and include cultivated land, livestock, farm tools, small agricultural machinery, forests, bodies of water, grasslands, and so on. The means of production of a production team are collectively owned by the members of that team. Production teams operate on an independent accounting basis and are responsible for their own profits and losses. Provided that they follow the guidance of the state plan and do not damage natural resources, they have the right to adapt planting to local conditions and the season, and to decide on measures to increase production.

Ownership by production brigade is a form of collective ownership with a relatively high degree of public ownership. The means of production of a production brigade belong to the members of that brigade collectively, including large and medium-sized agricultural machinery and means of transport, as well as enterprises in forestry, animal husbandry, sideline production, fisheries, and industry.

Ownership by commune, within the people's commune, is a higher form of collective ownership. The means of production of the commune are jointly owned by all members of the commune and generally include various large agricultural machines and means of transport, large-scale farmland irrigation facilities, various enterprises in forestry, animal husbandry, sideline production, and fisheries, as well as small industrial and mining enterprises. Some communes also own part of the newly cultivated land, and so on.

The people's commune, as an organizational form in our country, has great advantages and has opened up broad prospects for the development of agricultural production. First, the commune's three-tier ownership economy can provide mutual support and promote mutual development. Although the economies at the commune and brigade levels must be based on the collective economy of the production teams, as they develop, they can in turn set aside some funds or supplies to help and support production teams facing difficulties in production. Second, this organizational form facilitates the management of agricultural production and makes it easier, on a larger scale, to organize production cooperation among communes and brigades in accordance with the principles of voluntariness, mutual benefit, and equivalent exchange, or to jointly undertake farmland water conservancy projects and various enterprises. In addition, this organizational form is highly flexible and can accommodate productive forces at different stages and levels of development. For example, production undertakings that a production team cannot afford to establish can be undertaken by the production brigade; those that a production brigade cannot afford to establish can be undertaken by the commune. Practice will increasingly demonstrate that the people's commune is the most suitable organizational form for the rural

collective economy in our country, not only at present but also over an extended historical period.

At present, collectively owned industry in cities in our country takes two forms: small collectives in the form of cooperatives, and large collectives in the form of cooperative factories. Cooperatives are responsible for their own profits and losses, whereas cooperative factories have their profits and losses borne jointly by the municipal supervisory bureau. Thus, cooperative factories are no longer the same as cooperatives: the scope of their collective ownership has far exceeded the boundaries of a single factory, and they belong to a larger collective.

With an appropriate organizational form, collective ownership by the working masses under socialism can play a greater role and advance and develop more rapidly.

## Bourgeois Right in the Collectively Owned Economy

The collectively owned economy differs from the economy under capitalist ownership, but both it and the economy under ownership by the whole people belong to the socialist economy. In this respect, there is no fundamental difference between the two forms of public ownership. Within the socialist economy, however, they also differ significantly in qualitative terms. The collectively owned economy is a transitional form between the economy of small private ownership and the economy under ownership by the whole people. It therefore necessarily contains dual elements: both communist elements and a certain amount of bourgeois right.

Collective ownership is already public ownership, that is, a fundamental negation of private ownership; this in itself also manifests its communist elements. Moreover, the communist elements in the collectively owned economy are also reflected in its already containing certain components of ownership by the whole people: first, in rural people's communes, because government and commune are integrated and because the state and communes jointly invest in establishing certain production undertakings, the ownership economy at the commune level thereby acquires some elements of ownership by the whole people; second, in collectively owned industry and commerce, the state gradually appoints cadres to lead and manage enterprises, while the wage standards of wage earners are controlled by the state, and collective enterprises have no right to adjust them arbitrarily, which contain elements of ownership by the whole people; third, the collectively owned economy follows the leadership of the state-owned economy and accepts the guidance of the state plan—it serves not only the interests of the collective of working people but, first and foremost, the needs of society as a whole, and so on.

However, we must also recognize that the collectively owned economy still contains a certain amount of bourgeois right; that is, inequality still exists in people's relations to the means of production. On the eve of the October Revolution, when explaining Marx's principles concerning the two stages of communism, Lenin proposed that in socialist society bourgeois right "**in respect of the means of production**" would be "**abolished**." But the socialist ownership Lenin envisioned at the time was a single form of ownership by the whole people, namely, "**converts them into common property.**"[1] Clearly, as long as this situation has not yet been realized and the collectively owned economy still exists, it cannot be said that bourgeois

[1] Vladimir Ilyich Lenin, "Chapter V: The Economic Basis of the Withering Away of the State."

right in the ownership of the means of production has been completely abolished. The collectively owned economy merely means that, within the bounds of a collective, the workers' relations to the means of production are equal; once those bounds are crossed, however, it becomes clear that people's relations to the means of production are unequal. This inequality within the collectively owned economy—that is, bourgeois right—is an important economic source of capitalism and the bourgeoisie.

The existence of a collectively owned economy has resulted in an unequal relationship to the means of production between collective peasants and employees of state-owned enterprises. As members of society, peasants in the collective economy and state employees alike enjoy the right to possess the means of production owned by the whole people. However, employees of state-owned enterprises directly use this portion of the means of production in their labor, thereby linking it to their wage income. Collective peasants, in turn, are members of a collective; they possess and primarily use their collective's means of production in their labor, which is the main source of their income. Collective peasants' unequal relationship to the possession of the means of production compared with workers is, in essence, a class difference within the socialist workers. The reason workers and peasants are called two different classes lies not only in historical and ideological roots, but also in present-day economic conditions. Collective peasants' relationship to the possession of the means of production determines that, on the one hand, their economic interests are fundamentally consistent with those of all the workers; on the other hand, because the social wealth at their disposal comes mainly from the collective economy, their economic interests are relatively narrow. Likewise, an economy under ownership by the whole people means that the working class has no special economic interests independent of those of all

the workers. It follows that as long as collective ownership has not been transformed into ownership by the whole people, class differences between workers and peasants persist: "**As long as the class distinction between workers and peasants exists, it is no use talking about equality.**"[1]

The narrowness of the collective economy inevitably gives its purpose of production certain limitations, putting it at odds with the overall aim of socialist production; it also gives its mode of operation a certain liberal tendency, putting it at odds with the centralized and unified state plan, and so on. This inherent weakness of the collective economy is, in essence, still a characteristic of small-scale production. That is to say, although the collective economy has transformed peasants from individual workers into collective peasants, it cannot yet completely free them from certain characteristics of small producers. Capitalist tendencies will continue to arise among collective peasants, especially among some wealthy peasants, whose capitalist tendencies are more pronounced. For example, some people, under the banner of "increasing collective income," disregard the interests of the state and the state plan, engaging in so-called "free planting," "free trade," and the like. If such tendencies are not curbed and are instead allowed to spread unchecked, the collective economy will be led down the capitalist road.

Bourgeois right within the collectively owned economy is also manifested in the unequal possession of the means of production by different collectives. The means of production possessed by different collectives of working people differ in both quantity and quality. For example, the cultivated land of the various communes and brigades in rural areas differs not only in quantity but also in such respects as mountainous versus plain terrain, poor versus fertile soil,

---

[1] Vladimir Ilyich Lenin, "First All-Russia Congress on Adult Education," in *Lenin's Collected Works*, Vol. 29 (Progress Publishers, 1972).

and remote villages versus those near cities. These differences have a certain impact on the incomes of the various communes and brigades, giving rise to differential land rent. Marx pointed out: "**The same amount of labor expended upon fields with a different natural fertility and location would produce different yields.**"[1] Fertile land or land closer to the market yields higher income for the same amount of labor. The natural basis of differential land rent is, of course, the natural differences between plots of land, but who possesses the resulting income is determined by land ownership. The existence of collective ownership of farmland determines that this income accrues only to those communes and brigades with more favorable land conditions. The same applies to differences in other conditions of production, such as irrigation, machinery, and fertilizers.

Meanwhile, it should be pointed out that human effort is the decisive factor. The income of each commune and brigade, and the amount of remuneration for labor received by its members, depend mainly not on conditions of production but on whether the line is correct. The countless facts of our country's **In Agriculture, Learn from Dazhai** movement have shown that, as long as the line is correct, poor mountains and barren waters can be transformed, and all unfavorable factors relating to the means of production can be changed: rocky mountains can be turned into Dazhai fields; irrigation can be provided where there was none, and machinery can be acquired where there was none; and communes and brigades with chronically low yields can also cross the "Yellow River" and traverse the "Yangtze".[2] Conversely, if the line is incorrect,

---

[1] Karl Marx, "Marx-Zasulich Correspondence: The Third Draft," *Marxists Internet Archive.*

[2] Note: Our country's Outline for National Agricultural Development from 1956 to 1967 stipulates that grain yields per mu in regions south of the Yellow River and north of the Huai River should generally reach 500 jin (3,750 kg/ha); in regions south of the Huai River, the Qinling Mountains, and the Bailong River, they should generally reach 800 jin (6,000 kg/ha). Accordingly, people refer to grain yields exceeding 500 jin per mu as having crossed the "Yellow River," and yields exceeding 800 jin per mu as having crossed the "Yangtze River."

favorable conditions relating to the means of production will not only fail to be fully utilized but may also be lost. Nevertheless, the state of the means of production is, after all, an objective material condition affecting labor productivity, output, and income. Therefore, ideological education must be strengthened regarding the unequal relations of possession of the means of production among collective units. Appropriate limits must also be imposed through taxation and distribution policies, among other measures, while appropriate economic assistance is provided to communes and brigades in difficulty. Otherwise, income disparities among collectives and among individual members of cooperatives will become excessive, hindering the pursuit of the socialist road to common prosperity and even giving rise to polarization and the reemergence of the capitalist system of exploitation.

In rural people's communes, members still retain private plots and household sideline production. These account for a very small proportion and, being linked to public ownership, supplement the socialist collective economy. At present, given the level of productive forces and the members' level of political awareness, it is still necessary to allow members to have a small number of private plots and private livestock, provided that the development of the people's commune collective economy is ensured and remains absolutely dominant. This plays a certain role in increasing members' incomes and meeting market demand. Nevertheless, it is, after all, a remnant of the individual economy of small producers. By its very nature, it is opposed to public ownership. On the basis of this remnant of the individual economy, capitalism can take root more readily, often manifesting itself in competition with the collective for land, fertilizer, and labor. Some people with deeply entrenched capitalist ideas even make this remnant of the individual economy their main source of income, refrain from participating in collective labor, and eagerly

pursue individual farming. If these capitalist tendencies are not resisted and opposed, the remnant of the individual economy will gradually expand its territory, leading to the consequence that “private individuals make money while the collective’s fields lie fallow,” and collective ownership will be in danger of degenerating into private ownership.

Moreover, the ideas of private ownership, habits of free enterprise, and narrow-minded conservatism that small producers have developed over thousands of years cannot be eliminated all at once; they can also be preserved and revived on the soil of bourgeois right within the collective economy. This further increases the possibility of capitalism and the bourgeoisie reemerging.

In our country, there are also a small number of non-agricultural individual workers. They must engage in individual labor within the scope permitted by law and without exploiting others, under the unified arrangements of urban neighborhood organizations and the production teams of rural people’s communes. At the same time, they should be guided gradually onto the path of socialist collectivization.

In short, as long as collective ownership has not yet transitioned to ownership by the whole people, and as long as the remnants of the individual economy have not yet been eliminated, bourgeois right inevitably persists in the sphere of ownership, along with the soil that gives rise to capitalism and the bourgeoisie. “**Small-scale production engenders capitalism and the bourgeoisie continuously, daily, hourly, spontaneously, and on a mass scale.**”[1] Practice has shown that this assertion by Lenin has not become outdated, even after collective ownership replaced private ownership.

---

[1] Vladimir Ilyich Lenin, “An Essential Condition of the Bolsheviks’ Success.”

## Collective Ownership Is Consolidated and Developed Through Struggle

From the foregoing discussion, we can see that the collective economy contains not only factors driving development, which are primary, but also factors of restoration and regression. The two elements within the collective economy—communist elements and bourgeois right—can never coexist peacefully; they are inevitably in constant struggle. The outcome of this struggle determines the future and fate of the collective economy: it will either advance and gradually transition to ownership by the whole people, or regress and degenerate into capitalist ownership. The issue is thus posed sharply before us. History has set us the grave task of struggling to consolidate and develop the collective economy.

The collectively owned economy will inevitably be consolidated and developed continuously. This is the general trend of historical development. Capitalist ownership has long since become an outdated and reactionary economic system; "**Only socialism can save China.**"[1] However, the collectively owned economy will never be consolidated and developed spontaneously; it can only be consolidated and developed through class struggle and line struggle. The struggle between these two factors within the collective economy must find expression in the struggle between the proletariat and the bourgeoisie, and between the Marxist line and the revisionist line. The concentrated expression of this struggle is the struggle to restrict bourgeois right and counter its restrictions. Bourgeois right gives rise to capitalism and the bourgeoisie; in turn, the bourgeoisie and its agents, in order to restore capitalism, always seek to consolidate, strengthen, and expand bourgeois right.

---

[1] Mao Zedong, "On the Correct Handling of Contradictions Among the People," 394.

Since cooperative transformation of agriculture began in our country, the proletariat and the bourgeoisie have waged fierce struggles over bourgeois right within the collective economy. Liu Shaoqi and the Lin Biao clique represented the interests of the bourgeoisie and did everything they could to oppose the people's commune movement, slandering the people's communes as having been "set up too early" and "set up badly." They openly advocated expanding private plots, called for opening up free markets, and proposed that agriculture "must retreat far enough, including household responsibility system and individual farming." They spouted such nonsense as "the big collective dampens enthusiasm, the small collective inspires vigor; state-owned enterprises are inferior to collectives, and collectives are inferior to individual farming," and so on, recklessly pushing a revisionist line of "three freedoms and one contract." At times, they also appeared ultra-leftist, erasing the distinction between collective ownership and ownership by the whole people, advocating the uncompensated requisition of the means of production, products, and labor power of communes and brigades, whipping up a "communist wind" of "equalization and requisition," and calling for the immediate "cutting off of the tail of private ownership," the complete abolition of private plots and household sideline production, and "rushing into communism," and so on. Their methods differed, but their essence was the same: they all aimed to expand bourgeois right and turn the collective economy into a capitalist economy.

Chairman Mao and the Central Committee of the Communist Party promptly saw through their plot and led the entire Party and the people of the whole country to defeat their revisionist line time and again. However, class struggle and line struggle will remain protracted; the collective economy can be consolidated, strengthened, and developed only through struggle.

Then, how exactly can we ensure that the collective economy is continually consolidated and developed through struggle?

The experience of our country's **In Agriculture, Learn From Dazhai** Movement shows that only by having the proletariat lead the broad masses of peasants, taking class struggle as the key link, criticizing capitalism on a large scale, working hard to build socialism, and exercising an all-round dictatorship over the bourgeoisie, can victory over capitalism and the bourgeoisie be achieved and the collective economy consolidated and developed. The Dazhai road is the only correct road for consolidating and developing the collective economy.

The Dazhai road points out the following points to us in particular:

First, in order to consolidate and develop the collective economy, leadership of the collective economy must be firmly held by Marxists and the broad masses of poor and lower-middle peasants.

The line is the concentrated expression of class will. To determine which class holds leadership over the collective economy, the main thing is to see which line its leadership team follows. The revisionist line represents the interests of the bourgeoisie in concentrated form. If the leadership team of a collective economy does not follow the correct Marxist line, but instead follows the revisionist line, this shows that leadership is no longer in the hands of Marxists and the broad masses of poor and lower-middle peasants, but has in fact fallen into the hands of the bourgeoisie.

In the rural collective economy, fierce line struggle takes place over whether to restrict bourgeois right or expand it. For example, should the collective economy be developed, or should people engage in individual sideline production or de facto individual farming? Should

we **take grain as the key link and ensure an all-round development**, or put money first and let sideline production displace agriculture? Should production and exchange be carried out according to the state plan, or should there be free production and free trade? In distribution, should the interests of the state, collective, and individual be taken into account, or should the interests of the state be disregarded and those of the collective, or even the individual, be put first? This whole series of struggles is not a dispute over methods, but a line struggle. Its nature is a question of which road to take. The poor and lower-middle peasants put it well: "Where the heart is set, where the effort is spent, where the money is used, where the people are sent, where the vehicles are driven—in practice, that is the road one takes!" Should we take the socialist road or the capitalist road? The answer depends on which line the leadership team follows in resolving these issues, not on what banner it flies. Some people fly the banners of "socialism" and "serving the collective," even displaying the signboard of "**In Agriculture, Learn From Dazhai**," yet engage in capitalist activity that harms the state first and the collective second. Therefore, we must not only be adept at struggling against capitalism in its naked form, but also learn to recognize capitalism in disguise and wage a resolute struggle against it.

The class composition of the leadership team has a great deal to do with which line it follows. During the period of cooperative transformation of agriculture, Chairman Mao reminded us that close attention should be paid to the class composition of the leadership bodies of the collective economy, pointing out: "**It is imperative to establish the dominant position of the present-day poor peasants and the new lower-middle peasants in the leading body of a co-operative.**"[1] Practice has shown that without this basic condition, the correct Marxist line cannot

[1] Mao Zedong, "Editor's Notes from Socialist Upsurge in China's Countryside," 254.

be implemented in the rural collective economy. Therefore, in the collective economy, bad elements who have infiltrated leadership teams should be removed, and where the dominant position of poor and lower-middle peasants has not been established, the teams should be adjusted. However, the ability to follow the correct line is not determined by this alone. In reality, those who follow the revisionist line and take the capitalist road include both bad elements and good people with insufficient political consciousness. It is therefore also necessary to bring about the ideological revolutionization of the leadership team and raise its members' awareness of the line. The Dazhai Party branch was able to withstand repeated attacks by the revisionist line and resolutely follow Chairman Mao's revolutionary line under all circumstances precisely because it attached great importance to its own ideological revolutionization. It persevered in studying Marxism, firmly opposed the corrosive influence of bourgeois ideas, insisted that cadres take part in collective productive labor, and accepted supervision by the masses, thereby creating valuable experience in the ideological revolutionization of the leadership team.

We emphasize the question of leadership because, in practice, this means ensuring that the dictatorship of the proletariat is implemented at the grassroots level. It must be implemented not only in every socialist state-owned enterprise but also in every grassroots unit under collective ownership. Otherwise, as in the Soviet Union today, revisionists will usurp leadership of the collective farms, the dictatorship of the proletariat will become a dictatorship of the bourgeoisie, and the socialist collective economy will degenerate into "**collective capitalist institutions.**"

Constantly criticizing capitalism and frequently educating the broad masses of peasants in socialist thought are also important conditions for consolidating and developing the rural collective economy.

Peasants are workers and therefore oppose exploitation and lean toward socialism. Under the Party's leadership, they have great socialist enthusiasm and are willing to take the socialist road. However, peasants were once small private proprietors; after cooperative transformation of agriculture, owing to the influence of small-producer habits and the continued existence of bourgeois right within the collective economy, capitalist tendencies among peasants remain inevitable. This is especially true of some wealthy peasants, among whom capitalist tendencies are more serious. For example, some expand their private plots and homesteads, and encroach on collective farmland and property; some, relying on their technical skills and strength, are keen to engage in sideline individual farming; and some even abandon farming to go into business and engage in speculation and profiteering, and so on. These capitalist tendencies and capitalist activities corrode and undermine the collective economy. Chairman Mao warned us long ago: "**The serious problem is the education of the peasantry,**"[1] and also pointed out: "**There are serious tendencies towards capitalism among the well-to-do peasants. These tendencies will become rampant if we in the slightest way neglect political work among the peasants not only during the co-operative transformation but also for a very long period afterwards.**"[2] This is absolutely true. To consolidate and develop the collective economy, it is entirely necessary to carry out socialist education among the peasants regularly and criticize capitalism.

---

[1] Mao Zedong, "On the People's Democratic Dictatorship," 419.

[2] Mao Zedong, "Editor's Notes from Socialist Upsurge in China's Countryside," 261.

The widespread experience of our country's **In Agriculture, Learn From Dazhai** movement has proved that unless the capitalist road is blocked, it is impossible to advance along the socialist path. Only by taking class struggle as the key link and continuously criticizing capitalism and revisionism on a large scale can we lead the broad masses of peasants to work hard for socialism and advance along socialism's golden road. Many Dazhai counties, communes, and production brigades have persevered in putting proletarian politics in command, "**constantly to imbue the peasant masses with a socialist ideology and to criticize capitalist tendencies,**"[1] cultivating in the peasants a spirit of self-reliance, hard work and perseverance, and the communist style of loving the state and the collective. This has effectively resisted the erosion of capitalism and continuously consolidated, strengthened, and developed the socialist collective economy.

To consolidate and develop the collective economy, we must also mobilize the masses to work hard for socialism, continually raise the productive forces, and rapidly achieve agricultural mechanization and modernization.

New productive forces are the material basis for the new economic system to replace the old one. In this sense, "**in the last analysis, productivity of labor is the most important, the principal thing for the victory of the new social system.**"[2] By fully bringing out the superiority of the collective economy and vigorously promoting the development of agricultural productive forces, we can strengthen the collective economy, establish more and larger collective production and welfare enterprises, and continually improve the lives of members of cooperatives. This will

---

[1] Mao Zedong, "Editor's Notes from Socialist Upsurge in China's Countryside," 261.

[2] Vladimir Ilyich Lenin, "A Great Beginning," in *Lenin's Collected Works*, Vol. 29.

make the socialist collective economy stronger in its struggle against capitalism. At the same time, the development of agricultural production will create objective demands for the further development of the collective economy and provide the material prerequisite for it. Chairman Mao pointed out, "**The fundamental way out for agriculture lies in mechanization.**"[1] Agricultural mechanization and modernization are of great significance to consolidating and developing the collective economy.

However, developing agricultural productive forces must take class struggle as the key link. The growth of productive forces is not an end in itself. The question is how to use these productive forces to consolidate and develop the collective economy, to "**the victory of the new social system**," rather than to develop capitalism. This requires grasping class struggle firmly. Only by taking class struggle as the key link can production be advanced. All old and new revisionists do their utmost to promote "theory of productive forces" in order to oppose Marxist theory of class struggle. Their aim is not to develop socialist production, but to develop capitalist production. We must resolutely and thoroughly criticize the revisionist "theory of productive forces."

In the process of developing agricultural productive forces and achieving agricultural modernization, it is necessary for the proletarian state to provide appropriate support and assistance to the collective economy, especially commune and brigade units facing greater difficulties. Since the cooperative transformation of agriculture, our country has helped the collective economy develop production in various forms, including loans, grants, investment, and supplies in kind. At the same time, Chairman Mao and the Central Committee of the

---

[1] Quote from Mao Zedong. "A Rural Commune's Industries," *Peking Review*, No. 29 (1973), 7.

Communist Party have always advocated that the development of agricultural production should rely above all on the collective economy's own "**self-reliance and hard struggle.**" Only in this way can the face of production be rapidly transformed and output greatly increased. This is also a general lesson of our country's **In Agriculture, Learn From Dazhai** movement. For example, in the seven years since the Great Proletarian Cultural Revolution, the state's investment in farmland water conservancy and capital construction in Xiyang County is 66% greater than its investment during the eleven years before the Great Proletarian Cultural Revolution, yet the amount of work completed was 46 times as much as in that earlier period, the irrigated land brought into use was 13 times as much, and grain output nearly tripled. The entire labor input and most of the investment needed to achieve such great results in agricultural production were provided and secured by relying on the strength of the collective. Countless facts show that strength must come from the masses, and struggle must rely on the masses; "**Self-reliance and hard struggle**" cannot be separated from the masses. "**Of all the instruments of production, the greatest productive power is the revolutionary class itself.**"[1] As long as we uphold putting politics in command, fully bring the superiority of the socialist economy into play, and extensively mobilize and organize the masses to work energetically for socialism, we can rapidly increase agricultural production and achieve agricultural modernization.

In this way, the communist elements in the collectively owned economy can gradually grow, and bourgeois right will be increasingly restricted, thereby enabling the collective economy to be consolidated and developed continuously. Consolidating the collective economy has revolutionary significance in opposing regression and restoration. However, the collective

[1] Karl Marx, "Part 5 Strikes and Combinations of Workers, Chapter Two: The Metaphysics of Political Economy," in *The Poverty of Philosophy* (Progress Publishers, 1955).

economy must never be made immutable; the notion of "thoroughly consolidating" is entirely wrong. To regard the consolidation of the collective economy as absolute and complete is to deny qualitative change in things and to deny dialectics. In affirming the revolutionary significance of the collective economy replacing the small-peasant economy, Marxism has never regarded it as the final economic form. As early as 1894, Engels pointed out that after peasants had organized themselves into cooperatives, it would still be necessary "**to transform the peasant co-operative to a higher form, and to equalize the rights and duties of the co-operative as a whole as well as of its individual members with those of the other departments of the entire community.**"[1] That is to say, the collective economy must continue to develop gradually toward higher economic forms until its inequality is eliminated.

In fact, the collective economy cannot be "thoroughly consolidated," and the two forms of public ownership cannot coexist for long. Because of its shortcomings and limitations, collective ownership must transition to a higher form of public ownership; this is an objective law independent of human will. As noted above, bourgeois right within the collective economy continually gives rise to capitalist tendencies, which inevitably conflict with the development of the social productive forces. Although this contradiction can be partially resolved by appropriately restricting bourgeois right within the collective economy under the dictatorship of the proletariat, it cannot be fully resolved as long as the collective economy exists. Complete resolution is possible only by transforming it into an economy under ownership by the whole people. In 1959, while inspecting the Tianjin Yangliuqing State Farm, Chairman Mao pointed

[1] Friedrich Engels, "Part 2: Germany."

out: "**Ownership by the whole people is superior; it can serve as a model for collective ownership.**"[1]

This made clear the direction in which collective ownership would develop. Ownership by the whole people is unquestionably the direction in which collective ownership will develop. However, "**the transition from collective ownership to ownership by the whole people, from two kinds of ownership to a unitary ownership by the whole people, is a rather long process.**"[2] In this process of development, the collective economy must necessarily gradually move from small collectives to large collectives, and then to ownership by the whole people. Our country's rural people's communes encompass both small and large collectives, while also containing an element of ownership by the whole people. They are the best organizational form for the transition from collective ownership to ownership by the whole people. At the present stage, generally speaking, ownership by the production team is fundamental in our country's people's communes, while ownership at the production brigade and commune levels remains partial. At present, although the share of economic affairs at the commune and production brigade levels is still not large, as Chairman Mao pointed out: "**Herein lies our great and bright hope.**"[3] Since cooperative transformation of agriculture, with the development of the collective economy, the economies under the ownership of production brigades and communes have grown considerably, and their share of the commune economy has also steadily increased. For example, in 1975, income from collectively owned economic activities in several communes, including

---

[1] Quote from Mao Zedong. *China State Farm*, No. 21 (1959).
Note from translator: I am unable to find official English translation of this quote.

[2] Editorial Departments of *Renmim Ribao* and *Hongqi*, *On Khrushchov's Phoney Communism and Its Historical Lessons for the World*, 68.

[3] Quote from Mao Zedong. Chou Chin, "Mechanization: Fundamental Way Out For Agriculture," *Peking Review*, No. 9 (1977).

Dazhai in Xiyang County, accounted for 30%–50% of the total income of the communes; the county had already shifted from the production team as the basic accounting unit to the production brigade as the basic accounting unit. Small collectives will eventually become large collectives, and the collective ownership of people's communes will eventually shift from being based primarily on team ownership to being based primarily on commune ownership. Of course, ownership based primarily on the commune is still collective ownership, but by then the element of ownership by the whole people will have increased greatly, making the subsequent transition to ownership by the whole people less difficult.

Since 1958, some enterprises in our country's collectively owned industry in cities have been transformed into enterprises under ownership by the whole people, while many have continued to make the gradual transition from small collectives (cooperatives) to large collectives (cooperative factories) and then to ownership by the whole people. Since the Great Proletarian Cultural Revolution, the number of enterprises transformed from cooperatives into cooperative factories has increased rapidly. In 1974, the fixed assets of cooperative factories nationwide accounted for more than 60% of all collectively owned industry, and their output value accounted for more than 57%. At present, the number of cooperatives being transformed into cooperative factories continues to grow.

The transition from small-scale collective ownership to large-scale collective ownership, and the shift toward an economy under ownership by the whole people, must be in keeping with the development of the productive forces and the rising ideological consciousness of the masses; it cannot be carried out subjectively. Liu Shaoqi and the Lin Biao clique sometimes brazenly clamored for "regression" and "individual farming," and at other times disguised themselves and

advocated that the collective economy be "transformed into ownership by the whole people" "in one year." In essence, both were aimed at undermining the development of the collective economy and restoring capitalism. Their two-faced tactics and ultra-rightist essence must be resolutely exposed and criticized. The transition from collective ownership to ownership by the whole people must be carried out under the Party's unified leadership, in an organized and phased manner, step by step, in order to achieve success.

# Chapter Four: General Characteristics of Socialist Production

## Section One: The Dual Nature of Socialist Production

### The Directly Social Character and Commodity Character of Socialist Products

A product, as a mere use value, does not belong to the subject matter of Political Economy. This is because it reflects no social relations of production: "**From the taste of wheat it is not possible to tell who produced it, a Russian serf, a French peasant or an English capitalist.**"[1] The socialist products discussed here constitute a category that reflects socialist economic relations. Socialist products are the crystallization of the socialist production process; analyzing them helps us understand the nature and characteristics of socialist production.

Socialist products differ from capitalist commodities and communist products; they possess these two attributes: direct social character and commodity character.

We know that in capitalism and all private-ownership societies, commodities also have a social character, but not a direct social character. This social character is manifested in two ways: first, commodities have use value and can satisfy certain social needs; second, they also embody general human labor and can be compared with one another in social exchange. Clearly, the social character of commodities is only indirect, because it can be manifested only through

[1] Karl Marx, "Chapter 1: The Commodity," in *A Contribution to the Critique of Political Economy* (Progress Publishers, Moscow).

exchange. The fundamental reason for this situation lies in the opposition between the private and social character of commodities. In the old society, because products were privately owned, they could not directly exist as part of the social product. They had to pass through the circuitous route of exchange before their value could be realized and their use value transferred, thereby proving that they were part of the social product. This opposition between the private and social character of commodities was further intensified and developed under capitalist conditions, leading to economic crises that interrupt and disrupt the production process.

Socialist products are different. With the establishment of socialist public ownership, products are no longer private products, but belong to the collective of working people or to all working people. Consequently, their social character is no longer restricted by a private character. Socialist products can be directly and uniformly allocated according to plan by the collective, or even by society as a whole, among the various regions and sectors; alternatively, they can be uniformly and systematically distributed to individual workers for use. The products of state-owned enterprises can be allocated uniformly by the state throughout the country according to the needs of the various regions and sectors. Some products of collective production teams and brigades must also be handed over to the state for unified allocation in accordance with the state plan; the rest remain within the collective, to be used directly in production again as means of production, or distributed directly to members of cooperatives for consumption as means of consumption. In this sense, each socialist product is directly an organic component of the social product. Thus, the social character of socialist products is not manifested only through commodity exchange; it can be confirmed from the very outset. Marx pointed out: "**The communal character of production would make the product into a communal, general**

**product from the outset.**"[1] The social character of socialist products, which is manifested even before exchange, is clearly a direct social character.

However, the direct social character of socialist products is still incomplete; they possess this attribute only to a certain extent. Only communist products are fully direct social products and can therefore be directly appropriated and directly distributed by society, without any commodity exchange as an intermediary, entering production and consumption directly. Such conditions do not yet exist at the socialist stage. Because the two forms of public ownership coexist, socialist products can only be partly, rather than wholly, owned by society as a whole. Products under collective ownership belong only to the collective. Although some of them can be directly allocated by society as organic components of the social product, they cannot be directly appropriated by society as organic components of the social product. Products under ownership by the whole people, although owned by society and uniformly allocated by it, generally still cannot be distributed directly and without compensation to production units and workers for use; they must still pass through commodity exchange as a medium before finally entering productive consumption and personal consumption. Therefore, in addition to having a direct social character, socialist products also have a commodity character; to varying degrees, they remain commodities.

Socialist products generally possess this dual social character: this is true of products under collective ownership and of products owned by the whole people. The direct social character of socialist products reflects their connection with the direct social products of communism, while their commodity character shows that in certain respects they are "**scarcely**

[1] Karl Marx, "The Chapter on Money (Notebooks I and II, pp. 1-7)," in *Grundrisse, Foundations of the Critique of Political Economy (Rough Draft)* (Penguin Books, 1973).

**different**" from capitalist commodities. This also indicates that socialist products are transitional between capitalist commodities and the direct social products of communism. In this transitional process, the dual character of different kinds of products varies. We can discern the strength of their directly social or commodity character by whether they enter into exchange, whether ownership is transferred, and whether they pass through the market—through the state-plan market or the rural trade market, for example. For instance, products exchanged between the two forms of public ownership, especially products exchanged by collective production teams and brigades or by members of cooperatives at rural trade markets, have a strong commodity character and a weaker social character. By contrast, supplies allocated within ownership by the whole people, supplies distributed within collective ownership, and supplies paid to the state as agricultural tax have a strong direct social character and a weak commodity character. Chapter Seven will also address this issue; the examples given here are merely illustrative. This complex situation shows that different kinds of socialist products occupy different stages in the transition from capitalist commodities to the direct social products of communism.

## The Socialist Production Process is the Unity of Direct Social Production and Commodity Production.

Although socialist products reflect the characteristics of socialist production like a mirror, they are themselves the products of the production process and are determined by it. To understand the general characteristics and essence of socialist production, it is also necessary to analyze the process of socialist production further.

The production process or labor process, apart from its social form, is a material interchange between humans and nature, an activity through which humans purposefully produce use values. But all production is social production, not the production of isolated individuals; in production, people necessarily enter into certain social connections and relations. At every stage of human history, production has a social character, and this social character varies.

The social character of the socialist production process is fundamentally different from that of the capitalist production process, while also having characteristics that distinguish it from the communist production process. Like socialist products, the socialist production process has a dual social character: it is the unity of direct social production and the commodity production process.

Direct social production, or direct social labor, is the direct unity of individual labor and social labor. This is possible only under the conditions of socialist public ownership. Engels once foresaw: "**From the moment when society enters into possession of the means of production and uses them in direct association for production, the labor of each individual, however varied its specifically useful character may be, becomes at the start and directly social labor.**"[1] That is to say, under socialist public ownership, the labor of each worker can already directly constitute part of the total social labor; from the outset, it is labor useful to society and recognized by society. Of course, Engels here refers to the situation in which society owns all the means of production. However, the fundamental spirit of Engels's argument still applies when the two forms of public ownership coexist. If we set aside the forms of public ownership and consider their substance, we should regard labor based on public ownership—whether ownership

[1] Frederick Engels, "IV. Distribution, Part III: Socialism," in *Anti-Dühring. Herr Eugen Dühring's Revolution in Science*.

by the whole people or collective ownership—as, to varying degrees, "**labor in common or directly associated labor.**"[1] It is either directly social labor on the scale of society as a whole or within the collective.

In socialist society, why can individual labor directly manifest itself as social labor to a certain extent? This is because, with the realization of public ownership of the means of production, the individual labor power of the workers can already function directly as social labor power. As we know, labor is "**manifestation of … human labor power**,"[2] and labor power cannot manifest itself unless combined with the means of production. Therefore, in every society, the use of labor power—that is, labor—always belongs to the owners of the means of production. In capitalist society, although workers own their labor power, its consumption and use, and thus the workers' labor, belong to the capitalists. This private labor belonging to the capitalists obviously cannot directly manifest itself as social labor; it can become social labor only through commodity exchange.

Since socialist society has realized public ownership of the means of production, the ownership and right of use of the workers' labor power have accordingly changed as well. The individual labor power of the workers can now be centrally allocated and used according to plan by the state or by the collective of working people. In discussing socialist production, Marx pointed out: They "**[carry] on their work with the means of production in common, in which the labor power of all the different individuals is consciously applied as the combined labor**

---

[1] Karl Marx, "Chapter One: Commodities," in *Capital*, Vol. I.

[2] Karl Marx, "I."

**power of the community.**"[1] In socialist society, the individual labor of the workers can, from the outset, become directly social labor to some extent; this is precisely why.

The direct social character of the socialist production process is manifested in two aspects of labor: its quality and quantity.

First, in terms of the quality of labor, the concrete labor involved in producing different products varies greatly. What kind of concrete labor each worker performs, what products they produce, which post they occupy, and to which occupation they belong are not private matters; they are determined by the state or the collective according to a unified social plan. Since the division of labor is organized by society, the specific form of each worker's labor directly reflects a social function and takes a directly social form. In capitalist society, by contrast, it is precisely by abstracting from labor's specific character and comparing labor through exchange in the form of general human labor that its social character becomes apparent.

Second, in terms of the quantity of labor, the labor time devoted to producing different products must also bear a certain proportion to one another, and this, too, is allocated by the state or the collective according to a unified plan. As Marx put it: "**Its apportionment in accordance with a definite social plan maintains the proper proportion between the different kinds of work to be done and the various wants of the community.**"[2] In this sense, individual labor time is directly a certain proportional part of total social labor time. This direct unity of individual labor time and social labor time does not exist in capitalist society. There, the proportions of labor time devoted to producing different products are regulated by the

---

[1] Karl Marx, "Chapter One: Commodities."

[2] Ibid.

spontaneous operation of the law of value: "**Only through the undervaluation or overvaluation of products is it forcibly brought home to the individual commodity producers what society requires or does not require and in what amounts.**"[1]

The emergence of directly social labor under socialism demonstrates the consistency between the substance of socialist production and its form of appearance; unlike capitalist production, its substance and appearance are no longer in contradiction. In capitalist society, private labor can manifest itself as social labor only by way of a circuitous route—commodity exchange. Consequently, the relationship between capitalists and workers takes on the appearance of an equal exchange, as if no part of the workers' labor were appropriated by capitalists without compensation and all their labor were remunerated. Even in the production process, it is difficult to discern from appearances which part of labor is necessary labor and which part is surplus labor. Thus, the substance of capitalist exploitation is concealed.

By contrast, the socialist production process already has the character of a direct social production process: individual labor need not manifest itself as social labor only through commodity exchange, but can appear directly as social labor. Thus, the essence of socialist production is also manifested directly. From this, we can clearly see that the workers no longer labor for any exploiters; their labor and its products no longer belong to any exploiters. The socialist production process is one that has eliminated exploitation and is aimed at meeting social needs. A direct social production process makes the social relations that people have to their labor and its products simpler and easier to understand. People can take their fate into their own hands and consciously regulate production and the relations within it, no longer subject to the

[1] Karl Marx, "Preface to the First German Edition," in *The Poverty of Philosophy.*

domination of the market, commodities, and money. Here, people control things, rather than things controlling people. Socialist production has eliminated the source of economic crises.

Direct social production did not begin with socialist society; it had already emerged in primitive society. However, during the primitive communal period, the level of productive forces was extremely low and the social division of labor was very underdeveloped. Consequently, that kind of direct social production "**was very limited.**"[1] By contrast, direct social production under socialism is based on socialized large-scale production and extends over a broad scope. Of course, the extent of this scope also varies according to the forms of public ownership. Generally speaking, direct social production under collective ownership is narrower in scope than that under ownership by the whole people. However, owing to the leading position of the economy under ownership by the whole people and the great role of the state of the dictatorship of the proletariat, in the production of many important materials and in major basic farmland water conservancy construction, among other areas, direct social production under collective ownership extends far beyond the boundaries of the collective and is realized throughout society.

The workers' labor, insofar as it belongs to the state or a collective of working people and is subject to a unified social plan, is directly social labor. This production process, regulated by the social plan, is a direct social production process. It represents the communist elements in the socialist production process. However, there is another side to the matter. Since the workers' products of labor do not enter social consumption through direct distribution, but still require commodity exchange as an intermediary before they ultimately take the form of social products,

---

[1] Frederick Engels, "IX. Barbarism and Civilization," in *Origins of the Family, Private Property, and the State*, *Marx Engels Selected Works*, Vol. 3 (Moscow: Progress Publishers, 1970).

the workers' labor is not entirely directly social labor, and the socialist production process is also a commodity production process.

The socialist production process, as a commodity production process, is "**scarcely different**" from the general commodity production process historically; it too is a unity of the labor process and the value-formation process.

As stated earlier, the labor process is a relationship between human beings and nature; it creates use value. However, commodity production is "**production directly for exchange.**"[1] Commodities are not produced for the producers' own use, but for exchange. Marx points out: "**Use-value is, by no means, the thing 'qu'on aime pour lui-même' in the production of commodities. Use-values are only produced by capitalists, because, and in so far as, they are the material substratum, the depositories of exchange-value.**"[2] Socialist commodity production is no different. A production team or enterprise, considered solely in terms of commodity production and setting aside its aspect of direct social production, still produces for exchange; it requires that the production of value be given priority over the production of use value.

In the value-formation process, the means of production and the labor of the workers play different roles. The value of the means of production is preserved in the newly formed product, constituting one part of the new product's value. The labor of the workers plays a different role: it is the source of new value and, ultimately, the source of all value. In producing a particular use value, the workers add a certain amount of labor time and thereby create new value. The

---

[1] Frederick Engels, "IX. Barbarism and Civilization."

[2] Karl Marx, "Chapter Seven: The Labour-Process and the Process of Producing Surplus-Value," in *Capital*, Vol. I.

preservation of the old value of the means of production and the creation of new value do not result from two different acts of labor by the workers, but from the dual function of the same act of labor: concrete labor transfers old value, while abstract labor creates new value. These two parts of value make up the total value of the new product.

However, not just any labor time creates value: "**For in the creation of value, the time that is socially necessary alone counts.**"[1] Labor expenditure in excess of socially necessary labor time—such as waste of raw materials, excessive wear and tear on machinery, and excessive expenditure of labor power—does not create value. This is true of all commodity production; socialist commodity production is no exception. Therefore, to ensure that their labor expenditure does not exceed, and is in fact below, socially necessary labor time, production units must pay attention to conserving materialized labor and living labor. This economy is entirely different in nature from the "economy" practiced by capitalist enterprises. There, "economy" is intended to extract more surplus value from workers; consequently, capitalists' economy of material often comes at the cost of workers' lives and health. By contrast, this economy by socialist production units serves the interests of the workers, and the gains from economy belong to the state or the collective of working people. This shows that the law whereby socially necessary labor time creates value still plays a certain positive role in reducing production costs, promoting technological innovation, and increasing labor productivity. However, because the technical conditions and management levels of socialist production units differ, individual labor time and socially necessary labor time always diverge; as a result, equal amounts of labor yield different

[1] Karl Marx, "Chapter Seven: The Labour-Process and the Process of Producing Surplus-Value."

gains. Thus, the law whereby socially necessary labor time creates value also gives rise to inequality in gains among production units.

If market factors are not taken into account, then from the standpoint of the value-formation process alone, it is in principle unrelated to what kind of use value is produced. A given amount of labor, no matter which branch of production it is invested in, forms an equal amount of value as long as it constitutes socially necessary labor time. Whether producing wheat, growing cotton, or raising pearls makes no difference. In other words, the amount of value is related only to the amount of labor, not to the specific nature of the labor. However, owing to factors such as supply and demand, equal amounts of value are expressed as different market prices; this is the necessary form in which the law that socially necessary labor forms value manifests itself. Thus, for commodity producers, it is in practice not irrelevant in which products' production a given amount of labor creates value. In socialist commodity production, the fact that certain units still develop a liberal tendency is precisely connected with this situation. This liberal tendency, in turn, exacerbates the inequality of returns among commodity-producing units.

This shows that, as long as commodity production exists as one aspect of socialist production, there is an objective requirement to produce for exchange; the law of value continues to operate, economic returns remain unequal, a tendency toward free enterprise persists, and commodity production remains the soil in which capitalism arises. Compared with capitalist production, socialist production has undergone a fundamental change, but the basic attributes inherent in commodity production have changed little. We should not simply say that the purpose of socialist commodity production is to meet social needs, and that its mode of operation is

planning. This confuses socialist commodity production with socialist production. In fact, the essential characteristics of socialist production are precisely those that socialist commodity production, as one aspect of it, does not possess; they can be explained only from the aspect of direct social production. Of course, socialist commodity production also differs from that of the old society. Since it is now based on public ownership, the relations it embodies have changed: here, it embodies the mutual relations among socialist workers, rather than the exploitation of workers by capitalists or the deceitful relations among capitalists; moreover, its negative effects have been restricted, and so on. But none of this has changed, or could change, the basic attributes of commodity production.

The socialist production process can neither be simply equated with direct social production nor, still less, with the commodity production process; it is the unity of the two. Direct social production and commodity production are two mutually exclusive and mutually negating types of production process. How, then, can they coexist within a single unity? The key is that certain conditions must be met. We know that under private ownership there is commodity production but no direct social production, so the two do not coexist. Under a system of sole ownership by the whole people, according to Marx and Engels's original expectation, "**production of commodities is done away with.**"[1] Direct social production would take its place, and the two still could not coexist. Our actual situation, however, is that private ownership has been basically eliminated and public ownership established, but in the form of two forms of public ownership coexisting. This is precisely the basic condition that allows two mutually exclusive opposites—direct social production and commodity production—to coexist within the

[1] Frederick Engels, "II. Theoretical, Part III: Socialism."

unity of the socialist production process. Under these new conditions, commodity production has lost its foundation in private ownership and therefore cannot exist independently; it can exist only in relation to its opposite, direct social production. And because direct social production still lacks the condition of sole ownership by the whole people, it too cannot exist independently; its growth and development also depend on the existence of commodity production. In other words, each presupposes the existence of the other.

These two aspects of the socialist production process also exclude and struggle against each other. Direct social production requires making the satisfaction of social needs the purpose of production, whereas commodity production, as a relic of the old society, has exchange as its purpose; the two often come into conflict. This contradiction will be discussed below. At the same time, direct social production requires proceeding according to a common social plan: the individual labor of each worker and the partial labor of each production unit should each be arranged directly as a link in the total social labor. Commodity production, however, gives rise to a liberal tendency and, through the operation of the law of value, can lead certain production units to produce blindly in pursuit of high prices, disrupting the state plan. Contradictions and struggles also manifest themselves in other respects. The class expression of this struggle is the proletariat's effort to restrict the negative effects of commodity production, and the bourgeoisie's struggle against those restrictions.

The struggle between these two aspects within the socialist production process will, under certain conditions, also lead to their mutual transformation. Direct social production is the dominant aspect of the socialist production process. The nature of the socialist production process is determined mainly by this aspect, while commodity production occupies a secondary

position. However, this situation is not rigid or immutable. Under different conditions, transformations in two opposite directions will occur. If the negative effects of commodity production are left unrestricted, the direct social production process will be undermined, thereby eroding the foundation of public ownership and gradually transforming it into capitalist ownership. In this way, commodity production will replace direct social production as the dominant aspect, until the socialist production process becomes entirely a capitalist commodity production process, as in the Soviet Union today. Conversely, if commodity production is appropriately restricted while being utilized, and the advantages of direct social production are fully brought into play, the role of commodity production and its law of value will gradually diminish, while the role of direct social production and its laws will gradually grow stronger. With the great development of the productive forces, and under the conditions in which the two forms of public ownership become a single form of ownership by the whole people, commodity production will also gradually be transformed into direct social production. At that point, commodity production will be eliminated, and the socialist production process will become a process of entirely direct social production.

# Section Two: The Aim of Socialist Production

## The Dominant Aspect and the Purpose of Production

In any society, whether one blindly governed and dominated by economic laws or one in which people consciously apply economic laws to make their own history, production always has a definite purpose; it is never production for production's sake. The purpose of production is objective and does not depend on people's will.

Ownership of the means of production is the basis of the production process. Whoever owns the means of production is master of the production process, and production serves that person's interests. In every society, the purpose of production always benefits the owners of the means of production. But exactly what kind of purpose of production benefits them is connected with the particular contradictions of each society's production process. In the contradictory movement of the social production process, the dominant aspect of the contradiction—that is, the aspect in a position of dominance—always represents the fundamental interests of the owners of the means of production; therefore, it plays a decisive role in determining the purpose of social production.

The capitalist production process is the unity of the labor process and the process of valorization. The labor process is the process of producing use values, but it is not the dominant aspect. Although the production of use values is necessary for capitalists, it is ultimately not their final need. Only valorization, the dominant aspect that determines the nature of the capitalist production process, is the fundamental interest of capitalists. Accordingly, it also determines the

purpose of capitalist production. The process of valorization shows that the special use value of labor power lies not in its ability to produce some use value, but in its ability to produce value exceeding its own value—that is, surplus value. In the capitalist production process, "**since labor-power acts merely as one of its organs, the excess of the product's value engendered by its surplus-labor over and above the value of productive capital's constituent elements is also the fruit of capital.**"[1] This determines that the immediate purpose of capitalist production is not use value, nor the enjoyment of capitalists, and still less the consumption of workers: "**the aim of capital is not to minister to certain wants, but to produce profit.**"[2]

The socialist production process, as we said in Section One, is a unity of the direct social production process and the commodity production process. Its dominant aspect is the direct social production process, not the commodity production process. Direct social production under socialism means that the means of production and labor power are combined in a new way: they are no longer productive forces of capital, but are combined directly as productive forces of the whole society or of the collective of working people, and are directly controlled and used by the state or the collective according to a unified social plan. Direct social production represents the fundamental interests of the masters of the socialist production process—that is, the workers and peasants—and thus determines the purpose of socialist production. Since direct social production makes it possible for individual labor, from the outset, to exist directly as part of total social labor, socialist production is necessarily determined not to serve capitalists and all exploiting classes, but to serve the broad working class. The most immediate and fundamental purpose of

---

[1] Karl Marx, "Chapter 1: The Circuit of Money Capital," in *Capital*, Vol. II.

[2] Karl Marx, "Chapter 15. Exposition of the Internal Contradictions of the Law," in *Capital*, Vol. III (Institute of Marxism-Leninism, 1959).

socialist production is necessarily not value, but use value that meets the needs of the broad working class. Of course, the socialist production process also has a commodity-production aspect, but commodity production is subordinate to direct social production; ultimately, the purpose of producing value is to create more use value to meet the needs of working people. In discussing the purpose of socialist production, Lenin pointed out: "**The wealth created by the common labor will go to benefit, not a handful of rich men, but all those who work.**"[1] Stalin also once observed that the "main purpose" of socialist production is "**to satisfy the needs of society and not to produce goods for sale in order to increase the profits of the capitalists.**"[2] This means that the purpose of socialist production has two aspects: first, socialist production serves "all workers"; second, its fundamental content is to provide use values that "**all those who work.**" Chairman Mao, discussing economic affairs and financial affairs as early as the War of Resistance Against Japanese Aggression period in our country, once pointed out: "**The general policy guiding our economic and financial work is to develop the economy and ensure supplies.**"[3] This policy put forward by Chairman Mao applies not only to economic development in the revolutionary base areas during the War of Resistance Against Japanese Aggression period in our country, but is also consistent with the purpose of socialist production in our country. State-owned enterprises and collective units under socialism should produce more and better products to ensure that society's needs are met.

---

[1] Vladimir Ilyich Lenin, "May Day," in *Lenin's Collected Works*, Vol. 7 (Progress Publishers, Moscow, 1964).

[2] Joseph Stalin, "Anarchism Or Socialism?," in *Collected Works*, Vol. 1 (Foreign Languages Publishing House, Moscow, 1954).

[3] Mao Zedong, "Economic and Financial Problems in the Anti-Japanese War," in *Selected Works of Mao Zedong*, Vol. III, 111.

What is meant by meeting society's needs is meeting the needs of the broad working class. These include the needs to improve the working class's material and cultural life. In capitalist society, "**the objective conditions of labor … are not means employed by labor as its means, but, on the contrary, they are the means of employing labor.**"[1] Consequently, the workers' lives are always confined to the lowest level: they create wealth and culture, yet receive poverty and ignorance in return. Socialist society, by contrast, makes the workers themselves the purpose of production. Thus, "**The possibility of securing for every member of society, by means of socialized production, an existence not only fully sufficient materially, and becoming day by day more full, but an existence guaranteeing to all the free development and exercise of their physical and mental faculties.**"[2] In other words, socialist production serves the all-round development of the workers. The workers' needs in life include both material and cultural needs. As their material life becomes increasingly prosperous, their cultural life, too, grows ever richer. This is of great significance in human history. For thousands of years, working people were shut out from the doors of social culture; only socialism has made it possible for them, for the first time, to enjoy the achievements of human culture. In explaining the purpose of socialist production, Lenin particularly emphasized this point, stating: "**The articles produced by labor in common will then go to benefit the working people themselves, while the surplus they produce over and above their keep will serve to satisfy the needs of the workers themselves, to secure the full development of all their capabilities and equal rights**

[1] Karl Marx, "[Chapter XX]  Disintegration of the Ricardian School," in *Theories of Surplus Value* (Progress Publishers).

[2] Frederick Engels, "II. Theoretical, Part III: Socialism."

**to enjoy all the achievements of science and art.**"[1] Of course, at present, the material and cultural living standards of working people in our country are still not high enough. But this is not because the purpose of socialist production does not exist or has no effect; rather, it is because our country is still a developing socialist state, and its level of productive forces is temporarily relatively low. In fact, it is precisely because the purpose of socialist production in our country is fundamentally different from that in capitalist society that the material and cultural lives of the broad working people have improved enormously compared with those in the old society, and continue to improve year by year as production develops.

Our Party has always advocated concern for the people's livelihood. This is not merely a matter of working methods; in the new society, it is also grounded in the purpose of socialist production. As production develops, the people's livelihood improves; in turn, improvements in the people's livelihood further promote the development of production. This is an important manifestation of the superiority of socialist production.

Social needs also include the need to consolidate the dictatorship of the proletariat. A socialist society is still a class society: the exploiting classes still exist, and new bourgeois elements continue to emerge. They are constantly dreaming of restoring capitalism and overthrowing the dictatorship of the proletariat, and of turning their hopes of restoration into action. At the same time, internationally, we are surrounded by imperialism and social-imperialism, which are constantly seeking to invade our socialist motherland. Therefore, the purpose of socialist production must not be limited to improving people's living standards; it must also include serving the consolidation of the dictatorship of the proletariat. This is where

[1] Vladimir Ilyich Lenin, "Draft and Explanation of a Programme for the Social-Democratic Party," in *Lenin's Collected Works*, Vol. 2 (Progress Publishers, Moscow, 1972).

the fundamental interests of the working people lie. Without the dictatorship of the proletariat, there can be no socialist system and nothing for the working people; consequently, their living standards cannot be improved. As early as the period of the democratic revolution, Chairman Mao proposed that economic development in the revolutionary base areas should serve both to improve people's living standards and to meet the needs of the revolutionary war and the consolidation of democratic political power. He pointed out: "**The growing intensity of the revolutionary war makes it imperative for us to mobilize the masses in order to launch an immediate campaign on the economic front and undertake all possible and necessary tasks of economic construction. Why? Because all our present efforts should be directed towards gaining victory in the revolutionary war and, first and foremost, towards gaining complete victory in the fight to smash the enemy's fifth 'encirclement and suppression' campaign they should be directed towards securing the material conditions which will guarantee food and other supplies for the Red Army, towards bettering the life of the people and so stimulating their more active participation in the revolutionary war, towards organizing the masses on the economic front and educating them so as to provide fresh mass strength for the war, and towards consolidating the worker-peasant alliance and the democratic dictatorship of workers and peasants and strengthening proletarian leadership by building up the economy.**"[1] Although this exposition by Chairman Mao reflects the historical conditions of that time, its basic ideas are consistent with the great strategic principle he later put forward: "**Be prepared against war, be prepared against natural disasters, and do everything for the**

[1] Mao Zedong, "Pay Attention to Economic Work," in *Selected Works of Mao Zedong*, Vol. I, 129.

**people.**"[1] It is of great significance in helping us understand the purpose of socialist production. Revisionists always do their utmost to promote economism, replacing the Marxist call to establish and consolidate the dictatorship of the proletariat with the slogan of "struggle to improve economic conditions" alone. The Lin Biao clique peddled such notions as "people's livelihood," "for the sake of living," and "accumulating for the sake of living." In reality, this was merely a rehash of the old economism. Their aim was certainly not to improve people's living standards; rather, they used so-called "living" as bait to set the immediate and long-term interests of the working people against each other, while sacrificing their fundamental interests. Lin Biao himself said that "choosing issues related to the masses' 'vulgar life' as the target of action can give rise to a mass movement." This clearly exposes the "life" they advocated as nothing more than the "vulgar life" of bourgeois individualism, and their attempt to incite people with serious bourgeois ideas to serve their plot to overthrow the dictatorship of the proletariat. Of course, their plot is doomed to fail.

Moreover, from the standpoint of proletarian internationalism, socialist production must also serve world revolution. Otherwise, not only would world revolution suffer, but the state that has already established a socialist system could also be overthrown. Therefore, using part of the production results of a socialist state to provide foreign aid is also an objective necessity for the interests of its own working class.

In short, socialist production must meet both the living needs and the political needs of the working people. All socialist production sectors should serve this fundamental purpose.

---

[1] Quote from Mao Zedong. Chiang Tai-yuan, "We Poor and Lower-Middle Peasants Have the Greatest Love for the People's Liberation Army," *Peking Review*, No. 39 (1969), 9.

Because of the diversity of the needs of the working class, socialist products must necessarily be divided into various parts. The basic division is into two parts: one consists of products serving as the individual consumption fund, distributed to the workers for individual consumption; the other consists of products serving as the social fund, reinvested in production, used for collective consumption and for consolidating the dictatorship of the proletariat, as well as for supporting world revolution. Although this part is formally a deduction from the workers' product, "**what the producer is deprived of in his capacity as a private individual benefits him directly or indirectly in his capacity as a member of society.**"[1] Therefore, whether products serve as the individual consumption fund or as the social fund, in essence they are all the workers' "necessary product," and the labor that forms these funds is all "necessary labor." Marx pointed out: "**Only by suppressing the capitalist form of production could the length of the working-day be reduced to the necessary labor time. But, even in that case, the latter would extend its limits. On the one hand, because the notion of "means of subsistence" would considerably expand, and the laborer would lay claim to an altogether different standard of life. On the other hand, because a part of what is now surplus-labor, would then count as necessary labor; I mean the labor of forming a fund for reserve and accumulation.**"[2] This means that none of the labor performed by the workers under the direction of the purpose of socialist production is surplus labor appropriated without compensation by the exploiting classes; consequently, it produces neither surplus product nor surplus value embodying exploitative relations. This stands in sharp contrast to the purpose of production

---

[1] Karl Marx, "I."

[2] Karl Marx, "Chapter Seventeen: Changes of Magnitude in the Price of Labour-Power and in Surplus-Value," in *Capital*, Vol. I.

under capitalism and all private-ownership societies: the purpose of socialist production embodies relations of production free from exploitation.

Implementing the purpose of socialist production is consistent with realizing the lofty goal of communism. Only by keeping this lofty goal in mind can we truly and comprehensively strive to develop socialist production to meet the needs of the working people; and only by truly and comprehensively implementing the purpose of socialist production can we ultimately eliminate classes and realize communism. As Lenin said: "**By introducing planned organization of social production to ensure the well-being and many-sided development of all the members of society, the proletarian social revolution will do away with the division of society into classes and thereby emancipate the whole of oppressed humanity, for it will put an end to all forms of exploitation of one section of society by another.**"[1] We should consciously implement the purpose of socialist production and closely link it with the realization of the lofty goal of communism.

The purpose of socialist production reflects the essential characteristics of socialist production. Is production for profit, or for the people, for the revolution, and for the communist cause? This is the fundamental criterion for distinguishing capitalist production from socialist production. The ringleaders of the inner-Party revisionist line, in order to restore capitalism, have always fanatically advocated putting profit in command, and have done their utmost to replace the purpose of socialist production with the purpose of capitalist production. Liu Shaoqi openly clamored, "We build factories in our country to make money, too; if a factory doesn't make money, we won't build it," and so on. Chairman Mao led the entire Party and the people of the

[1] Vladimir Ilyich Lenin, "Draft Programme of the R.C.P.(B.)," in *Lenin's Collected Works*, Vol. 29.

whole country, and especially through the Great Proletarian Cultural Revolution, profoundly criticized this fallacy of theirs. As a result, the excellent situation for developing the revolution and production was strengthened. Yet Deng Xiaoping, the capitalist-roader inside the Party who refuses to mend his ways, viciously attacked this, slandering the masses' criticism of putting profit in command as "one-sided opposition to focusing on profit," and even declared that "it doesn't matter if profit is given a little prominence; otherwise, what would the state rely on?"

Which is it to be: putting profit in command, or putting proletarian politics in command? This is a major question concerning the direction, future, and destiny of socialist production. Making money and getting rich is an economic law of capitalism. The lessons of the Soviet restoration of capitalism and of certain enterprises in our country following an erroneous line show that production for profit will inevitably undermine and damage the planned economy of socialism, inevitably turn the cooperative relations of socialism into competitive relations of capitalism, and inevitably give rise to capitalist wage-labor relations and money relations, among other things, ultimately leading to the restoration of capitalist ownership. This is precisely the essence of the ringleaders of the inner-Party revisionist line putting profit in command. Of course, socialist society still retains commodity production and therefore still needs, under the leadership of the revolution, to use the form of profit to accumulate funds for the state, so as to better fulfill the tasks of socialist revolution and construction. But this is an entirely different matter from putting profit in command. What determines the motive of socialist production is not profit, but meeting the needs of the broad masses of working people.

The Soviet revisionist renegade clique wantonly distorts the purpose of socialist production, describing the socialist production process as a "process of valorization," thereby

completely obscuring the essential difference between socialist production and capitalist production. Valorization is a characteristic of capital; its secret lies in labor power being a special commodity and being used by capitalists as capital in the production process. Under socialism, labor power is not a commodity, much less capital in the hands of capitalists; it has no value, so how could there be any valorization? Of course, to a certain extent, the socialist production process is also a commodity production process. The workers' labor also creates value: when raw materials are transformed into new products, it adds new value. But no part of this value is appropriated by others without compensation, and therefore no surplus value is produced. In discussing the difference between commodity production in general and capitalist commodity production, Marx pointed out: "**The commodity owner can, by his labor, create value, but not self-expanding value.**"[1] As for the new value created by the workers, some of it is not used for personal consumption but goes to form a social fund. Yet in its fundamental nature, it is no different from the individual consumption fund: both are necessary for the working people and are absolutely not surplus value. The Soviet revisionist renegade clique vigorously advocates carrying out "valorization" on a large scale in socialist production, with the aim of fundamentally changing the nature of socialist production and restoring capitalism. In reality, "valorization" accurately reflects the nature of the production process under Soviet revisionist social-imperialism today. The socialist system has long since ceased to exist there; they have made "raising the profit rate" "the law governing Soviet enterprise activity," and the pursuit of profit has become the ultimate purpose of their production.

[1] Karl Marx, "Chapter Five: Contradictions in the General Formula of Capital," in *Capital*, Vol. I.

To deceive the people, the Soviet revisionist renegade clique also distorts the purpose of socialist production as “everything for people, for people’s happiness.” In socialist society, people are divided into classes; there is absolutely no such thing as an abstract human being. What is called “for people” means either for the workers and peasants and the working class, or for the landlord and bourgeois classes; it cannot be for everyone. Since the proletariat and the broad masses of working people hold the means of production and have become socialist conscious workers and masters of production, socialist production must serve them, not the landlord and bourgeois classes. This is the living reality in every socialist state under the dictatorship of the proletariat. What is called “for people’s happiness” is entirely a slogan of bourgeois welfarism. The happiness they speak of is not the fundamental interests of the working people, nor the happiness of the working class as a whole, but the bourgeoisie’s “individual happiness.” They seek to use this as bait to make people forget classes and class struggle, forget the dictatorship of the proletariat and continuing revolution, and forget the lofty ideal of communism, so that they can wantonly carry out their criminal activities to restore capitalism. Therefore, the “everything for people, for people’s happiness” loudly proclaimed by the Soviet revisionist renegade clique amounts to everything for the Soviet monopoly bourgeoisie and the happiness of a tiny privileged stratum.

## Old Traces and the Purpose of Production in Socialism

Above, we analyzed the unified purpose of socialist production and how it is determined by the dominant aspect of socialism. If we analyze in detail the opposing sides of the internal

contradictions of the socialist production process, we can see that the old traces of capitalism in the socialist production process hinder and affect the purpose of socialist production.

The socialist production process includes not only the direct social production process but also the commodity production process. Although the commodity production aspect is not the dominant side of the contradiction and does not determine the purpose of socialist production, it is not without effect on that purpose. It has points of consistency with the purpose of socialist production. As commodity production, it must produce use values; moreover, the formation of value requires reducing labor consumption and conserving raw materials and other materialized labor, as well as living labor. This, in turn, can raise labor productivity and thereby produce more use values to meet the needs of working people. However, the general purpose of commodity producers is, after all, not to obtain the use values they themselves produce, but to obtain a certain value—to exchange. A production team grows cotton mainly not for its own members to use; a shoe factory produces shoes mainly not for its own wage earners to wear, but for exchange. Thus, the requirements of commodity production differ from those of direct social production: they treat use value merely as the material bearer of value and therefore demand greater concern for value than for use value. Marx once put it vividly: "**Individual commodity owner, who keeps the commodity as use-value in the warehouse, and has it on his conscience as exchange-value.**"[1] Under the socialist system, if the requirements of the direct social production process are ignored and production is excessively constrained by the demands of commodity production, a tendency to emphasize value and neglect use value can also arise. For example, the pursuit of high prices may lead to the disruption of the product-variety plan;

[1] Karl Marx, "Chapter 1: The Commodity."

labor consumption may be reduced by lowering quality, and so on. In effect, this means allowing the law of value to regulate production instead of regulating production according to the needs of working people and on a planned basis. If this continues, the purpose of capitalist production will emerge. Clearly, this conflicts with the purpose of socialist production. In real life, this contradiction occurs frequently precisely because it has deep roots in the contradictions within the socialist production process.

The production process under collective ownership undoubtedly also belongs to the socialist production process and contains the contradiction between the direct social production process and the commodity production process. However, it also has its own particular features. In the production process under collective ownership, not only does the commodity-production aspect hinder the realization of the purpose of socialist production, but factors affecting that purpose also exist in the aspect of direct social production. This is because its direct social production process has both a direct social character within the collective and a direct social character nationwide. In the collective economy, since the means of production and labor power are collectively owned, labor, too, is collectively owned and controlled by the collective. Insofar as individual labor directly takes the form of collective labor, this directly social labor has a direct social character only within the collective. However, the collective economy is subordinate in character in every society. "**In the capitalist state, cooperatives are no doubt collective capitalist institutions**";[1] in socialist states, because the collective economy is subject to the leadership of the state under the dictatorship of the proletariat and is subordinate to the socialist economy under state ownership by the whole people, it has a socialist character. For this very

[1] Vladimir Ilyich Lenin, "On Cooperation."

reason, its labor must also be regulated by the state plan. In this sense, its directly social labor also has a direct social character nationwide.

These features of the production process under collective ownership must inevitably be reflected in its purpose of production. The direct social character within the collective requires production to serve the needs of the workers in that collective, while the direct social character nationwide requires production to go beyond the bounds of the small collective and serve the needs of working people throughout the country. Of course, these two are basically consistent. First, the interests of collective peasants and those of the working class are fundamentally consistent; second, the needs of working people nationwide include the needs of collective peasants. For example, production serving to consolidate the dictatorship of the proletariat meets a need common to the entire worker and peasant masses. At the same time, since the primary prerequisite for the existence and development of collective ownership is the leadership and strong support of the state under the dictatorship of the proletariat and the state-owned economy, production under collective ownership must also make meeting the needs of working people nationwide its primary purpose. Nevertheless, collective interests and state interests are not, after all, the same thing. Collective interests are narrow, partial interests, and they will inevitably come into conflict with state interests. If collective interests are placed above state interests, or if meeting the collective's needs is made the sole purpose of production, with complete disregard for state interests, production in the collective economy will take the capitalist road: pursuing money through free enterprise, seeking the interests of the small collective at the expense of others, and undermining the state-owned economy. If this continues, it will not only damage socialist construction and affect people's living standards, but the collective economy itself will

also split apart and disintegrate, degenerating into a "**collective capitalist institution**."[1] In this way, the purpose of socialist production will be replaced by the capitalist purpose of production.

It is evident that within the socialist production process, on the one hand, the purpose of socialist production emerges, while on the other hand, the existence of bourgeois right within the commodity system and collective ownership also gives rise to certain negative effects that obstruct and affect the realization of the purpose of socialist production. The existence and development of this contradiction drive socialist production gradually to grow into communist production, while also giving rise to the possibility that the purpose of socialist production may degenerate into the capitalist purpose of production. However, the line determines everything. As long as we adhere to the correct Marxist line, this degeneration can be entirely prevented. It should be pointed out that although, within the socialist production process, the emergence of old capitalist traces and factors that conflict with the purpose of socialist production is inevitable, this by no means implies that these negative factors should be developed. On the contrary, these factors should be continually curbed by restricting bourgeois right within the commodity system and collective ownership. Ultimately, these negative factors are all breeding grounds for capitalism and all violate the law that relations of production must conform to the nature of the productive forces.

Since within the socialist production process, the purpose of socialist production arises, while various factors that conflict with this purpose also emerge, the purpose of socialist production is implemented only as a tendency and is realized through struggle. This means that realizing the aim of socialist production requires carrying out a continuous revolution against the

[1] Vladimir Ilyich Lenin, "On Cooperation."

various economic factors that obstruct its realization, as well as the superstructure that reflects these economic factors. Chairman Mao has consistently taught us: "**Grasp revolution, promote production.**"[1] This assertion is profoundly meaningful; it also tells us that only through revolutionary means can the purpose of socialist production be realized.

## Basic Economic Law of Socialism

In his book *Economic Problems of Socialism in the USSR*, Stalin was the first to introduce the scientific concept of the basic economic law and to formulate the basic economic law of socialism. However, certain pet scholars of the Soviet revisionist renegade clique flatly deny the existence of a basic economic law, attacking Stalin by claiming that "his purpose in putting forward the 'basic economic law' was nothing but to fabricate a contribution to Marxism-Leninism theory." This attack does not diminish in the slightest the great brilliance of Stalin's Marxism-Leninism theory; on the contrary, it merely exposes their own traitorous, anti-Marxist-Leninist nature.

Stalin correctly set out the main elements that the basic economic law should include: the purpose of production and the means of achieving that purpose. As we analyzed earlier, the purpose of socialist production is to meet the needs of the broad masses of working people. Since the needs of the working people are not limited to the bare minimum but are growing and becoming more varied, this requires a greater quantity and wider range of products, of better quality and produced with lower labor consumption, to meet their various needs. Therefore,

---

[1] Quote from Mao Zedong. Hung Yin-hang, "Great Victory for Mao Tsetung Thought On Financial and Monetary Front," *Peking Review*, No. 29 (1969), 8.

socialist production must be developed with greater, faster, better, and more economical results. However, unless relations of production are adjusted in a timely manner and a revolution is carried out in the sphere of the superstructure, it is impossible to eliminate the factors that hinder the purpose of socialist production. As a result, production cannot advance; even if it advances temporarily, it can only become the material basis for the restoration of capitalism, rather than achieve the purpose of meeting the needs of the working people. The practice of socialism shows that developing socialist production with greater, faster, better, and more economical results, under the leadership of revolution, is the most fundamental means of achieving the purpose of socialist production.

Based on Stalin's theory of the basic economic law of socialism and Chairman Mao's series of statements on the essential connection between socialist revolution and socialist production, the basic economic law of socialism can be broadly formulated as follows: with revolution as the guiding principle, develop socialist production with greater, faster, better, and more economical results, so as to meet to the greatest possible extent the ever-growing needs of the broad masses of working people.

Why is this law called the basic economic law of socialism?

First, this is because it is the most fundamental of the economic laws of socialist society. A social formation may have several economic laws, but a particular social formation "**cannot have several basic economic laws, that it can have only some one basic economic law, which precisely for that reason is the *basic* law,**"[1] while the other economic laws are governed by it.

[1] Joseph Stalin, "Concerning the Errors of Comrade L.D. Yaroshenko," in *Economic Problems of Socialism in the USSR* (Foreign Languages Press, Peking, 1972).

Second, this law determines the fundamental direction and nature of socialist production. In socialist society, which class the workers produce for, what they produce, how much they produce, how production and construction are laid out and carried out, and so on, must all conform to the objective requirements of this law. “Putting profit in command” in industrial production, “taking money as the key link” in agricultural production, and the like, all violate the basic economic law of socialism. Our state-owned factories and farms, the agricultural communes and brigades and industrial enterprises of the collective of working people, are all socialist production units and should consciously take revolution as the guiding principle, producing in accordance with the purpose of socialist production.

Moreover, this law also determines all the principal aspects and processes of the development of socialist production. Social production cannot take place in isolation from other links; therefore, broadly speaking, the process of developing social production must also include all the principal links, such as exchange, distribution, and consumption. These links are subordinate to production and are therefore also governed by the basic economic law of socialism. The exchange of socialist products is still, to a certain extent, commodity exchange and exchange through money, and the law of value still operates. The parties to an exchange must not only receive compensation in value, but must also use the monetary form. However, value and money are not the ultimate ends; ultimately, use value must meet the needs of the working people. Here, it is not the law of value that plays the governing role, but the basic economic law of socialism and the law of planned, proportionate development of the national economy associated with it. Therefore, the organization of sources of supply, price policy, methods of supplying commodity, and the determination of the proportions of commodity sales

between urban and rural areas, among regions, and between domestic sales and foreign trade must all help improve the living standards of the working people, consolidate the worker-peasant alliance and the dictatorship of the proletariat, support the revolutionary cause of the people of the world, and so on.

The same applies to distribution and consumption. Whether it is the distribution of national income or the distribution of personal consumer goods, the basic economic law of socialism must serve as the principal basis. Distribution must properly handle the relationships among accumulation and consumption, military and civilian needs, and the interests of the state, collective, and individual. It must both ensure various common needs and, on the basis of developing production, gradually improve the material and cultural life of the working people; it must both implement the principle of distribution of consumer goods according to labor and avoid making it absolute; it must both start from meeting the needs of the entire working class and the broad masses of working people, preventing excessive disparities in living standards among the workers, and avoid egalitarianism. At the same time, the organization of consumption must help raise people's living standards, while also promoting a change in customs and eliminating the influence of the lifestyles of the exploiting classes, and so on.

In short, the basic economic law of socialism is an objective law that is independent of people's will. A correct understanding of it enables us to grasp deeply the essence of socialist production and the most fundamental characteristics of the entire socialist economy, thereby helping us recognize the fundamental direction of socialist production's development, strengthen our ability to distinguish socialism from capitalism, Marxism from revisionism, and the correct

line from the erroneous line, and promote the victorious development of socialist revolution and construction.

# Chapter Five: Mutual Relations in Socialist Production

## Section One: Formation of Socialist Mutual Relations

### Public Ownership of the Means of Production is the Foundation of Socialist Mutual Relations

Earlier, we examined the general characteristics of socialist ownership and socialist production. This enabled us to grasp the foundations and essence of socialist relations of production and will therefore help us further explore mutual relations in socialist production.

Broadly speaking, all relations of production are part of the mutual relations among people in production. However, the mutual relations examined in this chapter refer only to the positions people occupy in production and how they are connected with one another—that is, the second aspect of relations of production put forward by Stalin in his book *Economic Problems of Socialism in the USSR*. In addition, to avoid repetition with other chapters, the focus here is on analyzing mutual relations within socialist economic units.

In different social formations, people's mutual relations in production also differ. For thousands of years, humanity has been caught in mutual relations of exploitation and being exploited, oppression and being oppressed. But these relations have not always existed, nor will they last forever. In the earliest clan society, everyone held an equal position: "**it has no place**

**for ruler and ruled.**"[1] In the future communist society, all domination and oppression will also be eliminated. This means that people's mutual relations in production are not immutable; their nature changes with the development of history. What, then, determines people's mutual relations? Marx and Engels point out: "**Different forms of ownership, i.e. the existing stage in the division of labor determines also the relations of individuals to one another with reference to the material, instrument, and product of labor.**"[2] This clearly tells us that ownership of the means of production is the basis that determines people's mutual relations.

Private ownership of the means of production is the root of systems of exploitation and oppression. In capitalist society, the means of production are owned by capitalists, while workers own nothing except their labor power. To avoid starving, workers have no choice but to work for capitalists, suffering exploitation and enslavement. This inevitably gives rise to "**The Relation of Wage-labor to Capital, the Slavery of the Worker, the Rule of the Capitalist.**"[3] Here, the decisive condition is capitalist ownership, as Marx put it: "**The capitalist system presupposes the complete separation of the laborers from all property in the means by which they can realize their labor.**"[4] Bourgeois economists always do their utmost to conceal the basis of capitalist mutual relations—capitalist ownership—and portray the capitalists' rule over and enslavement of workers as laws of nature common to every production process. Marx criticized this fallacy, pointing out: "**It is not because he is a leader of industry that a man is a**

---

[1] Frederick Engels, "IX. Barbarism and Civilization."

[2] Karl Marx, "A. Idealism and Materialism, I. Feuerbach: Opposition of the Materialist and Idealist Outlooks," in *The German Ideology*, Vol. I, *Marx-Engels Collected Works*, Vol. 5 (Progress Publishers, 1968).

[3] Karl Marx, "Preliminary," in *Wage Labour and Capital*.

[4] Karl Marx, "Chapter Twenty-Six: The Secret of Primitive Accumulation," in *Capital*, Vol. I.

**capitalist; on the contrary, he is a leader of industry because he is a capitalist.**"[1] Clearly, to change capitalist mutual relations, capitalist ownership must be overthrown.

After the establishment of the proletarian dictatorship in our country, bureaucratic capital was first expropriated, followed by the comprehensive socialist transformation of individual agriculture, handicrafts, and capitalist industry and commerce. This great transformation, in which socialist ownership replaced capitalist ownership, inevitably brought about new changes in mutual relations. In 1957, Chairman Mao pointed out: "**We are now building socialism. Hundreds of millions of people are taking part in the movement for socialist transformation. Class relations are changing throughout the country. The petty bourgeoisie in agriculture and handicrafts and the bourgeoisie in industry and commerce have both experienced changes.**"[2] This is precisely what happened. Since the landlord and bourgeois classes are deprived of the means of production, they have also lost the right to exploit and oppress the working people and are forced into a subordinate position in production. The working people, on the other hand, have come to occupy the dominant position in the production process because they had gained ownership of the means of production. At the same time, the establishment of public ownership has made all working people the masters of the means of production and the production process, working for the benefit of the working masses; they are therefore bound to form a new kind of comradely relationship based on mutual aid and cooperation. This new comradely relationship based on mutual aid and cooperation is expressed especially directly and fully within particular economic units, such as an enterprise or a

---

[1] Karl Marx, "Chapter Thirteen: Co-operation," in *Capital*, Vol. I.

[2] Mao Zedong, "Speech at the Chinese Communist Party's National Conference on Propaganda Work," 422.

production team, because the workers had equal relations of ownership with respect to the means of production.

The above explains that people's mutual relations in production are determined by the nature of ownership of the means of production. Socialist ownership is the foundation of socialist mutual relations. Without public ownership, mutual relations that benefit the working people and enable them to benefit one another could not arise. It is precisely because socialist public ownership replaced capitalist private ownership that people's mutual relations underwent this fundamental transformation.

## The Role of the Superstructure in the Formation and Development of Socialist Mutual Relations

Public ownership of the means of production is the foundation of socialist mutual relations, but this by no means implies that once public ownership has been established, socialist mutual relations will spontaneously and naturally take shape on this basis. Like public ownership of the means of production, socialist mutual relations can only be established and developed with the support from the force of the proletarian superstructure.

In class society, no form of mutual relations has ever been able to take shape and develop independently of the power of the state. In *Capital*, Marx cited a wealth of historical evidence to expose forcefully how the bourgeoisie used state violence to impose the mutual relations between wage labor and capital. In the United Kingdom, peasants were violently dispossessed over several centuries in order to establish capitalist relations. Workers who had been displaced

in large numbers and were not hired by capitalists were, under bloody legislation, punished with flogging, imprisonment, branding, mutilating, and even death; while workers who had already become wage workers were subjected to so-called "workers' regulations," which forcibly extended the workday, lowered wages, and so on. As Marx said: "**The bourgeoisie, at its rise, wants and uses the power of the state to 'regulate' wages, i.e., to force them within the limits suitable for surplus-value making, to lengthen the working-day and to keep the laborer himself in the normal degree of dependence.**"[1] History proves that the bourgeoisie could never have established capitalist mutual relations without relying on their state violence.

Socialist mutual relations represent a fundamental transformation of capitalist mutual relations. They do not replace one system of exploitation with another, or one form of enslavement with another, but rather abolish all exploitation and enslavement. Therefore, in the formation and development of socialist mutual relations, class struggle becomes more acute and complex, and the state machinery under the dictatorship of the proletariat plays an even more distinctive and significant role.

The proletariat must establish new socialist mutual relations in accordance with the requirements of socialist public ownership. The overthrown landlords and bourgeoisie, however, out of their reactionary nature, are extremely hostile to this. For this means that they have lost their position of exploiting, oppressing, and ruling the working people, and have become ruled and reformed people compelled to take part in labor. They would never willingly accept such a sweeping change in people's positions and relations in production. After the October Revolution, Lenin profoundly exposed this class instinct of theirs, pointing out: "**Yesterday's slave-owners**

[1] Karl Marx, "Chapter Twenty-Eight: Bloody Legislation Against the Expropriated, from the End of the 15th Century. Forcing Down of Wages by Acts of Parliament," in *Capital*, Vol. I.

**and their 'intellectual' stooges say and think, 'We have always been organizers and chiefs. We have commanded, and we want to continue doing so. We shall refuse to obey the 'common people,' the workers and peasants. We shall not submit to them. We shall convert knowledge into a weapon for the defense of the privileges of the money-bags and of the rule of capital over the people.'**" Therefore, the formation of socialist mutual relations to replace capitalist mutual relations inevitably encounters the frenzied resistance of the landlord and bourgeois classes.

History and reality, both internationally and within our country, show that they either resort to sabotage, insurrection, and the destruction of production, or corrupt people's thinking with the principles of capitalist commodity exchange, in order to obstruct the establishment of socialist mutual relations and restore capitalist mutual relations. At the same time, the landlord and bourgeois classes also use their agents within the Communist Party to promote the revisionist line and reintroduce capitalist relations into socialist factories and the countryside.

After the socialist transformation of ownership in our country was basically completed, Liu Shaoqi desperately advocated "management of factories by experts," finding "capitalists" to serve as "masters" and bringing in "private merchants" as "advisers and consultants"; he also strenuously promoted a whole set of capitalist management systems, including "administrative controls, restrictions, suppression, and penalties." The Lin Biao clique, for its part, brazenly propagated such notions as "relations between people—self-interest above all," "animals live entirely by plunder, and all can be our teachers," "people treat one another like wolves," and "without cheating, no deal can be made," among others. Deng Xiaoping completely carried on Liu Shaoqi and Lin Biao's line, and spread such fallacies as "relying on workers, peasants, and

soldiers is relative" and that workers should be managed "more strictly," among others. In their strenuous opposition to relying on the working class, they are doing everything possible to restore the bourgeoisie's dominant position in enterprise production, openly advocating bourgeois egoism, money relations, exploitative relations, and competitive relations. Their aim is to use capitalist mutual relations to undermine and ultimately replace socialist mutual relations. It is clear, then, that unless the proletariat exercises an all-round dictatorship over the bourgeoisie, it cannot defeat their resistance and sabotage or repel the frenzied offensive of the revisionist line. Thus, even after socialist ownership has been established, socialist mutual relations cannot form and develop spontaneously.

The formation and development of socialist mutual relations will also encounter obstacles from old ideas and old customary forces among the working people. The working people have already become masters of production and occupy a position of dominance. However, influenced by the traditions and prejudices of the exploiting classes, some people have not yet fully realized their historic responsibility and do not quite believe that workers and peasants can manage the economic affairs themselves. Others still view the people's factories and collective property through the lens of the old society, "**whose sole aim is to lighten the burden of labor or to obtain at least some little bit *from the bourgeoisie.***"[1] Still others have become leaders and cadres, yet retain a bourgeois bureaucratic thinking and work style, and so on. Unless the working people free themselves from these spiritual shackles, they cannot establish socialist relations. This requires the state under the dictatorship of the proletariat to provide the working people with education in socialist and communist ideas.

---

[1] Vladimir Ilyich Lenin, "How to Organise Competition?"

The state under the dictatorship of the proletariat is also the direct leader and organizer of the socialist economy. Under capitalist private ownership, capital is only "**[subjected] to legal control at one point.**"[1] Once socialist public ownership has been established, the state of social production being conducted independently by separate entities is eliminated. Here, the production and distribution of goods, and the nature of mutual relations in production, are "**not private affair, but most important affair of state.**"[2] Thus, the state can not only guide production in factories and the countryside by formulating lines, principles, and policies and issuing economic plans, but can also directly dispatch its own representatives to personally manage all enterprises under ownership by the whole people and, to varying degrees, the collectively owned economy. Therefore, whether with regard to ownership or the distribution system, or with regard to mutual relations, the state under the dictatorship of the proletariat plays a uniquely important role that capitalist countries cannot match.

In short, the superstructure has a tremendous countereffect on mutual relations in production; the superstructure under the dictatorship of the proletariat is especially important to the formation and development of socialist mutual relations.

---

[1] Karl Marx, "Chapter Fifteen: Machinery and Modern Industry," in *Capital*, Vol. I.

[2] Vladimir Ilyich Lenin, "The Immediate Tasks of the Soviet Government."

# Section Two: Contradictions within Socialist Mutual Relations

## Socialist Mutual Relations Are Still Class Relations

Socialist mutual relations are formed on the basis of public ownership of the means of production and through a powerful dictatorship of the proletariat. They are fundamentally different in nature from capitalist mutual relations. Nevertheless, they remain, in essence, a form of class relations; only the classes occupying the ruling and ruled positions have changed.

It is relatively easy to understand that people's mutual relations under capitalism are class relations, because this is a relationship in which one person exploits another. But in mutual relations under socialism, since exploitation has been eliminated, why are they still class relations?

"**Classes are groups of people one of which can appropriate the labor of another.**"[1] In other words, classes arise on the basis of a system of exploitation. However, after the system of exploitation has been overthrown, classes, as distinct social groups and political forces, cannot disappear all at once. The formerly antagonistic classes remain in a state of opposition; they still have their own particular economic interests, political demands, and ideological outlooks. Although the old exploiting classes have been deprived of their economic power, their political rule has been overthrown, and they have been compelled to take part in labor and placed in a position of being transformed in production, they are still here, and their hearts have not changed: they constantly dream of restoring their former position politically and economically,

[1] Vladimir Ilyich Lenin, "A Great Beginning."

and turn that hope into action. As for eradicating their ideology, that requires a much longer historical process. Meanwhile, even after collectivization, the petty bourgeoisie retain some of their former inherent characteristics and customary influences, and so on. It is clear, then, that after public ownership of the means of production has been established and the system of exploitation eliminated, the old classes still exist. The nearly sixty years of historical experience since the October Revolution have taught us that not only do members of the old exploiting classes still exist, but new bourgeois elements will continue to emerge, batch after batch, from within the new socialist society. "**On the ground cleared of one bourgeois generation, new generations continually appear in history, as long as the ground gives rise to them, and it does give rise to any number of bourgeois.**"[1] This is the main reason why classes and class struggle persist throughout the entire socialist historical period.

The emergence of new bourgeois elements is not accidental; it has deep social roots. Socialist society emerged from capitalist society and has grown surrounded by international capitalism. As a result, it inevitably bears the traces of the old society in its politics, ideology, and economic affairs. These old traces are precisely the soil and conditions that allow new bourgeois elements to emerge.

Since the existence of classes is an inevitable phenomenon and an objective reality in socialist society, people's mutual relations in production in this society must, in essence, be class relations.

In our country, there are currently two exploiting classes, namely the landlord class and the bourgeoisie, and two working classes, namely the working class and the peasant class. What

[1] Vladimir Ilyich Lenin, "Session of the All-Russia C.E.C.," in *Lenin's Collected Works*, Vol. 27.

are called socialist mutual relations are, in essence, the relations among these four classes. Of these, the relationship between the working class and the bourgeoisie is primary; it determines and constrains the other class relations. The relations in production between the two great classes of workers and peasants and the landlord and bourgeois classes are relations of rule and subordination, of transformation and being transformed. Without establishing such relations, socialist public ownership cannot be consolidated, the aim of socialist production cannot be achieved, and socialist production as a whole cannot proceed. Within the working people, since all are workers and owners of the means of production, and share the same aims and fundamental interests, relations of mutual aid and cooperation in a comradely spirit have been established. These mutual relations differ from those between antagonistic classes. However, class relations still exist within these mutual relations. First, there is also a class relationship between workers and peasants. Although workers and peasants are two working classes, not antagonistic classes, they are nevertheless two distinct classes. At the same time, bourgeois right still exists extensively within the working people, and new bourgeois elements may emerge among their various "**groups.**" Moreover, the influence of bourgeois ideas may also give rise to various contradictions within the working people. Thus, even within relations among the working people, class relations between the proletariat and the bourgeoisie will still be reflected.

Some people acknowledge that classes exist in socialist society but deny that socialist relations are essentially class relations, and broadly characterize the mutual relations between working people and the exploiting classes as capitalist mutual relations. In fact, the mutual relations between working people and the exploiting classes are capitalist only when the exploiting classes hold power; conversely, if working people hold power, this is already a

socialist mutual relations. The view that treats socialist mutual relations as independent of class relations is mistaken. On the one hand, it confuses the difference between socialist relations and capitalist relations; on the other, it prevents people from seeing classes and class struggle within socialist relations of production, thereby serving the bourgeoisie politically and numbing the masses. Engels pointed out: "**Economics is not concerned with things but with relations between persons, and in the final analysis between classes.**"[1] We should regard socialist relations truthfully as class relations and study them in depth.

All revisionists preach the "theory of the dying out of class struggle," and they especially deny the existence of class struggle during the socialist period. Kautsky of the Second International spouted such nonsense as, "We may popularly express the essentials of Socialism in the words: Freedom and bread for all."[2] Khrushchev, Brezhnev, and their ilk in the Soviet revisionist renegade clique inherited Kautsky's mantle, distorting mutual relations among people in socialist society into "humane relations and mutual respect among people: man is to man a friend, comrade and brother."[3] After the Three Great Transformations in our country were basically completed, Liu Shaoqi, Lin Biao, and their ilk also frantically clamored that "classes have been eliminated" and "class struggle has basically ended." Deng Xiaoping was also a fanatical advocate of the "theory of the dying out of class struggle." He did his utmost to oppose making class struggle the key link, and spouted such nonsense as "How can class struggle be talked about every day?" Revisionists deny class struggle during the socialist period in order to

---

[1] Frederick Engels, "Review," review of *A Contribution to the Critique of Political Economy*, by Karl Marx.

[2] Karl Kautsky, "Chapter VIII The Object Lesson," in *The Dictatorship of the Proletariat* (National Labour Press 1919).

[3] "Basic Party Organizations," in *Rules of the Communist Party of the Soviet Union* (London, 1961), 20.

deny the proletariat's economic and political rule over the bourgeoisie, thereby rescuing the bourgeoisie from its impending doom. They constantly talk about "eliminating" class struggle, but in reality they only seek to eliminate the proletariat's struggle against the bourgeoisie, not the bourgeoisie's attacks on the proletariat. This lays bare their aim of restoring the dictatorship of the bourgeoisie and capitalist relations of production. Thoroughly criticizing the revisionist "theory of the dying out of class struggle" will be a long-term task throughout the entire socialist period.

## Socialist Division of Labor and Cooperation

People's mutual relations in production are often expressed through the division of labor and cooperation. All large-scale production processes involve a division of labor and cooperation, but their nature differs across social formations, reflecting different mutual relations.

The capitalist division of labor and cooperation are based on capitalist ownership and serve as means and methods by which capitalists extract surplus value from workers. There, the directors and supervisors of production are the capitalists and their lackeys, while workers are merely the direct producers. The division of labor and cooperation among the workers are likewise subordinate to capital and controlled by it, and therefore cannot develop independently. As Marx said: "**The co-operation of wage laborers is entirely brought about by the capital that employs them. … Hence the connexion existing between their various labors appears to them, ideally, in the shape of a preconceived plan of the capitalist, and practically in the**

**shape of the authority of the same capitalist, in the shape of the powerful will of another, who subjects their activity to his aims.**"[1] Clearly, the capitalist division of labor and cooperation embody the mutual relations of capitalists' exploitation and oppression of workers.

However, the socialist division of labor and cooperation are of a different nature. They are based on socialist public ownership and embody socialist relations of mutual relations.

Under the socialist division of labor and cooperation, the working people are their own masters, and the functions of leading and directing production are exercised by the working people themselves and through their representatives. Socialist labor organization also assigns certain jobs to members of the exploiting classes, but this is intended to reform them into self-reliant, productive people; it is entirely different from the conscious labor of the working people. Herein lies the relationship between the working people's rule over and reform of the exploiting classes.

The socialist division of labor and cooperation also extensively embody the mutual relations among working people. Based on the division of labor within socialist enterprises or communes and brigades, the mutual relations among workers broadly include: relations between leaders and the masses; relations between managers, technical personnel and workers (or peasants); relations among direct producers; and so on. Since the connections and relations among workers in production are no longer subject to the authority of capitalists, but are determined by the shared class interests and class will of working people, it has become possible here, for the first time in thousands of years, to establish relations free from exploitation and

[1] Karl Marx, "Chapter Thirteen: Co-operation."

oppression. The communist elements in people's mutual relations have likewise grown and developed from this very foundation.

To understand the mutual relations among working people, we need to analyze several features of the division of labor and cooperation among socialist workers:

First, although working people hold different jobs, they all occupy the position of masters. In socialist economic units, a certain division of labor is necessary to ensure that production proceeds normally. Among working people, some serve as leaders, some become managers and technical personnel, while the majority are direct producers. Among direct producers, there are also different trades, work teams, and so on. This division of labor is based on public ownership; therefore, it is not a division of labor between masters and slaves, but among masters. From the top leaders of an enterprise or commune and brigade to ordinary people directly engaged in productive labor, their basic status is equal: they are all masters of the factory or rural commune and brigade. Even when holding a leadership position, one is not permitted any personal privileges or to put on airs before the masses; instead, one must stay connected with the masses and serve the people. "**All our cadres, whatever their rank, are servants of the people.**"[1] This is an objective requirement of public ownership, and under the guidance of the correct line, the vast majority of leading cadres act accordingly. At the same time, although the broad worker and peasant masses engage directly in productive labor, they do not thereby lose their position as masters. This is reflected in the following: first, they labor courageously to meet society's needs, free from anyone's exploitation and oppression; second, the masses have a measure of leadership and management authority and are not merely workers.

[1] Mao Zedong, "17. Serving the People," in *Quotations from Mao Zedong* (Peking Foreign Languages Press, 1966).

Socialist enterprises or communes and brigades practice democratic management. The masses have the right to offer opinions and suggestions on major matters such as management policies, production plans, financial management, and technical priorities, and to take on certain management responsibilities in practice, among other things. Our Party attaches great importance to the revolutionary spirit of the masses in consciously acting as masters of their own affairs, and creates every condition and adopts various forms to involve the masses in management. This has greatly stimulated the enthusiasm of the broad masses for socialist revolution and construction. The workers of Shanghai No. 5 Iron and Steel Plant put it well: "Though our work is divided differently, we are all masters." This statement vividly sums up the fundamentally equal status of working people.

Second, among the workers, "division of labor does not mean separation"; they continually break down the boundaries of the old division of labor. In capitalist society, the division between mental and manual labor is in fact a division between the exploiting classes and the exploited classes. All so-called noble mental activities, such as directing and managing production, science and technology, literature and the arts, and so on, are monopolized by the bourgeoisie and its intellectuals, while the entire burden of manual labor, regarded as base and menial, is imposed on the broad masses of working people. Clearly, to shake these boundaries of division is to shake the capitalist system, something impossible in capitalist enterprises. Moreover, for the workers, even engaging wholly in manual labor is impossible. In practice, they can only have "**life-long speciality of serving one and the same machine,**" in which it "**[transform] the workman, from his very childhood, into a part of a detail-machine.**"[1] In

[1] Karl Marx, "Chapter Fifteen: Machinery and Modern Industry."

other words, the capitalist division of labor is rigid, with boundaries as strict as barriers between different trades. This old division of labor enables capitalists to obtain cheap labor and makes the workers increasingly subordinate to capital; it is therefore entirely a product of the capitalist system.

In socialist economic units, the division of labor is only relatively fixed. With the abolition of the system of exploitation, the workers can develop in all respects toward becoming multi-skilled and integrating mental and manual labor. Leading cadres "**[remain] ordinary people while serving as 'officials.'**"[1] On the one hand, they lead factories and people's communes; on the other, they also take part in certain productive labor. The same is true of managers and technical personnel: they engage in both mental and manual labor. In addition to mainly performing manual labor, the broad masses of workers and peasants can also study culture, conduct research in scientific theory, take part in various management tasks, and so on. While remaining at their production posts, the workers also, as the needs of revolution and production require, break through the limits of their posts under leadership, and even the limits of workshops and industries, helping and supporting one another. This also fully demonstrates the new mutual relations among working people.

Again, the discipline established through socialist division of labor and cooperation is not a discipline that oppresses and enslaves workers, but a conscious discipline that safeguards the fundamental interests of working people. Any large-scale production requires some form of authority and obedience—in other words, strict labor discipline. The nature of this discipline, however, differs completely. In class society, labor discipline has a distinct class character. To

[1] Shanghai Municipal Revolutionary Committee, "Strive to Strengthen the Dictatorship Of the Proletariat," *Peking Review*, No. 25 (1967).

extract more surplus labor from workers, all exploiting classes must formulate and enforce rules of conduct that serve their class interests. Serfdom enforced discipline with the whip. Capitalist discipline, in addition to subjecting workers to "control, restriction, and oppression," also takes the form of fines. As Marx said, "**The factory code in which capital formulates, like a private legislator, and at his own good will, his autocracy over his workpeople.**" "**The place of the slave-driver's lash is taken by the overlooker's book of penalties. All punishments naturally resolve themselves into fines and deductions from wages.**"[1] Socialist discipline, by contrast, is established by working people themselves in accordance with the needs of socialist production and the interests of working people. It is no longer autocratic rule over workers but becomes their conscious demand. It is therefore a conscious discipline. Lenin pointed out that the socialist organization of labor "**rests, and will do so more and more as time goes on, on the free and conscious discipline of the working people themselves who have thrown off the yoke both of the landowners and capitalists.**"[2] Of course, this does not mean that the working masses can observe labor discipline spontaneously. On the contrary, this can be achieved only through the strengthening of political work by the proletarian party and state. Socialist conscious discipline shows that the mutual relations between individual workers and the collective, and between subordinates and superiors, are not antagonistic but comradely.

As can be seen from the foregoing analysis, the division of labor and cooperation among socialist workers are fundamentally different from those under capitalism; they embody a new comradely relationship of mutual aid and cooperation among working people.

---

[1] Karl Marx, "Chapter Fifteen: Machinery and Modern Industry."

[2] Vladimir Ilyich Lenin, "A Great Beginning."

The division of labor and cooperation among socialist workers inevitably develops further into socialist labor competition. Socialist labor competition likewise reflects the comradely relations of mutual aid and cooperation among the workers.

As long as labor is collective, competition among the workers may arise, thereby serving as a form of spiritual encouragement and improving labor efficiency. In capitalist society, however, working people do not work for themselves but are forced to toil for exploiters, and consequently have no interest in labor. Under these conditions, it is impossible to launch conscious socialist labor competition. Genuine socialist labor competition arises from the Socialist division of labor and cooperation. Lenin pointed out: "**Far from extinguishing competition, socialism, on the contrary, for the first time creates the opportunity for employing it on a really *wide* and on a really *mass* scale, for actually drawing the majority of working people into a field of labor in which they can display their abilities, develop the capacities, and reveal those talents, so abundant among the people whom capitalism crushed, suppressed and strangled in thousands and millions.**"[1]

Competition in the socialist sense differs from capitalist competition. Capitalist competition reaches its peak in capitalist society. It begins with individual self-interest, aims to defeat one's opponent, and uses this as a means of advancing oneself. It embodies the deceitful, dog-eat-dog mutual relations among small commodity producers, especially among capitalists. Socialist labor competition, by contrast, proceeds from the interests of the proletariat and the broad masses of working people. Through the mass movement of comparing, learning, catching up, helping, and surpassing, it advances the cause of socialist revolution and construction. Here,

[1] Vladimir Ilyich Lenin, "How to Organise Competition?"

the competitors have no private interests to pursue. The process of competition is one of mutual learning, mutual assistance, mutual encouragement, and mutual advancement. Through competition, the workers will deepen their understanding of one another and strengthen their unity. Thus, socialist competition embodies and develops the comradely relations of mutual aid and cooperation among working people. Socialist labor competition must be guided by proletarian politics; it must never be reduced to simply comparing production or labor, nor must revisionist "material incentives" be introduced. Otherwise, it will lead down the wrong path and turn into capitalist wage-labor relations and competitive relations. The experience of the mass movements in our country—"**In Industry, Learn From Daqing**" and "**In Agriculture, Learn From Dazhai**"—has shown that properly conducting socialist labor competition is of great significance for promoting revolution and unity, and for **"go all out, aim high, and achieve greater, faster, better and more economical results to build socialism."**[1]

In socialist society, in addition to the division of labor, cooperation, and competition within economic units, there is also a broader social division of labor, along with cooperation and competition based on it. This reflects socialist mutual relations across society as a whole. These relations are mainly those between workers and peasants, and among different regions, departments, enterprises, and units. Here, the mutual relations among the workers are characterized by the fact that they not only support one another in accordance with communist principles, but must also establish connections through the exchange of products. The mutual relations among the workers arising from the broader social division of labor will be discussed in other chapters and need not be repeated here.

---

[1] Quote from Mao Zedong. Liu Shao-chi, "The Victory of Marxism-Leninism in China," *Peking Review*, No. 39 (1959), 10.

In short, socialist mutual relations differ from capitalist relations: they benefit the broad masses of working people, not the small exploiting classes. Communist elements are increasingly growing within the mutual relations among working people.

## Old Traces Within Socialist Mutual Relations

Within socialist mutual relations, communist elements are dominant on the one hand, while old traces of capitalism are visible everywhere on the other. They are in constant contradiction and struggle with each other, thereby driving the progress and development of socialist mutual relations.

It should be pointed out that although the working people are all masters of production and are basically equal in status, in many respects their equality is only superficial, and in reality they are not equal. In other words, bourgeois right still exists to a serious degree in their mutual relations.

Socialist society still retains a relatively fixed division of labor, particularly the division between mental and manual labor. Although this is no longer a division between two antagonistic classes and is generally a division within the working people, insofar as it remains relatively fixed, it has still not escaped the old division of labor and remains a form of inequality. Manual labor is direct material productive labor and the basis on which mental labor can exist independently. Since mental laborers participate less in manual labor, all their material needs must be supplied by the vast numbers of manual laborers. This unreasonable situation, which has persisted for thousands of years, remains unavoidable to this day. Moreover, although the worker

and peasant masses also have leadership and can take part in some mental labor, such as management and scientific and technological work, most of their time and energy can in practice still only be devoted to manual labor; the functions of mental labor can still be performed relatively consistently by only a small number of people. The socialist system guarantees the working people the right to work, but this equal right to work is clearly an unequal right for different workers.

The inequality inherent in this division of labor creates further inequality in mutual relations. Lenin once called the division between mental and manual labor "**one of the principal sources of modern social inequality.**"[1] In socialist society, it is also one of the economic roots of capitalism and the bourgeoisie.

Mental laborers participate less in manual labor, and this in itself contains the danger of becoming detached from the working masses. Manual laborers, meanwhile, cannot take their place right away, which further increases this danger. Under conditions in which the old division of labor has not yet been eliminated, if leaders, managers, and intellectuals do not pay attention to remolding the world outlook, they will inevitably become completely detached from direct productive labor. Existence determines consciousness. If mental laborers do not participate in collective productive labor over a long period and have no contact with the worker and peasant masses, they will not develop the thoughts and feelings of the working people. Even those originally from worker and peasant backgrounds will gradually forget their roots; on the contrary, bourgeois ideas and styles of work will run rampant. For example, they may consider themselves superior and special, look down on the working people, and refuse to "equate

[1] Vladimir Ilyich Lenin, "The Economic Basis of the Withering Away of the State."

themselves" with workers and peasants; or they may become bureaucratic, show no concern or care for the masses, issue coercive orders, and give reckless directions; or they may pursue a bourgeois way of life, even going over to the opposite side of the working people and becoming bourgeois elements inside or outside the Party, using the status and power granted to them by the people to turn around and oppress and exploit the people, and to appropriate the fruits of the masses' labor, among other things. A great deal of evidence shows that when cadres stop doing labor, they will gradually degenerate and may even become new bourgeois elements, thereby laying the groundwork for revisionism. This is an issue to which we should attach great importance.

A relatively fixed division of labor also creates, to some extent, hierarchical relationships among the workers.

In socialist society, there are still considerable differences among people in knowledge and ability to work, as well as in various other respects. These differences are not innate but are caused by the old division of labor. Adam Smith, a bourgeois classical economist, recognized this clearly at an early date: "The very different genius which appeal's to distinguish men of different professions, when grown up to maturity, is not upon many occasions so much the cause, as the effect of the division of labor."[1] Marx affirmed this correct view and went on to point out: "**In principle, a porter differs less from a philosopher than a mastiff from a greyhound. It is the division of labor which has set a gulf between them.**"[2] As long as the old division of labor

[1] Adam Smith, "Chapter II Of the Principle Which Gives Occasion to Division of Labour," in *An Inquiry Into the Nature and Causes of the Wealth of Nations*, Vol. I (London, 1776), 19.

[2] Karl Marx, "Part 2: Division of Labour and Machinery, Chapter Two: The Metaphysics of Political Economy," in *The Poverty of Philosophy.*

has not been eliminated, considerable differences among the workers in knowledge, ability, and other respects are inevitable.

Moreover, because the sphere of labor in society as a whole is extremely broad and occupations are quite diverse, some jobs are relatively simple, some more complex, and others even more complex, and so on. Thus, differences in people's knowledge and abilities will also meet the needs of a relatively fixed division of labor, becoming an important basis for determining what kinds of work workers can perform. In discussing the capitalist division of labor, Marx once pointed out: "**Since the collective laborer has functions, both simple and complex, both high and low, his members, the individual labor-powers, require different degrees of training, and must therefore have different values. Manufacture, therefore, develops a hierarchy of labor-powers, to which there corresponds a scale of wages.**"[1] Of course, under the conditions of socialist public ownership, labor power is no longer a commodity and has no hierarchy of value. However, the old division of labor still exists, and each worker still performs some specialized labor function on a relatively fixed basis, while labor functions continue to differ in various ways. The division between mental and manual labor is a broad distinction; within mental labor, work is further divided into several grades according to its nature and the level of the position. The same is true of manual labor, which also varies in simplicity, complexity, and degree. Moreover, differences in the labor people perform are linked to wage levels. Inevitably, these factors create hierarchical relations among people to some extent.

[1] Karl Marx, "Chapter Fourteen: Division of Labour and Manufacture," in *Capital*, Vol. I.

It should be pointed out that the hierarchical relations inevitably created by the existence of the old division of labor are, generally speaking, still hierarchical relations within the working people. They are a form of inequality premised on recognizing the fundamental equality of status among the working people. Nevertheless, they are a form of bourgeois right, and some people may still exploit them to establish capitalist mutual relations, even degenerating as a result into new bourgeois elements.

Real life shows us that some mental laborers with deeply ingrained bourgeois right ideology view the hierarchical relations created by the old division of labor from the bourgeois standpoint. Believing themselves to possess so-called knowledge and talent, so-called high office and generous pay, important positions and status, and so on, they look down on workers and peasants and on those below them. They do not present themselves as ordinary workers, but instead place themselves above the masses. In this way, they gradually turn their relations with the broad masses into capitalist mutual relations, and will ultimately meet with the opposition of the masses. One important reason why some cadres are criticized by the masses during the Great Proletarian Cultural Revolution is that, having risen to high office and received higher salaries, they thought themselves superior and put on airs: they failed to consult the masses about matters, treated people unequally, rejected democracy, liked to lecture others, and became seriously alienated from the masses. This is a profound lesson. The cadres and intellectuals of our Party and state should follow Chairman Mao's consistent teachings, consciously eliminate bourgeois right ideology, and restrict inequality in mutual relations. Otherwise, like certain people, they will admire, defend, and expand the privileged treatment that this inequality brings them, becoming beneficiaries of vested interests, "**in pursuance of their own special interests,**

**transformed themselves from the servants of society into the masters of society,**"[1] and degenerating into capitalist roaders within the Party and spiritual aristocrats of the bourgeoisie.

In addition, commodity systems and exchange through money still exist in socialist society; these too are old traces in mutual relations. The inequality of the socialist system of distribution is also reflected in people's mutual relations. In particular, bourgeois right ideology and hierarchical ideas still have a broad influence, and all these generate and reinforce bourgeois right in mutual relations.

Bourgeois right in socialist mutual relations is an objective reality. It continually generates capitalism and the bourgeoisie, eroding and undermining socialist relations. However, people are not powerless in the face of it; its negative effects can certainly be limited by adjusting mutual relations.

[1] Frederick Engels, "[Postscript]," in *The Civil War in France*, by Karl Marx (1871).

# Section Three: Continuously Adjusting Socialist Mutual Relations

## The Significance of Continuously Adjusting Socialist Mutual Relations

The development of socialist mutual relations is a process in which the communist elements within them continually struggle against bourgeois right and achieve victory. But this process does not occur spontaneously; rather, socialist mutual relations must be consciously and continuously adjusted under the dictatorship of the proletariat. This is of great significance not only for consolidating and developing socialist mutual relations themselves, but also for consolidating and developing socialist ownership and for the struggle of the proletariat as a whole to defeat the bourgeoisie.

The ownership of the means of production determines mutual relations; there is no doubt about that. However, we must never overlook the reciprocal influence of mutual relations on ownership, or their determining role under certain conditions.

Historically, the bourgeoisie has attached great importance to further consolidating and developing its ownership by maintaining capitalist mutual relations. It has adopted various means, from systematically establishing all kinds of rules and regulations to promulgating written laws, to strengthen the relations of domination and enslavement through which capitalists control workers. In *The Condition of the Working Class in England*, Engels revealed, through a wealth of facts, that "**the slavery in which the bourgeoisie holds the proletariat chained, is**

**nowhere more conspicuous than in the factory system.**" "**Here the employer is absolute law-giver; he makes regulations at will, changes and adds to his codex at pleasure.**"[1]

The same was true in old China. For example, before liberation, the former East Asia Woolen Company in Tianjin had 28 sets of factory rules and regulations, comprising 503 provisions, for enslaving workers. These included: wage workers had to undergo preliminary selection and examinations, and only those who passed could enter the factory; to be formally admitted, they had to provide personal and lodging guarantors and fill out a "worker pledge form," which stated, "In the event of illness or accident, the factory shall bear no responsibility"; after entering the factory, they had to work on probation for one month, and those who failed to meet the requirements were still dismissed; talking and moving about at will during working hours were prohibited; workers had to take a toilet pass when using the lavatory, and their time was monitored; quarreling with one another and any conduct that might damage the company's reputation were forbidden, and they had to obey absolutely the instructions and orders of management regarding work assignments and deployment; any violation meant dismissal; no one could enter or leave the factory without permission from the supervisor of their group; every day, when entering or leaving the factory gates, workers were subject to inspection and questioning and could not evade or refuse on any pretext; anyone who received three major demerits or committed a serious violation of the rules was dismissed immediately; anyone whose leave request was denied, who failed to renew leave before it expired, or whose renewal was denied and who did not report for work was deemed absent without leave; anyone absent without leave for three days was dismissed immediately; leave could not be taken at will, and marriage leave

[1] Frederick Engels, "Single Branches of Industry," in *The Condition of the Working Class in England* (Institute of Marxism-Leninism, Moscow, 1969).

had to be arranged during the leave period; men whose monthly wages were insufficient to support a family were forbidden to marry; anyone wishing to bring family members had to complete a registration form, which had to be signed by the manager or assistant manager before they could come to Tianjin; each family member wishing to come to Tianjin had to have an average monthly income of ten yuan; and so on. All these rules were despotic measures imposed on the workers. The workers angrily said, "The factory rules are shackles; the workshop is a prison." In this way, the capitalists put the shackles of capitalist mutual relations around the workers' necks, thereby not only consolidating their ownership of capital but also ensuring that their capital continued to grow.

Socialist mutual relations safeguard socialist ownership and play a major role in promoting its consolidation and development. However, even after socialist mutual relations have been established, they still need to be further developed and improved. Inequality in mutual relations continues to place certain limits on the status of the broad worker and peasant masses as masters and on their spirit of taking charge. In units where inequality in mutual relations has already widened to some extent, workers or peasants often do not even regard the factory or commune and brigade as their own, but as belonging to the cadres. All this affects, to varying degrees, the worker and peasant masses' actual ownership of the means of production. If inequality in mutual relations is wantonly widened, capitalist mutual relations will re-emerge, thereby putting socialist ownership at risk of degeneration. In other words, bourgeois right within socialist mutual relations continues to have a certain negative effect on the consolidation and development of socialist ownership. Therefore, without timely attention to adjusting mutual relations, socialist ownership cannot be consolidated.

The historical lessons of the transformation of mutual relations in the Soviet Union over the past twenty-odd years are profound.

After the Soviet revisionist renegade clique led by Khrushchev and Brezhnev came to power, they have not only failed to develop communist elements in mutual relations, but instead done everything they could to expand the capitalist elements within them, causing capitalist mutual relations to spread and be restored. Under the pretext of emphasizing so-called "division of labor," they have created a situation in which mental laborers are completely separated from productive labor and from the working people. Many collective farm chairmen not only take no part in manual labor but do not even live on the collective farms they headed; instead, they live in comfortable city centers and only occasionally visit their farms.[1] Indeed, "many people of worker and peasant origin, once promoted to leadership positions in economic affairs, the Soviet government, the Party, trade unions, the Communist Youth League, and scientific and cultural work, permanently abandoned manual labor, sometimes even completely leaving the material production sphere, forgetting their own production specialties and making one kind of mental labor their lifelong occupation."[2] They greatly expanded the powers of enterprise managers. The Soviet revisionist Statute on the Socialist State Production Enterprise stipulates that "Rights belonging to the enterprise connected with its economic and production activity shall be exercised by the director (or administrator or chief) and, in accordance with the established distribution of responsibilities, by other officials of the enterprise."[3] They not only have the right

---

[1] *Pravda*, February 19, 1961.

[2] *Jingji Yicong*, No. 9 (1958).
Note from translator: I am unable to find the original text.

[3] John N. Hazard, Isaac Shapiro, and Peter B. Maggs, *The Soviet Legal System: Contemporary Documentation and Historical Commentary*, rev. ed. (Dobbs Ferry, NY: Oceana Publications, 1969), 246.

to determine the production plan and to "possess" and "buy and sell" the means of production, but also have the right to "hire," "dismiss," and "discipline" workers, and to determine their wages and bonuses, among other things.[1] Meanwhile, the broad working masses have gradually lost their position as masters and are left entirely without rights; even their right to work is not guaranteed. There, the relationship between leaders and the masses has become entirely a capitalist relation of antagonism between employer and employee, oppressor and oppressed. One Soviet revisionist manager once said bluntly: "The trust is my home; I am the master, and I do as I please." The manager of the Voronezh Automobile Joint Enterprise dismissed 530 workers between 1970 and 1972, "in effect replacing the entire workforce."[2] The same is true in the countryside. Collective farm chairmen hold all power in their own hands and can "create a situation that excluded all collective farm members from exercising social supervision over the management committee"; they can punish and expel members at will. For example, the chairman of the Communism Road collective farm issued more than 100 different penalty orders in a single year, so that one in every four members was punished.[3] The transformation of mutual relations in the Soviet Union from socialist to capitalist shows that the working people have lost all their rights and ultimately also lost ownership of the means of production, while this power has been usurped by the privileged monopoly bourgeoisie and the spiritual aristocracy. This makes clear that the transformation of mutual relations inevitably brings about and accelerates the restoration of capitalist ownership.

---

[1] John N. Hazard, Isaac Shapiro, and Peter B. Maggs, *The Soviet Legal System: Contemporary Documentation and Historical Commentary*, 246-247.

[2] *Guangming Daily*, June 6, 1975.
Note from translator: I am unable to find the original text.

[3] *Guangming Daily*, August 16, 1975.
Note from translator: I am unable to find the original text.

It is clear that to consolidate and develop socialist ownership, it is necessary to adjust socialist relations continually and promptly.

Chairman Mao has always attached great importance to the role of mutual relations in destroying the old system and consolidating the new one. As early as the Chingkang Mountains period, Chairman Mao led the Red Army in establishing new mutual relations that embodied proletarian principles. In his article "The Struggle in the Chingkang Mountains," he pointed out: "**First of all, the Red Army has abolished the mercenary system, making the men feel they are fighting for themselves and for the people and not for somebody else.**"[1] "**Cold as the weather is, many of our men are still wearing only two layers of thin clothing. Fortunately we are inured to hardships. What is more, all of us share the same hardships; from the commander of the army to the cook everyone lives on the daily food allowance of five cents, apart from grain. As for pocket money, everybody gets the same amount, whether it is twenty cents, or forty cents. Consequently the soldiers have no complaints against anyone.**"[2] "**Apart from the role played by the Party, the reason why the Red Army has been able to carry on in spite of such poor material conditions and such frequent engagements is its practice of democracy. The officers do not beat the men; officers and men receive equal treatment, soldiers are free to hold meetings and to speak out; trivial formalities have been done away with; and the accounts are open for all to inspect. The soldiers handle the mess arrangements and, out of the daily five cents for cooking oil, salt, firewood and vegetables, they can even save a little for pocket money, amounting to roughly six or seven coppers per**

[1] Mao Zedong, "The Struggle in the Chingkang Mountains," in *Selected Works of Mao Zedong*, Vol. I, 81.

[2] Ibid, 82-83.

**person per day, which is called "mess savings". All this gives great satisfaction to the soldiers. The newly captured soldiers in particular feel that our army and the Kuomintang army are worlds apart. They feel spiritually liberated, even though material conditions in the Red Army are not equal to those in the White army. The very soldiers who had no courage in the White army yesterday are very brave in the Red Army today; such is the effect of democracy. The Red Army is like a furnace in which all captured soldiers are transmuted the moment they come over.**"[1] This kind of equality and democracy in mutual relations within the Red Army was later extended to military-civilian relations, army-people relations, and Party-mass relations. These new mutual relations played a tremendous role in the victory of our country's democratic revolution. After liberation, the socialist mutual relations established throughout our country are based, of course, on public ownership of the means of production, while also inheriting and developing the relations within the Red Army. Even after socialist mutual relations have been established, contradictions remain and still have to be adjusted and resolved. After the socialist transformation of ownership in our country was basically completed, Chairman Mao promptly called on us to adopt democratic methods to correctly handle relations among the people, "**want all our factories, co-operatives, shops, schools, offices and people's organizations, in a word, all our 600 million people, to use it in resolving contradictions among themselves.**"[2] During the unprecedented Great Proletarian Cultural Revolution, Chairman Mao once again called on us to handle relations among the people properly, and in particular, to "**solve the problem of relations between the higher and**

[1] Mao Zedong, "The Struggle in the Chingkang Mountains," 83.

[2] Mao Zedong, "On the Correct Handling of Contradictions Among the People," 390-391.

**lower levels effectively and harmonize relations between cadres and the masses.**"[1] Practice has shown that in the past, to seize power and destroy the old capitalist system, the proletariat must continually adjust mutual relations within the revolutionary ranks; today, to strengthen the dictatorship of the proletariat and consolidate and develop the new socialist system, it is likewise necessary to continuously adjust mutual relations.

## Restrict the Bourgeois Right Within People's Mutual Relations

From the foregoing analysis, we can see that what is meant by continuously adjusting socialist mutual relations is, in the final analysis, to take class struggle as the key link and continually impose appropriate restrictions on bourgeois right in mutual relations. One extremely important aspect of this is to continually restrict bourgeois right in the division of labor between mental and manual labor—that is, to gradually narrow the difference between mental and manual labor.

Chairman Mao summed up the lessons of the Soviet restoration of capitalism and our country's historical experience, attached great importance to narrowing the gap between mental and manual labor, and led the people of our country in carrying out great practical work in this regard. This is of great contemporary relevance and profound historical significance.

In 1958, Chairman Mao pointed out: "**The working people should become highly educated while intellectuals should acquire the qualities of laboring people.**"[2] In 1960, the

---

[1] Quote from Mao Zedong. "Great Cultural Revolution in Progress," *Peking Review*, No. 6 (1968), 35.

[2] Quote from Mao Zedong. "Soviet Institutes of Higher Learning Turned Into Tools for All-Round Capitalist Restoration," *Peking Review*, No. 31 (1968), 27.

**Constitution of the Anshan Iron and Steel Company**, personally approved by Chairman Mao, explicitly affirmed such basic principles as cadres' participation in labor and workers' participation in management. This pointed us toward the correct path for gradually narrowing the gap between mental and manual labor.

To narrow the difference between mental and manual labor and achieve the integration of intellectuals into manual labor, it is entirely necessary to uphold the system of cadres taking part in collective productive labor. This helps intellectuals transform their worldview and helps worker and peasant cadres preserve the character of working people; it is a major measure for combating revisionism and preventing its resurgence. Productive labor is humanity's most fundamental practical activity and a great revolutionary movement under the socialist system. By taking part in manual labor alongside workers and peasants, mental laborers can maintain close ties with the broad masses and continually address the fundamental question of whom they serve. Chairman Mao pointed out: "**All the bad things in the world begin with not working.**"[1] When cadres and intellectuals become detached from collective productive labor, they inevitably grow ever more distant from working people in their thoughts and feelings, and may even become overlords who lord it over the masses and abuse their power. As the masses rightly say: "A hoe left unused will rust; a person who does not work will turn revisionist." The many facts brought to light during our country's Four Cleanups Movement and the Great Proletarian Cultural Revolution fully prove this point.

---

[1] Quote from Mao Zedong. Hu Keshi, "Take Up the Weapon of Literature and Art and Become a Propagandist of Mao Zedong Thought," *Renmin Ribao*, December 28, 1965.
Note from translator: No official English translation available.

Meanwhile, the participation of mental laborers in manual labor can create conditions for workers engaged in manual labor to take part in mental labor. On the one hand, this is because intellectuals' immersion among the workers and peasants and the transformation of their worldview help promote the dissemination of science and culture in factories and rural areas throughout the country; on the other hand, the generalization of productive labor will enable working people to devote ever more time to mental labor. As Marx said: "**The intensity and productiveness of labor being given, the time which society is bound to devote to material production is shorter, and as a consequence, the time at its disposal for the free development, intellectual and social, of the individual is greater, in proportion as the work is more and more evenly divided among all the able-bodied members of society, and as a particular class is more and more deprived of the power to shift the natural burden of labor from its own shoulders to those of another layer of society.**"[1]

The participation of cadres in productive labor is a glorious tradition of our Party. After liberation of the whole country, our Party has become the ruling party and attaches even greater importance to upholding the principle that cadres participate in labor. When some cadres gradually developed the exploiting-class mentality of looking down on labor and craving comfort, the Central Committee promptly pointed out in 1957: "This is an extremely dangerous tendency. The Party must wage a resolute struggle against it."[2] It also stated: "Not only cadres working at county, district and hsiang [township] levels, but also the main leading personnel of Party committees at various levels above the county and the leading Party cadres who are

---

[1] Karl Marx, "Chapter Seventeen: Changes of Magnitude in the Price of Labour-Power and in Surplus-Value."

[2] Note from translator: There is no available full document official English translation for the Directive of the Central Committee of the Chinese Communist Party Concerning Participation in Physical Labour by Leading Functionaries at All Levels.

working in government organs and people's organizations, including the members of the Party's Central Committee, must devote some time every year to doing some physical labor."[1] In 1963, drawing on the experience of class struggle in our country's countryside, Chairman Mao again stressed that cadres must participate in collective productive labor, and made arrangements for rural grassroots cadres to take part in productive labor. He said: "**We hope that within three years, all rural branch secretaries across the country can earnestly participate in productive labor, and in the first year, one-third of the branch secretaries can participate in labor. That would be a big victory.**"[2] In 1964, summing up the historical lessons of revisionism of Khrushchev, Chairman Mao reiterated: "**It is necessary to maintain the system of cadre participation in collective productive labor. The cadres of our Party and state are ordinary workers and not overlords sitting on the backs of the people. By taking part in collective productive labor, the cadres maintain extensive, constant and close ties with the working people. This is a major measure of fundamental importance for a socialist system; it helps to overcome bureaucracy and to prevent revisionism and dogmatism.**"[3] These directives from Chairman Mao and the Central Committee of the Communist Party received great attention from the entire Party and the people throughout the country. In particular, through the Great Proletarian Cultural Revolution, it has become increasingly common for cadres and intellectuals to participate in collective productive labor; this practice has been institutionalized and gives rise to many vital and effective forms. In our country, besides factory and rural cadres taking part in

---

[1] Ma Wen-kuei, "Industrial Management in China," *Peking Review*, No. 9 (1965), 22.

[2] Mao Zedong, "Note on *The Seven Well-Written Documents of Zhejiang Province Concerning Cadres' Participation in Physical Labor*," in *Selected Works of Mao Zedong*, Vol. IX, 1.

[3] Editorial Departments of *Renmin Ribao* and *Hongqi*, *On Khrushchev's Phoney Communism and Its Historical Lessons for the World*, 68-69.

grassroots labor according to prescribed schedules and systems, a new development during the Great Proletarian Cultural Revolution is the establishment of May Seventh Cadre Schools. May Seventh Cadre Schools are an excellent way for cadres to participate in labor, make contact with workers and peasants, and study anew. They play an important role in combating revisionism and preventing its resurgence, and in restricting bourgeois right in relations between cadres and the masses. In addition, millions of educated youth have gone to the countryside and mountainous areas, firmly followed the path of integrating with the workers and peasants, took root in rural areas, devoted themselves wholeheartedly to farming, and opposed the idea of "studying to become officials," thereby contributing through practical action to narrowing the three major differences.

To narrow the difference between mental and manual labor, it is also necessary to persist in intellectualizing the working people. The working people must master science and culture, become masters of the social sciences and natural sciences, and, in particular, take part in economic and state management. The participation of the worker and peasant masses in management helps and supervises the work of state cadres, and is therefore likewise conducive to combating revisionism and preventing its resurgence. Historically, the Paris Commune, "**against this transformation of the state and the organs of the state from servants of society into masters of society,**"[1] set a great precedent for the working people's management of the state, with major historical and contemporary significance. After the October Revolution, Lenin attached great importance to this valuable experience of the Paris Commune, proposing that

[1] Frederick Engels, Introduction to *The Civil War in France*, by Karl Marx (1891).

"**universal accounting and control of the production and distribution of goods,**"[1] and that "**all the working population must be drawn into independent participation in state administration.**"[2] The main purpose of the worker and peasant masses' participation in management is to prevent the degeneration of state organs. However, if this management is not real but merely formalistic, the proletarian state organs are likewise in danger of degeneration. Just a few months after the Soviet regime was born, Lenin warned people: "**There is a petty-bourgeois tendency to transform the members of the Soviets into 'parliamentarians,' or else into bureaucrats. We must combat this by drawing all the members of the Soviets into the practical work of administration.**"[3] Lenin also stressed that the experience of the masses' actual participation in management should be summed up, pointing out: "**Our aim is to draw *the whole of the poor* into the practical work of administration, and all steps that are taken in this direction—the more varied they are, the better—should be carefully recorded, studied, systematized, tested by wider experience and embodied in law.**"[4] Since the founding of the People's Republic, Chairman Mao and the Central Committee of the Communist Party have consistently upheld the Marxist-Leninist principle of the working people's participation in management. Chairman Mao once pointed out: "**Management is also socialist education.**"[5] To consolidate the dictatorship of the proletariat, factories, rural areas, and state organs throughout

---

[1] Vladimir Ilyich Lenin, "The Immediate Tasks of the Soviet Government."

[2] Vladimir Ilyich Lenin, "Draft Programme of the R.C.P.(B.)."

[3] Vladimir Ilyich Lenin, "The Immediate Tasks of the Soviet Government."

[4] Ibid.

[5] Quote from Mao Zedong. Writing Group of the Kirin Provincial Revolutionary Committee, "Socialist Construction and Class Struggle in the Field of Economics," *Peking Review*, No. 16 (1970), 10.

the country, under the Party's leadership, "**whole-heartedly rely on the working class**"[1] and on the poor and lower-middle peasants, fully drawing the worker and peasant masses into management and creating many good forms tested in practice. Examples include worker or poor and lower-middle peasant representative conferences; mass organizations such as trade unions, the Poor and Lower-Middle Peasants' Association, and the militia; mass management organizations at every level, from work teams to factories and communes; and the Four Greats (speaking out freely, airing views fully, holding great debates and writing big-character posters), among others. During the Great Proletarian Cultural Revolution, revolutionary committees based on the "three-in-one" combination have also emerged, along with such new developments as workers' propaganda teams and poor and lower-middle peasants' management of schools. This has further enriched and developed the forms of the masses' participation in management.

The revolution in the superstructure fields of education, science and technology, literature and art, health, and other areas in our country has greatly advanced the process of intellectuals becoming workers and working people becoming intellectuals.

Marx pointed out long ago that after the proletariat seized power, it would have "**combination of education with industrial production,**"[2] and he considered this "**the only method of producing fully developed human beings.**"[3] Chairman Mao developed Marxist educational theory and formulated for us the policy that "**education must serve proletarian**

---

[1] Mao Zedong, "Report to the Second Plenary Session of the Seventh Central Committee of the Communist Party of China," 364.

[2] Karl Marx and Friedrich Engels, "Chapter II. Proletarians and Communists."

[3] Karl Marx, "Chapter Fifteen: Machinery and Modern Industry."

**politics and be combined with productive labor.**"[1] Guided by Chairman Mao's proletarian educational policy, fundamental reforms in the field of education began with the Great Proletarian Cultural Revolution. Universities now admit students from among workers and peasants with practical experience and implement "open-door education." After graduation, students would return to productive practice. Thus, students come from among workers, peasants, and soldiers; at school they both study and work, and after graduation they remain workers, peasants, and soldiers. In this way, mental and manual labor are always closely integrated. Other workers in science and technology, literature and the arts, health, and sports also go to grassroots communities in large numbers to serve workers, peasants, and soldiers. At the same time, scientific and cultural activities among the broad worker and peasant masses have flourished, giving rise to new developments such as "July 21" Workers' Colleges, Peasants' Colleges, workers', peasants', and soldiers' theoretical teams, and barefoot doctors.

Practice has shown that only by adhering to the correct path of making intellectuals workers and working people intellectuals can we effectively restrict bourgeois right in the division between mental and manual labor and gradually narrow the gap between mental and manual labor.

It should be pointed out that the integration of intellectuals into labor and the acquisition of knowledge by working people are two aspects of a single path. We must not emphasize one aspect alone while denying the other. If we neither integrate intellectuals into labor nor uphold the participation of the worker and peasant masses in management, but instead one-sidedly emphasize raising the cultural and technical level of workers and peasants, this will not narrow

[1] Quote from Mao Zedong. "A New-Type School Where Theory Accords With Practice," *Peking Review*, No. 44 (1968), 6.

the gap between mental and manual labor; on the contrary, it will inevitably widen it. For if the old intellectuals remain detached from labor and newly emerging intellectuals also become detached from labor, then whoever improves their cultural and technical knowledge can avoid participating in productive labor. Moreover, if working people have neither leadership nor management authority, then even if some workers and peasants enter the ranks of mental laborers, they will inevitably become detached from the broad masses of workers and peasants and may even become a bourgeoisified spiritual aristocracy. This is precisely a grave historical lesson from the transformation of the socialist Soviet Union into capitalism, one that is well worth remembering.

It should also be pointed out that the rapid development of socialist production plays an important role in gradually narrowing and ultimately eliminating the difference between mental and manual labor. Engels observed: "**Only the immense increase of the productive forces attained by modern industry has made it possible to distribute labor among all members of society without exception, and thereby to limit the labor-time of each individual member to such an extent that all have enough free time left to take part in the general—both theoretical and practical—affairs of society.**"[1] This means that a certain development of the productive forces will create the necessary material prerequisite for restricting and eliminating the old division of labor.

However, this absolutely does not mean that simply developing production will naturally narrow, let alone eliminate, the difference between mental and manual labor. Starting from the reactionary "theory of productive forces," the "theoreticians" of Soviet revisionism put forward

[1] Frederick Engels, "Chapter 4: Theory of Force. (Conclusion), Part II: Political Economy," in *Anti-Dühring. Herr Eugen Dühring's Revolution in Science*.

the so-called theory of natural "integration." They claim that, owing to the high development of technology, "manual labor is now full of intellectual content, while mental labor is full of physical operations. These two kinds of labor are permeating and integrating with each other."[1] They even absurdly use percentages to represent the "integration" of these two kinds of labor.[2] Clearly, this is deceptive. However much these two kinds of labor may "permeate" and "integrate" with each other, they are, after all, labor of two different kinds, and the distinction between them will never disappear naturally. As long as a person engages only in direct material production, that person is a manual laborer; as long as a person engages only in mental activities such as management, science, and art, that person is a mental laborer. Moreover, some forms of mental labor, such as editing, painting, and composing, need not involve much physical operation. Therefore, it is utterly absurd to expect technological development to bring about the natural "integration" of the two kinds of labor. To put it plainly, the purpose of their propagating this fallacy is to do everything possible to preserve and widen the difference between mental and manual labor, so that a small bourgeois privileged stratum can exploit and oppress the broad masses of working people forever.

Restricting bourgeois right in mutual relations reflects the requirements of social development and accords with the interests and aspirations of the working people. The broad masses of workers, peasants, and soldiers, revolutionary cadres, and all intellectuals who want revolution uphold this direction. Chairman Mao pointed out: "**Who is it that gives us our**

---

[1] P. F. Yudin, "The Law-Governed Character of the Transition from Socialism to Communism," *Kommunist*, No. 12 (1961),

[2] A. F. Rumyantsev, *Political Economy of Socialism.*
Note from translator: No official English translation for the book available. I am unable to track which edition this book cited.

**power? It is the working class, the poor and lower-middle peasants, the laboring masses comprising over 90 per cent of the population.**"[1] "**We, the communists, do not want official positions; we want revolution. We must have a thoroughly revolutionary spirit and must be with the masses every hour, every minute.**"[2] Many outstanding cadres of the Party and the state, following Chairman Mao's teachings, consciously resist bourgeois right. Though their positions have changed, their working-people character has not: they do not act like officials, remain engaged in labor and close to the masses, seek no special privileges or personal gain, and serve the people wholeheartedly.

However, since restricting bourgeois right is a revolution, it cannot be accomplished without turmoil. The proletariat seeks to restrict bourgeois right in the division between mental and manual labor, and the bourgeoisie will inevitably resist. This effort will face opposition from old traditions and entrenched habits, as well as from the bourgeoisie. Opposition will come not only from the bourgeoisie outside the Party; the capitalist-roaders within the Party will also inevitably resist, in order to protect the vested interests of the revisionist "**high officials**" and the interests of the bourgeoisie as a whole. Thus, fierce class struggle and line struggle are unavoidable. Liu Shaoqi once did his utmost to oppose Chairman Mao's directive that "**education must be combined with productive labor**," absurdly claiming that "the main task of universities should be study." On the industrial front, he opposed workers' participation in management and vigorously advocated "management of factories by experts." He opposed the Party's policy of sending educated youth to the countryside, preaching that "studying to become

---

[1] Wei Feng-ying, "Always Be One of the Working People," *Peking Review*, No. 50 (1972), 12.

[2] Mao Zedong, "Directives Regarding Cultural Revolution," in *Selected Works of Mao Zedong*, Vol. IX.

officials" and luring educated youth to "create the conditions" to become "township, county, or provincial cadres" after returning to their hometowns. The Lin Biao clique acted in the same way, viciously attacking cadres sent down to work as being "unemployed in disguise," and attacking the sending of educated youth to the countryside as "reform through labor in disguise," and so on. Yet none of their interference and sabotage can stop us from advancing. In our country, wave after wave of new things are flourishing as we narrow the gap between mental and manual labor. But the struggle continues; it has not ended. Deng Xiaoping, the capitalist-roader inside the Party who refuses to mend his ways, has once again come out openly against our efforts to restrict bourgeois right in the old division of labor, and has done his utmost to widen class distinctions in mutual relations. He is deeply dissatisfied with education reform, the old, middle-aged, and young "three-in-one," the direct participation of the masses in the management of the state and enterprises, and such new things as the May Seventh Cadre Schools and barefoot doctors. Their reactionary, restorationist actions have met with the angry counterattack of the broad masses of workers, peasants, and soldiers, and they are doomed to fail. The gradual narrowing of the gap between mental and manual labor, and the restriction in every sphere of bourgeois right in mutual relations, are inevitable trends of historical development that no one can stop.

# Chapter Six: The High-Speed Development and Practicing Economy in Socialist Production

## Section One: The High-Speed Development of Socialist Production

### The Objective Necessity of the High-Speed Development of Socialist Production

Through the study in the preceding chapters, we can see that socialist production is fundamentally different from capitalist production, and that socialist relations of production are vastly superior to capitalist relations of production. However, the consolidation and development of socialist relations of production do not take place in isolation. Besides relying on the superstructure of the proletariat as a fundamental guarantee, they also depend on the rapid development of socialist productive forces as a material prerequisite. The development of social productive forces also has a tremendous effect on the socialist superstructure. The high-speed development of socialist production is absolutely necessary to consolidate the dictatorship of the proletariat and raise people's ideological awareness; to expand the communist elements within socialist relations of production and restrict, then gradually eliminate, bourgeois right; and to eliminate classes completely and ultimately achieve communism. This is especially true of countries that established the socialist system relatively early: they often had comparatively

backward production and a relatively weak industrial base, while also facing attacks from the domestic bourgeoisie and encirclement by international imperialism. They therefore had an even greater need to "**forge full steam ahead**"[1] and accelerate the pace of socialist construction.

The high-speed development of socialist production is not only urgently needed but also entirely possible. More than a hundred years ago, Marx and Engels predicted that after the proletariat seized power, it would "**increase the total of productive forces as rapidly as possible.**"[2] On the eve of the October Revolution, Lenin also stated: "**This expropriation will make it possible for the productive forces to develop to a tremendous extent.**"[3] In other words, the establishment of socialist relations of production will certainly promote the rapid development of the productive forces.

The experience of more than twenty years since the establishment of the proletarian dictatorship in our country has fully confirmed the predictions of the Marxist teachers. The socialist system has indeed propelled the social productive forces of our country forward by leaps and bounds. The development of productive forces in old China was very slow. Take steel output, for example: for more than fifty years before liberation, the whole country, except Northeast China, produced only tens of thousands of tons. In 1949, even with Northeast China included, the country's total steel output was only 158,000 tons. After liberation, however, in just ten years, by 1959, our country's steel output had reached 12 million tons, a 75-fold increase. By 1971, it had risen further to 21 million tons. This rate of development was not only unimaginable

---

[1] Vladimir Ilyich Lenin, "The Revolutionary Democrats and the Revolutionary Proletariat," in *The Impending Catastrophe and How to Combat It*, *Lenin's Collected Works*, Vol. 25.

[2] Karl Marx and Friedrich Engels, "Chapter II. Proletarians and Communists."

[3] Vladimir Ilyich Lenin, "The Economic Basis of the Withering Away of the State."

in old China, but also beyond comparison with that of any capitalist country. Our country took only twenty-two years to reach a steel output of 21 million tons, whereas the United States took roughly thirty years to complete this growth process, Germany forty-six years, Japan half a century, and the United Kingdom eighty-six years. As for industry as a whole, from 1949 to 1973, the output value of our country's light industry increased 12.8-fold, and that of heavy industry increased 59-fold. Before liberation, our country had virtually no machinery manufacturing industry, no automobile manufacturing industry, and even less aircraft manufacturing industry. After liberation, relying on our own efforts, we not only established these modern industries, but also successfully conducted atomic bomb and hydrogen bomb tests, successfully launched an artificial Earth satellite, and brought it safely back to Earth.[1] The development of our country's agricultural production has also been remarkable. From the liberation of the whole country through 1974, despite a 60% increase in population, grain production still rose 1.4-fold and cotton production 4.7-fold. For thirteen consecutive years, from 1962 onward, agriculture yielded good harvests every year. This stands in sharp contrast to the periodic outbreaks of economic crises in the capitalist world.

Then, why can socialist relations of production promote the rapid development of production? The most fundamental reason is that they conform to the nature and requirements of the development of the productive forces, thereby opening up a broad path for their rapid development. Chairman Mao pointed out: "**In saying that the socialist relations of production correspond better to the character of the productive forces than did the old relations of production, we mean that they allow the productive forces to develop at a speed**

[1] Note from translator: Dong Fang Hong 1.

**unattainable in the old society, so that production can expand steadily and increasingly meet the constantly growing needs of the people.**"[1] Socialist relations of production conform to the nature and requirements of the development of the productive forces, allowing them ample room to develop. This is manifested mainly in the following respects:

First, socialist relations of production make it possible for the production initiative and creativity of the broad masses of workers to be increasingly fully brought into play. "**The primary productive force of human society as a whole, is the workers, the working people.**"[2] The broad masses of workers play a decisive role in the development of the productive forces. However, because the capitalist system is a system of exploitation, everything produced by the workers there becomes, in turn, a force for exploiting and oppressing them; the more capitalist production develops, the heavier this exploitation and oppression become. In the industry of old China, the rate of exploitation reached as high as 250%–300%; in other words, capitalists appropriated three-quarters of the fruits of the workers' labor. Under this system, the workers' production initiative and creativity were inevitably stifled. After socialist relations of production replaced capitalist relations of production, the situation has changed fundamentally. The working people have become masters of production and are no longer exploited or oppressed by anyone. Production serves to meet the needs of the working people. Thus, the initiative and creativity that had been suppressed for thousands of years, and the intelligence and talents that had been buried, burst forth. This is the decisive factor enabling socialist production to develop by leaps and bounds, changing with each passing day.

---

[1] Mao Zedong, "On the Correct Handling of Contradictions Among the People," 393.

[2] Vladimir Ilyich Lenin, "First All-Russia Congress on Adult Education."

Second, socialist relations of production eliminate the state of competition and anarchy inherent in capitalism, creating the social preconditions for the planned, proportionate development of social production. In capitalist society, although production in individual enterprises is planned, production throughout society as a whole is chaotic and anarchic, causing production to be continually disrupted. After socialist public ownership is established, social production is managed and controlled by society as a whole. This makes it possible to achieve a rational distribution of the productive forces, effectively develop natural resources, and make unified use of the means of production and labor power, while enabling all industries and sectors to develop in a coordinated manner according to certain proportions, and so on. This will inevitably greatly accelerate the development of socialist production.

Third, socialist relations of production determine that the aim of socialist production is to meet social needs. This eliminates the antagonistic contradiction inherent in capitalist society between production growth and the relative decline in the purchasing power of working people, and eliminates economic crises, thereby enabling social production to expand continuously. The productive forces employed by capitalism take the form of socialized large-scale production, which by its nature tends toward unlimited growth; yet capitalism's purpose of production is extremely limited, consisting solely in the pursuit of profit. Thus, "**the means—unconditional development of the productive forces of society—comes continually into conflict with the limited purpose, the self-expansion of the existing capital.**"[1] This is precisely the root cause of the periodic economic crises in capitalist society. By contrast, the purpose of socialist production places no constraints on the development of productive forces. Of course, there are also

[1] Karl Marx, "Chapter 15. Exposition of the Internal Contradictions of the Law."

contradictions between social production and social needs, but these contradictions do not arise because social needs restrict the development of production; rather, they often arise because new and higher demands are placed on production development. Moreover, these contradictions are not antagonistic and can be regulated through the state plan. Therefore, the aim of socialist production is not only no obstacle to the development of productive forces, but can also become the power behind the rapid development of socialist productive forces.

Fourth, socialist relations of production have laid the foundation for the widespread application and development of science and technology. Science and technology play a major role in promoting the development of the productive forces. However, their emergence and development are in turn determined by production. Under the capitalist system, because the purpose of production is profit, the scope for applying and developing science and technology is very narrow. Inventions and innovations will not be adopted if they cannot bring capitalists greater profits. Moreover, because of competition, capitalists monopolize the new technologies they have adopted by treating them as "commercial secrecy." After capitalism enters the imperialist stage, the incentive to drive technological progress disappears even further, since capitalists can rely on monopoly prices to obtain monopoly profits. All this creates obstacles to the development of science and technology. Under the socialist system, science and technology are applied in production not for profit, but to raise labor productivity, reduce labor consumption, increase social wealth, lighten the intensity of labor, and improve working conditions—in short, to benefit the broad masses of working people. Therefore, the development of science and technology will not only face no obstruction from the state under the dictatorship of the proletariat, but will instead become a conscious demand of the proletariat and the broad masses

of working people. At the same time, with the establishment of public ownership, there is no longer any reason for technological inventions to exist as "commercial secrecy" or "patent rights." By drawing up unified plans, organizing extensive cooperation, and summarizing, exchanging, and disseminating advanced technological achievements, among other measures, the socialist state will inevitably promote the rapid development of science and technology. This is of great significance for accelerating the growth of socialist production.

Fifth, the socialist system eliminates the enormous waste inherent in capitalist conditions, making it possible to use the human, material, and financial resources thus saved for extended reproduction and to advance production further in both depth and breadth.

It is evident that socialist relations of production can fully bring into play the human and material factors in the productive forces. They are suited to the nature of the development of the productive forces, which ensures that socialist production can advance at a pace unknown in the old society.

The high-speed development of socialist production is generally achieved through two means. The main one is increasing labor productivity, that is, reducing the labor time per unit of product. In this way, more products can be produced in the same amount of labor time, thereby increasing the rate of production growth. In addition, investing a greater amount of labor can also accelerate production growth. For example, this can be achieved by reducing non-productive personnel and increasing the number of workers on the production frontline, or by carrying out a necessary production drive for a short period and increasing labor time. It is wrong to rely solely on a production drive to increase production. However, in socialist construction, a production drive cannot be entirely ruled out. Agricultural production must take advantage of the seasons

and often requires a production drive; technological innovation is also difficult to carry out without one; and in socialist competition, those lagging behind may need to catch up with the advanced through a certain production drive. Therefore, to reject the production drive is to reject the upsurge and the dialectics of the development of things. The two means of achieving high-speed development in socialist production are ranked in importance, but they also complement each other and serve as conditions for one another.

The high-speed development of socialist production is an objective law of socialist economic development, and it fully demonstrates the superiority of the socialist system. However, this high-speed development does not proceed in a straight line; rather, it advances in waves and rises in a spiral. In its long-term development, socialist production is never entirely smooth sailing; it is always constrained and affected by subjective and objective conditions, such as interference from an erroneous line, shortcomings in our work, and the effects of natural disasters. Therefore, the rate of socialist production growth cannot be the same every year. Nevertheless, viewed over a longer period and in terms of the overall trend, the rate of socialist production growth is beyond comparison with that under the capitalist system. Thus, the wave-like pattern of socialist production development is a pattern of waves within high-speed advance, fundamentally different from the alternating economic crises and production growth under capitalism.

## Grasp Revolution, Promote Production

The superior socialist system has opened up broad avenues for the high-speed development of the productive forces. However, without following the correct line of Marxism and continuing the revolution under the dictatorship of the proletariat, the high-speed development of the productive forces still cannot become a reality.

"***Revolutions are the locomotives of history.***"[1] The development of the social productive forces cannot take place in isolation from revolution in the relations of production and the superstructure. Major advances in the productive forces always come after great transformations in the relations of production and the superstructure. Only by the proletariat resorting to revolutionary means, destroying the bourgeois state apparatus, eliminating capitalist relations of production, and establishing a state under the dictatorship of the proletariat and socialist relations of production that the productive forces can be liberated from the shackles of the capitalist system. However, after the socialist system has been established, contradictions still exist between the relations of production and the productive forces, and between the superstructure and the economic base. Therefore, revolution must continue in order to resolve these contradictions continually and promote the rapid development of the productive forces.

Socialist relations of production are, in general, basically compatible with the development of the productive forces. However, once established, they cannot become perfect all at once; certain deficiencies still need to be addressed. These imperfections, in turn, conflict with the development of the productive forces.

---

[1] Karl Marx, "Part III: Consequences of June 13, 1849."

At the same time, bourgeois right will persist throughout the development of socialist relations of production. Although bourgeois right is inevitable for a certain historical period and has a certain historical role, it remains the soil from which capitalism and the bourgeoisie arise and continues to conflict with the productive forces; this contradiction will become increasingly pronounced.

Communist elements in socialist relations of production generally correspond to the development of the productive forces; however, as the productive forces develop, these elements must also be continually expanded and improved.

For all these reasons, it is necessary to make timely and continuous partial adjustments and reforms to the socialist relations of production in order to meet the requirements of the development of productive forces.

In a society where classes exist, relations of production are, in the final analysis, class relations. Under the socialist system, continually adjusting and transforming relations of production means continually strengthening the communist elements within socialist relations of production, continually restricting and ultimately eliminating bourgeois right within them, and gradually creating the conditions in which the bourgeoisie can neither exist nor arise again. After capitalist private ownership has been abolished, bourgeois right provides the bourgeoisie, both inside and outside the Party, with a foothold. Therefore, adjusting and transforming socialist relations of production inevitably touches their fundamental interests and provokes their frenzied opposition and sabotage, thereby giving rise to an intense class struggle between the proletariat and the bourgeoisie. In these circumstances, unless the proletariat persists in continuing the revolution and in exercising an all-round dictatorship over the bourgeoisie, it cannot transform

relations of production and, consequently, cannot promote the rapid development of the productive forces.

The state system and laws under the dictatorship of the proletariat, the socialist ideology guided by Marxism-Leninism, and other aspects of the superstructure play a tremendous role in promoting the consolidation and development of the socialist economic base and the continuous growth and improvement of the socialist productive forces. However, capitalist-roaders have long persisted within the proletarian Party, government, and military; the revisionist line, bourgeois ideas and styles of work still exert a broad influence both inside and outside the Party. These, in turn, weaken the dictatorship of the proletariat and disrupt and undermine the development of socialist relations of production and the productive forces. Therefore, it is also necessary to continue carrying out the socialist revolution in the superstructure, and to continue criticizing revisionism, the bourgeoisie, and bourgeois right ideology. Only then can the schemes of the bourgeoisie inside and outside the Party to restore capitalism be crushed, and the ideological consciousness of the broad masses of the people be raised. Only in this way can the dictatorship of the proletariat be continually strengthened, socialist relations of production continually consolidated and developed, and the high-speed development of the productive forces continually promoted.

Only by grasping revolution can we promote production. This is a universal principle of Marxism. It correctly summarizes the dialectical relationship between politics and economic affairs, revolution and production, and class struggle and production struggle. The history of our country's socialist revolution and construction is the history of grasping revolution and

promoting production. Our country's Great Proletarian Cultural Revolution has further confirmed the correctness of this great policy.

Chairman Mao pointed out: "**The great proletarian cultural revolution is a powerful motive force for the development of the social productive forces in our country.**"[1] Through the Great Proletarian Cultural Revolution, the two bourgeois headquarters of Liu Shaoqi and Lin Biao have been smashed, and the revisionist line they had promoted has been repudiated. By strengthening the dictatorship over the bourgeoisie in the realm of the superstructure and powerfully restricting bourgeois right in the relations of production—particularly in mutual relations—the great leap forward in our country's national economy has been greatly promoted. Since the Great Proletarian Cultural Revolution, our country's agriculture has reaped bumper harvests year after year, and industry has flourished. In 1974, compared with 1964, before the Great Proletarian Cultural Revolution, our country's agricultural gross output value increased by 51%, and industrial gross output value increased by 1.9 times. The output of other major products also increased substantially, including steel by 1.2 times, raw coal by 91%, petroleum by 6.5 times, electricity generation by 2 times, chemical fertilizer by 3.3 times, tractors by 5.2 times, cotton yarn by 85%, and chemical fiber by 3.3 times. During these ten years, relying on our own efforts, we also built 1,100 large and medium-sized projects. The tremendous achievements in industry and agriculture in our country since the Great Proletarian Cultural Revolution have powerfully refuted the shameless slanders of the likes of Lin Biao, who claimed that the "national economy is stagnating," and Deng Xiaoping, who said that "things are worse now than in the past."

---

[1] Quote from Mao Zedong. "Take Firm Hold of the Revolution and Stimulate Production," *Peking Review*, No. 38 (1966).

## Critique of "Everything for Modernization"

The socialist system has created the conditions for the high-speed development of the productive forces. We advocate fully bringing the superiority of the socialist system into play, striving to increase production under the leadership of the revolution, and accelerating the pace of socialist construction, so as to further consolidate the material foundation of the socialist system. In accordance with Chairman Mao's instructions, our Party put forward to the people of the whole country the grand goal of taking class struggle as the key link and achieving, in all respects within this century, the modernization of agriculture, industry, national defense, and science and technology. Yet Deng Xiaoping, the Party's biggest unrepentant capitalist-roader, has taken up this slogan and distorted it into "Everything for Modernization." In this way, the soul of the revolution is neutered, and production becomes "everything."

Is it a matter of grasping revolution and promoting production, or putting production above all else? Is it a matter of taking class struggle as the key link and realizing the Four Modernizations, or of "Everything for Modernization"? This is a matter of principle: whether to uphold Marxism or pursue revisionism. It is a fundamental question of right and wrong concerning the future and destiny of the Party and the state, and it must be debated and clarified.

The slogan "Everything for Modernization" places "modernization" above everything else, in a position of command over all things—in other words, as the "general program" for all work. Deng Xiaoping took an eclectic approach, under the banner of the "taking the three

directives as the key link."[1] To put it plainly, this means taking "modernization" as the key link. They brazenly proclaim: "Why, even the Four Modernizations must be made the key link, instead of class struggle as the key link," and "All work must revolve around modernization," and so on.

What is the key link? It is the principal contradiction. In class society, class contradictions and class struggle are the principal contradiction. Class struggle is the driving force of historical development. Without class struggle, the old relations of production cannot be transformed, and consequently the productive forces cannot develop rapidly. In semi-colonial and semi-feudal old China, many people once dreamed of "saving the country through industry" and "saving the country through science," but in the end these all came to nothing. For "**in the absence of political reforms all the productive forces are being ruined, and this is true both of agriculture and of industry.**"[2] Practice has shown that only revolution, only socialism, can save China. Socialist society is still a class society, and the contradiction between the proletariat and the bourgeoisie is the principal contradiction in society. Only by firmly grasping this principal contradiction and taking class struggle as the key link can all other contradictions, including the problem of developing the socialist national economy, be readily resolved. Otherwise, the dictatorship of the proletariat cannot be consolidated, and therefore there can be no talk of socialist "modernization."

---

[1] Note from translator: The three directives from Chairman Mao are: studying the theory of the dictatorship of the proletariat and combating and preventing revisionism; stability and unity; and pushing the national economy forward. They were given on different occasions and under different circumstances. However, Deng Xiaoping placed the last two directives on an equal footing with the directive on studying the theory of the dictatorship of the proletariat and put forward the slogan of "taking the three directives as the key link" in1975. He hoped in this way to negate Chairman Mao's consistent teachings that we must always take class struggle as the key link and grasp the class struggle between the proletariat and the bourgeoisie.

[2] Mao Zedong, "On Coalition Government," in *Selected Works of Mao Zedong*, Vol. III, 302.

After the October Revolution, Lenin once pointed out profoundly: "**Politics must take precedence over economics.**" "**Because the *only* formulation of the issue (which the Marxist standpoint *allows*) is: without a correct political approach to the matter the given class will be unable to stay on top, *and*, *consequently*, will be incapable of solving its *production problem* either.**"[1] Therefore, we must never take so-called "modernization" as the key link; we can only take class struggle as the key link. Everything else hinges on it.

"Everything for Modernization" is also a slogan that distorted the fundamental task of the entire Party and the people of the whole country. They openly declare that "the Four Modernizations are the greatest politics," and absurdly claim that "if the Four Modernizations cannot be achieved, sooner or later we will all be finished." Everywhere they incite people to whip up "economic typhoons" and "professional typhoons," as if "modernization" has become the most important task determining the fate of the Party and the state.

After the victory of the October Revolution in Russia, some people also advocated that production was the fundamental task, and proposed the reactionary slogan "Socialism means increasing productivity." At the time, Lenin immediately and sternly refuted it: "**You have read books, dear gentlemen, you have written books and you have understood nothing in books. Of course from the point of view of a Capitalist society which passed over to Socialism peacefully in times of peace there would be no more urgent task than the raising of productivity. It is only necessary to add one little word, 'if.' *If* Socialism were born peacefully in this way as the Capitalist gentlemen are unwilling to allow it to be born.**"[2]

---

[1] Vladimir Ilyich Lenin, "Once Again On The Trade Unions, The Current Situation and the Mistakes of Trotsky and Buhkarin," in *Lenin's Collected Works*, Vol. 32.

[2] Vladimir Ilyich Lenin, "First All-Russia Congress on Adult Education."

It is clear that revisionists make developing "production" and achieving "modernization" their fundamental tasks on the basis of "the theory of the dying out of class struggle," and on the reactionary assumption that the bourgeoisie can automatically withdraw from the stage of history. However, classes and class struggle have always existed during the socialist period, as has the danger of restoration of capitalism. This is a harsh objective fact that does not depend on people's will. Therefore, throughout the entire socialist historical period, including the next twenty-five years, the fundamental task facing the whole Party and the people of the entire country can by no means be "production" and "modernization"; it can only be to uphold the Party's basic line and strive to realize our Party's basic program, namely: "Completely overthrow the bourgeoisie and all exploiting classes, replace the dictatorship of the bourgeoisie with the dictatorship of the proletariat, and defeat capitalism with socialism. The Party's ultimate goal is to realize communism."

The slogan "Everything for Modernization" advocated by Deng Xiaoping is a rehash of the revisionist "theory of productive forces." Bernstein, the old revisionist of the Second International, once claimed that as long as "production" developed, the proletariat would have no need to make a revolution, and the capitalist system "would collapse of its own accord"; after the October Revolution, Trotsky said nothing about revolution or class struggle, but instead loudly advocated "devoting all efforts to production." The ilk of Khrushchev and Brezhnev in the Soviet revisionist renegade clique go even further, and openly proclaim: "Under socialism, economic affairs take precedence over politics," and "the main thing in the work of Party and government organs is production," and so on. Liu Shaoqi, Lin Biao and their ilk were also fervent advocates of "theory of productive forces."

The "theory of productive forces" is an anti-Marxist theory. It denies that class struggle and social revolution are the power driving historical development; it denies the active role of relations of production and the superstructure in relation to productive forces; and it denies that the masses are the decisive factor in productive forces. Instead, it portrays the development of human society as the natural result of the development of productive forces, reducing productive forces merely to the means of production and technology. Thus, the "theory of productive forces" has always been a tool used by revisionism to oppose the proletariat's struggle against the bourgeoisie and to oppose the dictatorship of the proletariat. This exposes the fact that the "theory of productive forces" advocated by revisionists is, in essence, the "theory of the primacy of capitalism." They have never regarded production as the material prerequisite for achieving socialism and communism, but instead seek to make production forever the material foundation of capitalism. Their true aim is to preserve and restore capitalist production.

Deng Xiaoping once brazenly clamored for the restoration of capitalist production, absurdly claiming, "Individual farming is also permissible as long as there is a rise in production. It doesn't matter whether it is a white cat or a black cat, any cat that catches mice is a good cat." His current slogan, "Everything for Modernization," is merely a rehash of his old "white cat, black cat" argument. The "modernization" he speaks of is in fact not socialist modernization, but can only be capitalist and social-imperialist modernization. We say that production must develop and that the "Four Modernizations" must be achieved, but class struggle must be taken as the key link, and revolution must be placed in command. Otherwise, we will end up like the Soviet Union today: "the satellites went up to the sky while the red flag fell to the ground." This bitter historical lesson is one we must never forget.

The bourgeoisie within the Party constantly pays lip service to "production first" and "Everything for Modernization," but they have never truly put production first; for them, bourgeois politics has always come first, and everything has been for the restoration of capitalism. After the socialist transformation of the ownership of the means of production in our country was basically completed, Liu Shaoqi loudly proclaimed that the main task was "to engage in construction." Yet behind the scenes, he gathered a large number of traitors and diehard followers, cobbled together a bourgeois headquarters, and launched a frenzied attack on the proletariat. Lin Biao, too, once clamored that "the main task after the Ninth National Congress is to develop production." But shortly after the Party's "Ninth National Congress" had concluded, he repeatedly wrote the reactionary banner slogan, "Among all the affairs of the world, this is of supreme importance: To subdue oneself and return to propriety,"[1] drew up a plan for an armed counterrevolutionary coup, and plotted to murder the great leader Chairman Mao and overthrow the dictatorship of the proletariat. Today, Deng Xiaoping also waves the banner of concern for "production," while in reality engaging in the schemes of reversing verdicts and restoring capitalism. With a program, propaganda, organization, and plans in place, he attacks the Party and directs his spearhead at the great leader Chairman Mao. We must remain constantly vigilant against these despicable counterrevolutionary tactics of the bourgeoisie within the Party.

[1] Note from translator: After Lin Biao's plan of armed coup against Mao Zedong failed and his plane crashed in Mongolia when he was attempting to escape to the Soviet Union, people found a calligraphy in his home that writes: "悠悠万事，唯此为大，克己复礼." The first two parts are from "Biographies of Li and Du" in *Hou Han Shu*, and the last part is from "Yan Lun," in *The Analects*.

# Section Two: Practicing Economy Under the Socialist System

## Practicing Economy Is a Basic Principle of the Socialist Economy

The establishment of socialist relations of production created the social conditions not only for the high-speed development of production, but also for the extensive economy of human, material, and financial resources. Under the socialist system, economy is also objectively necessary: "**The principle of practicing economy [is] one of the basic principles of socialist economy.**"[1]

Under the socialist system, practicing economy is of great significance for the high-speed development of socialist production. To accelerate the pace of socialist construction, we must increase accumulation. But where does accumulation come from? Under different social systems, the means of accumulating funds also differ. Under the capitalist system, funds are accumulated through the ruthless exploitation of the working masses at home, the launching of wars of aggression, the plunder of the people of colonies and semi-colonies, or the sale of sovereignty in exchange for loans that bring enslavement. The nature of the socialist economy determines that we absolutely cannot do this. The accumulation of socialist funds can only be achieved through the self-reliance and hard struggle of the broad masses of the people. This makes it essential to practice strict economy. In particular, our country is a large nation that, after suffering for a long time under the enslavement and rule of imperialism, feudalism, and bureaucratic-capitalism, remains economically poor. To rapidly transform its backward state of "poor and blank," we

[1] Mao Zedong, "Editor's Notes from Socialist Upsurge in China's Countryside," 265.

need to practice strict economy all the more. As Chairman Mao said: "**We want to carry on large-scale construction, but our country is still very poor -- herein lies a contradiction. One way of resolving it is to make a sustained effort to practice strict economy in every field.**"[1] At the same time, we also bear the internationalist obligations of supporting world revolution, and we must strive to conserve a little more in every respect so as to make a greater contribution to world revolution.

Practicing economy under the socialist system also has great political significance. Frugality and thrift are fine qualities of the proletariat and working people, while extravagance and waste are decadent habits of the bourgeoisie and all exploiting classes. During the socialist historical stage, vigorously promoting the fine tradition of hard work and perseverance, frugality and thrift, not only helps build socialism with greater, faster, better and more economical results, but also helps resist the corrosive influence of bourgeois ideas and practices, consolidate the proletariat's ideological position, and prevent the restoration of capitalism.

Practicing economy under the socialist system is fundamentally different in nature from practicing economy under the capitalist system. In the operation of capitalist enterprises, capitalists also practice careful budgeting, cutting expenses and reducing costs. However, capitalists' cost-cutting is aimed at pursuing profit, using increased labor intensity for workers, worsening working conditions, and expanding unemployment as means, thereby making the proletariat even poorer. Under the socialist system, with the establishment of public ownership of the means of production, the purpose of practicing economy is to build socialism with greater, faster, better, and more economical results; the fruits of practicing economy belong to the broad

[1] Mao Zedong, "On the Correct Handling of Contradictions Among the People," 417.

masses of working people and benefit them. For this very reason, practicing economy under the socialist system has a solid mass foundation, and its scope and methods are far broader than under the capitalist system.

The socialist economic system provides broad possibilities for practicing economy comprehensively and over the long term. Under the capitalist system, production within individual enterprises is organized, but social production as a whole is in a state of anarchy. Therefore, in essence, the capitalist system inevitably brings about a tremendous waste of social wealth. As Marx and Engels said, "**The capitalist mode of production, while on the one hand, enforcing economy in each individual business, on the other hand, begets, by its anarchical system of competition, the most outrageous squandering of labor-power and of the social means of production**"[1]; "**the positive waste and devastation of productive forces and products … are at the present time the inevitable concomitants of production.**"[2]

Under the socialist system, public ownership of the means of production has replaced capitalist private ownership, making it possible to use human, material, and financial resources in a unified and rational way, both within collectives and throughout society as a whole. The planned, proportionate development of the national economy has replaced capitalist competition and anarchy, thereby fundamentally eliminating the astonishing waste of social wealth and the severe destruction of productive forces caused by blind competition and economic crises, while also enabling the effective development and use of natural resources and the economy of social labor forces. By eliminating competition, socialism has also created the conditions for the

---

[1] Karl Marx, "Chapter Seventeen: Changes of Magnitude in the Price of Labour-Power and in Surplus-Value."

[2] Frederick Engels, "II. Theoretical, Part III: Socialism."

widespread application and rapid dissemination of new technologies, thereby making it possible for economy of labor expenditure. The elimination of competition also makes it possible to greatly reduce circulation costs. By eliminating the parasitic consumption of the exploiting classes, labor in the production of luxury goods and in sectors serving the pleasure of the exploiting classes can be saved. The elimination of the bourgeois bureaucratic state machine has also freed the working people from a heavy burden. More importantly, the working people have become masters of the state, and practicing economy is fundamentally aligned with their interests. Under the guidance of the correct line, not only can the workers' enthusiasm and creativity be fully brought into play, but their awareness of practicing economy of social wealth is also continually increasing. All this makes practicing economy under the socialist system an objective necessity. The principle of practicing economy can be implemented not only in individual enterprises, but also throughout the national economy through state planning and leadership and socialist cooperation.

"**Economy of time, to this all economy ultimately reduces itself.**"[1] Therefore, under the socialist system, the law of practicing economy is essentially the law of economy of labor time. As Marx pointed out: "**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.**"[2]

Practicing economy is an economic law of socialism and has objective necessity, but its realization is not without obstacles; it involves struggle. Chairman Mao formulated for our Party

---

[1] Karl Marx, "The Chapter on Money."

[2] Ibid.

the Marxist policy of building up our country through diligence and thrift. He pointed out: "**To make China prosperous and strong needs several decades of hard struggle, which means, among other things, pursuing the policy of building up our country through diligence and thrift, that is, practicing strict economy and fighting waste.**"[1]

Liu Shaoqi, Lin Biao, Deng Xiaoping, and their ilk, however, did everything they could to oppose this correct policy put forward by Chairman Mao. They wantonly squandered the people's property, indulged in extravagant living, advocated "bigness, foreignness, and completeness" in production, engaged in reckless command, undermined socialist management, and sought to undermine the socialist economic base and restore capitalism.

Therefore, to uphold and implement the socialist principle of practicing economy, we must first take class struggle as the key link, adhere to the Party's basic line, and deepen the criticism of revisionism, combining the broad-based mass production-increase and economy campaign with education in ideological and political lines. Implementing the socialist principle of practicing economy also requires that people's thinking conform as far as possible to the objective laws of socialist construction, and that they correctly handle the dialectical relationships between practicing economy and increasing production, economy and quality, and so on. At the same time, implementing the socialist principle of practicing economy also requires reducing non-productive personnel as much as possible; improving the utilization rates of working hours and equipment, and strengthening equipment maintenance and repair; promoting technological innovation and raising labor productivity; using raw materials rationally, extensively repairing and reusing old materials, and making comprehensive use of resources;

[1] Mao Zedong, "On the Correct Handling of Contradictions Among the People," 419.

tapping reserves and potential, verifying assets and assessing capital, and accelerating capital turnover; and, in capital construction, opposing the pursuit of bigness and foreignness and striving to achieve results quickly with little investment. Commercial departments must accelerate commodity circulation and work hard to reduce circulation costs. All state organs, organizations, schools, military units, and other public institutions must economize on expenditures.

In short, guided by the correct line, we must mobilize the enthusiasm and initiative of the broad masses of the people and save every possible amount of manpower, material resources, and financial resources in every department and at every stage, so as to promote the rapid development of socialist construction endeavors.

## Socialist Economic Accounting System

To implement the principle of practicing economy and rapidly develop socialist production, the economic accounting system must be introduced in socialist state-owned enterprises and collective units of working people. The economic accounting system is an important economic system for managing socialist enterprises. It requires comparing an enterprise's production consumption and production results in terms of both use value and value, covering its expenditures with its own income, and encouraging it to achieve the greatest possible economic results with the least possible production consumption, so as to continuously reduce costs, increase accumulation, and make a greater contribution to the state.

The economic accounting system, as an analysis of economic activity, is necessary in the life and production of any society, and especially necessary for socialist production. Marx pointed out: "**The more necessary the more the process assumes a social scale and loses its purely individual character. It is therefore more necessary in capitalist production than in the scattered production of handicraft and peasant economy, more necessary in collective production than in capitalist production.**"[1]

The specific content of the socialist economy accounting system includes the following aspects:

1. The state exercises unified leadership and planned management over state-owned enterprises, setting planned targets for enterprises, including product types, output, quality, output value, labor productivity, cost, and profits to be remitted. Enterprises must be accountable to the state and fully meet the targets set by the state.

2. The state allocates a certain amount of working capital and fixed capital to enterprises according to the production and operating needs of state-owned enterprises. Enterprises use these funds to organize production in accordance with tasks set by the state, sell products at prices set by the state, cover expenses with the proceeds from product sales, and remit profits to the state as stipulated, thereby providing accumulation for the state.

3. When each state-owned enterprise operates independently, there should be a system and procedures governing income and expenditure, a cost plan, a system for checking progress in fulfilling the production plan, a system for economizing raw materials and maintaining tools and equipment, and so on.

---

[1] Karl Marx, "Chapter 6: The Costs of Circulation," in *Capital*, Vol. II.

4. When certain economic ties arise between state-owned enterprises, or between state-owned enterprises and collectively owned enterprises, the principle of equivalent exchange must be applied. For major economic ties between enterprises, an economic contract must also be concluded in advance, and the parties must assume responsibility in accordance with its provisions.

Collective-ownership economic units organize production under the guidance of the state plan, sell commodities at prices set by the state, operate independently, and are responsible for their own profits and losses. On the one hand, they increase products, income, and accumulation for the collective; on the other, they pay taxes as stipulated and provide the state with a certain amount of products and accumulation. At the present stage, the production teams, production brigades, and communes—the three levels of our country's rural people's communes—are all independent units responsible for their own profits and losses. Among them, the production-team level is generally the basic accounting unit.

To carry out economic accounting in socialism effectively, it is necessary not only to have a certain number of professional accounting bodies and personnel, but even more important to involve the worker and peasant masses, combining professional accounting with mass accounting. Practice has shown that the participation of the worker and peasant masses in economic accounting activities not only enables enterprise leaders to gain a more comprehensive and accurate understanding of the economic activities of the entire enterprise, but also helps promote the widespread development of mass movements for increasing production and practicing economy. In particular, it can urge leaders to run socialist enterprises in accordance with the Party's correct line, principles, and policies.

Socialist economic accounting must first and foremost comply with the requirements of the basic economic law of socialism and the law of planned, proportionate development of the national economy. In capitalist society, capitalists also establish enterprises and conduct economic accounting, but it is governed by the basic economic law of capitalism and the law of competition and the anarchy of production. The purpose of capitalists' economic accounting is to consolidate their position in competition and ensure that they obtain the maximum profit. Moreover, because of private ownership under capitalism, economic accounting can only be conducted within the bounds of capitalists' private enterprises, while production throughout society is anarchic.

The socialist economic accounting system is entirely different. Since the socialist production process is based on public ownership, and direct social production holds the dominant position, socialist economic accounting must first serve the aim of socialist production: meeting social needs. It must be conducted under the guidance of the state plan. The economic accounting of socialist enterprises must take into account both use value and value, but use value must come first. Enterprises must fully meet all the state's planned targets and must never put value indicators such as output value and profit first. On the contrary, they should attach great importance to use-value indicators such as product variety, output, and quality. Enterprises must reduce costs and increase earnings; it is wrong to regard earnings as unimportant, because earnings (including profits and taxes) are an important source of socialist accumulation. But earnings are not the aim of socialist production. The aim of socialist production is to meet social needs, and enterprises should start by meeting social needs and, in accordance with the state plan, produce use values in greater quantities, of higher quality, and in a wider range. For this

very reason, the state supports the production of some goods even when it is temporarily unprofitable or even loss-making, if they are essential to the state and the people. This is precisely an expression of the superiority of the socialist system. Of course, this must never become an excuse for losses caused by poor management in certain enterprises. On the contrary, even enterprises that temporarily lack the conditions to earn a profit should create those conditions, strive to minimize losses, and turn losses into profits as soon as possible, thereby making a greater contribution to the state.

Economic accounting under socialism is also a way of making use of the law of value. Since the socialist production process is also a commodity production process, the law of value inevitably comes into play. Therefore, in addition to complying with the requirements of the basic economic law of socialism and the law of planned, proportionate development of the national economy, the economic accounting of socialist enterprises must also take the requirements of the law of value into account. The law of value requires that the production and exchange of products use socially necessary labor expenditure as a common measure. Thus, socialist enterprises' economic accounting inevitably also makes use of the form of value to calculate and compare labor expenditure, determine whether individual labor expenditure is higher or lower than socially necessary labor expenditure, whether an enterprise's income can cover its expenses, and whether its operations result in a profit or a loss. Such calculation and comparison encourage enterprises to improve their level of business management, take appropriate measures, reduce labor consumption, and increase the accumulation of funds.

Since economic accounting under socialism must also make use of the form of value, it is therefore still necessary to use economic categories such as funds, costs, and profits. However,

the relations of production reflected by these categories are fundamentally different from those reflected by the same categories under the capitalist system.

The funds of socialist enterprises are the property of the state or of the collective of working people, and are fundamentally different from the capital used by capitalists in capitalist enterprises to exploit the workers. Enterprises use these funds in production and business activities to serve extended reproduction under socialism and to meet the needs of the state and the people.

The cost of product of socialist enterprises and the production expenses of capitalism are also two fundamentally different economic categories. The cost of product of socialist enterprises consists of expenses incurred in producing goods for social production. The production expenses of capitalism, by contrast, represent the consumption of capital. The continual reduction of costs by socialist enterprises means providing the state or the collective with greater accumulation. A reduction in capitalist production expenses means an expansion of capital and intensified exploitation of the workers.

Lastly, the profit of socialist enterprises is fundamentally different from the profit of capitalist enterprises. Profit under capitalism is a transformed form of surplus value, reflecting the relationship between exploitation and the exploited. It is used for the parasitic consumption of the exploiting classes and to increase capital, thereby expanding and intensifying the exploitation of the workers. The profit of socialist enterprises is the value created for society by the working people, and is earned under the guidance of the state plan. It is constrained by "advanced profitability" over a relatively long period across the national economy as a whole, as well as by the state pricing policy. Therefore, enterprises in different production sectors and those

producing different products may have considerably different profit rates, even when their individual labor expenditures all conform to socially necessary labor expenditure.

However, we should also recognize that the socialist economic accounting system still retains traces of the old society. The use of the value-money form in economic accounting also has negative effects. An enterprise's operating results are expressed to some extent through various value indicators, which also serve as indicators for comprehensive comparisons of enterprises' economic activities. This can easily lead people constrained by bourgeois right in commodity production to place greater emphasis on value than on use value and to pursue profit alone. For example, because price frequently diverges from value in commodity exchange, some enterprises may exploit this divergence to unilaterally expand production of products with high output value and high profit while reducing production of products with low output value and low profit, thereby disrupting the balance of the national economic plan and harming state construction and the people's lives. Therefore, the negative effects arising from the use of the value-money form in economic accounting must be restricted; otherwise, there is a danger that socialist enterprises will degenerate. To this end, economic accounting in enterprises must follow the correct line, take meeting the needs of the state and the people as its starting point, and strictly implement the state plan. While engaging in equivalent exchange, enterprises must also foster the spirit of socialist cooperation, and so on. Only in this way can socialist economic accounting avoid going astray and better serve socialist construction.

## Critique of Soviet revisionism's "Full Economic Accounting System"[1]

After the Soviet revisionist renegade clique came to power, in order to completely destroy the socialist economic base and fully restore capitalism, it has frantically promoted in every sector of the national economy the so-called "new system for improving planning and strengthening economic incentives," that is, the "new economic system." One "important part" of this "new economic system" is "the principle of implementing the full economic accounting in enterprises, as well as the principle of implementing and strengthening the economic accounting system in the relations between enterprises and higher-level organizations." The so-called "Full Economic Accounting System" is in fact a complete betrayal of the socialist economic accounting system, an economic accounting system that is thoroughly capitalist.

The "Full Economic Accounting System" is a revival of the capitalist free-enterprise system. In principle, under the socialist economic accounting system, the autonomy granted by the state to state-owned enterprises is relative autonomy within the framework of the unified state plan. The production plans, product sales, and prices of socialist state-owned enterprises are all determined uniformly by the state, and enterprises have no right to determine them independently. The Soviet revisionist renegade clique has precisely undermined this important principle. A resolution of the Soviet revisionist Party states: "The work of enterprises is regulated by numerous indices which restrict the independence and initiative of the personnel of

[1] Note from translator: Commonly known as "Khozraschet."

enterprises, diminish their sense of responsibility for improving the organization of production."[1] Accordingly, they propose the following "new" provisions: among production targets, "all other indices of economic activity will be planned by the enterprise independently, without endorsement by a higher organization."[2] In other words, most production targets and economic activities within enterprises may be determined independently: enterprises may draw up production plans themselves, buy and sell freely, set prices freely and negotiate prices, determine their own staffing, dismiss or hire wage earners at will, and lease out means of production, among other things. Lenin once pointed out: "**Without comprehensive state accounting and control of the production and distribution of goods, the power of the working people, the freedom of the working people, *cannot* be maintained, and that a return to the yoke of capitalism is *inevitable*.**"[3] Yet the so-called "Full Economic Accounting System" of Soviet revisionism replaces the planned economy of socialism with capitalist competition and anarchy of production.

"The Full Economic Accounting System" means making the capitalist profit principle the supreme principle and sole purpose of enterprise operations. In Soviet revisionist enterprises, profit is "the most important summary indicator," and "economic accounting means making a profit."[4] All business activities revolve around profit, turning around this "millstone" of profit. Everything is done to make money; whatever is profitable is what they do—this has become the

---

[1] The Decision of the Plenary Meeting of the Central Committee of the CPSU Adopted on September 29, 1965, "On Improving Management of Industry, Perfecting Planning and Enhancing Economic Incentives in Industrial Production," in *New Methods of Economic Management in the USSR* (Novosti Press Agency Publishing House, Moscow, 1965), 119.

[2] Report by Alexei Kosygin, "On Improving Planning and Strengthening Economic Incentives in Industrial Production," in *New Methods of Economic Management in the USSR*, 30.

[3] Vladimir Ilyich Lenin, "The Immediate Tasks of the Soviet Government."

[4] Note from translator: The original text did not provide a citation. I am unable to find the source.

rule governing economic affairs. Profit is the guiding principle for enterprise production, the driving force behind production growth, and the standard by which enterprise performance is judged. "The first thing the factory director considers is: What is more profitable?"[1] The Soviet revisionists' regulations expanding enterprises' autonomy in operations have also opened the door wide for enterprises to pursue profits. The monopoly bourgeoisie in Soviet revisionist enterprises strengthens its exploitation of workers and reaps windfall profits precisely through free production, "free trade," hiring workers independently, setting wage standards, and so on.

The "Full Economic Accounting System" is a system of exploitation through which the Soviet revisionist bureaucratic monopoly bourgeoisie extracts the blood and sweat of the working people. In the course of implementing the "Full Economic Accounting System," the profits earned through the blood and sweat of workers are divided up by the bureaucratic monopoly bourgeoisie through "profit sharing." Soviet revisionist decrees stipulate that the state generally collects a 6% "fund payment" from enterprises. Turning over the "fund payment" to the state means handing it over to the bureaucratic monopoly bourgeoisie, which holds state power. In addition, enterprises may also deduct a share from profits to form an "economic incentive fund." Since enterprise managers hold the power to allocate bonuses, the so-called "economic incentive fund" is also mainly appropriated by the monopoly bourgeoisie within enterprises. This is how the fruits of labor of the Soviet people are plundered by a small handful of the bureaucratic monopoly bourgeoisie. Class differentiation in Soviet society today is becoming increasingly evident.

[1] Note from translator: The original text did not provide a citation. I am unable to find the source.

As can be seen from the above, the "Full Economic Accounting System" promoted by the Soviet revisionist renegade clique is thoroughly revisionist trash, fundamentally no different from the economic accounting system under capitalism. Yet the Soviet revisionist mouthpiece *Economic Gazette*, with a guilty conscience, defended it by claiming: "This is not a departure of any kind from socialism, nor a move toward capitalist business practices; its purpose is not to return to capitalist business practices," and so on. Resorting to such a clumsy trick can only make the truth all the more obvious.

The Soviet revisionist renegade clique's retreat to capitalist business practices and management systems has already aroused strong opposition among the broad masses of the Soviet Union, and they will ultimately be unable to escape the punishment of history.

# Section Three: The Party's General Line for Socialist Construction

## The Essence and Basic Requirements of the General Line for Socialist Construction

The socialist system provides the objective possibility of developing the national economy with greater, faster, better, and more economical results. However, turning this objective possibility into reality still requires subjective effort; first and foremost, it requires a correct Marxist line. Chairman Mao scientifically summed up the historical experience of socialist revolution and construction at home and abroad, applied the basic principles of dialectical materialism and historical materialism, and, in accordance with the objective laws of socialist economic development, formulated for our Party the general line of "**Go all out, aim high, and achieve greater, faster, better and more economical results to build socialism.**"[1] This is precisely a Marxist line.

The essence of the Party's general line for socialist construction is its high regard for the awareness, enthusiasm, and creativity of the masses in socialist construction endeavors. The general line calls for "**go all out, aim high, and achieve greater, faster, better and more economical results to build socialism.**" This means mobilizing and calling on the broad masses to raise their awareness, enthusiasm, and creativity, and to bring their passion, wisdom, and strength fully to bear in socialist construction endeavors, so that socialist construction can proceed with greater, faster, better and more economical results.

---

[1] Liu Shaoqi, "The Victory of Marxism-Leninism in China," *Peking Review*, No. 39 (1959), 10.

"**The people, and the people alone, are the motive force of world history.**"[1] The masses are the true heroes and the source of strength. As long as we truly rely on the masses, we can overcome every obstacle and emerge victorious; this is true of revolution, and it is true of construction as well. Our Party has always attached importance to the great historical role of the masses. During the period of the democratic revolution, Chairman Mao emphasized: "**The revolution must rely on the masses of the people, on everybody's taking a hand, and have opposed relying merely on a few persons issuing orders.**"[2] He also led our Party in creating a complete set of work methods based on the mass line. In socialist construction endeavors, Chairman Mao continued to hold the power of the masses in high regard, pointing out: "**In addition to the leadership of the Party, a decisive factor is our population of 600 million. More people mean a greater ferment of ideas, more enthusiasm and more energy.**"[3] Our Party has a glorious tradition of implementing the mass line. The Party's general line for socialist construction is, in effect, the application and development of the mass line as a working method in socialist construction.

How, then, can we fully mobilize the enthusiasm of the masses and give full play to their initiative and pioneering spirit? In this regard, the basic requirements set out for us by the Party's general line for socialist construction are to uphold the dialectical unity of politics and economics, the dialectical unity of objective lawfulness and subjective initiative, and the dialectical unity of greater, faster, better, and more economical results.

---

[1] Mao Zedong, "On Coalition Government," 257.

[2] Mao Zedong, "A Talk to the Editorial Staff of the Shansi-Suiyuan Daily," in *Selected Works of Mao Zedong*, Vol. IV, 241-242.

[3] Mao Zedong, "Socialism and Communism," in *Quotations From Chairman Mao Tse-Tung* (Foreign Languages Press, Peking, 1966), 139.

**Politics is the commander, the soul in everything**. "**Political work is the life-blood of all economic work.**"[1] The Party's general line for socialist construction upholds the principle of proletarian politics in command and embodies the Marxist principle of the dialectical unity of politics and economics, and of revolution and production.

"**Man must have some spirit.**"[2] "**Go all out, aim high**" describes state of the entire people of mind. Socialist construction endeavors do not proceed smoothly; they require people to work hard and make enormous sacrifices. For a country like ours, with a weak industrial base and a very backward economy, transforming itself into a prosperous socialist state with modern industry, modern agriculture, modern national defense, and modern science and technology is an even greater and more arduous undertaking. Without a vigorous proletarian revolutionary drive, victory would be impossible. This requires people to be imbued with boundless political enthusiasm, a fearless spirit that scorns difficulties, the heroic character of hard work and perseverance, and tenacious revolutionary resolve. In other words, we must "**go all out, aim high**." Matter can become spirit, and spirit can become matter. Once the broad revolutionary masses have grasped Marxism, Leninism, and Mao Zedong Thought, along with Chairman Mao's proletarian revolutionary line, they will surely unleash tremendous revolutionary drive and turn it into material results in socialist construction that are achieved more quickly, in greater quantity, better, and more economically.

Where does this "**go all out**" come from? How can people's revolutionary drive be mobilized? Revisionists rely on material incentives, whereas Marxism holds that the masses'

---

[1] Mao Zedong, "Editor's Notes from Socialist Upsurge in China's Countryside," 260.

[2] Quote from Mao Zedong. Editorial by *Renmin Ribao*, *Hongqi* and *Jiefangjun Bao*, "Carry the Glorious Tradition Forward," *Peking Review*, No. 31 (1972), 7.

revolutionary drive can be mobilized only by putting proletarian politics in command. Proletarian politics means the proletariat's struggle against the bourgeoisie. After the socialist transformation of ownership of the means of production is basically completed, the broad working people urgently demand restrictions on bourgeois right and reform of all aspects of the superstructure incompatible with the socialist economic base, in order to promote the rapid development of the productive forces. However, the bourgeoisie within the Party, the revisionist line it pursues, and bourgeois ideology suppresses and constrains the masses' socialist enthusiasm. Therefore, only by taking class struggle as the key link, upholding the Party's basic line, and exercising all-round dictatorship over the bourgeoisie can obstacles on the road ahead be cleared, the people's consciousness raised, and the revolutionary drive of the broad masses mobilized and inspired, thereby ensuring the rapid development of socialist construction endeavors along the correct path.

The Party's general line for socialist construction also requires us to uphold the unity of objective lawfulness and subjective initiative.

To give full play to the enthusiasm and creativity of the masses is to bring their subjective initiative into full effect. To this end, we must correctly handle contradictions among the people, unite all forces that can be united, and mobilize every positive factor. The series of policies of **"**walking on two legs" laid down by the Party's general line fully embodies Chairman Mao's brilliant thinking on correctly handling contradictions among the people and mobilizing every positive factor. In socialist construction, fully implementing the policy of "walking on two legs" enables us, under the Party's unified leadership, to mobilize the enthusiasm of both the workers and the peasants; that of both the central departments and local organizations at every level; and

that of all sectors, including the coastal and inland regions, large and medium- and small-sized enterprises, and both modern-method and indigenous-method production. This opens up the broadest possible scope for the masses to give full play to their subjective initiative in socialist construction.

Fully bringing the masses' subjective initiative into play absolutely does not mean that the requirements of objective laws can be ignored. The two are the two aspects of one dialectical unity. The Party's general line for socialist construction can fully bring the masses' subjective initiative into play and build socialism with greater, faster, better, and more economical results precisely because it profoundly reflects the objective requirements of socialist economic laws. First, the general line upholds proletarian politics in command, mobilizes the broad masses to participate actively in construction, and clarifies the purpose of socialist construction; this reflects the requirements of the basic economic law of socialism. Second, it reflects the requirements of the law of planned, proportionate development of the national economy. In the course of socialist construction, there are many intricate mutual relations. Besides the proportional relations among production sectors and within each sector, there are also relations between the central and local authorities in the management system, relations among large, medium, and small enterprises in terms of enterprise scale, and relations between foreign and indigenous-method production in terms of technical conditions, among others. The general line for socialist construction and a series of policies of "walking on two legs" correctly embody the proportions and intrinsic connections among production in the various sectors and of different types throughout the national economy. In addition, the line reflects the law that relations of production must be suited to the nature of the productive forces, the law of rapid development in

socialist production, the law of practicing economy, and so on. This ensures that the masses' subjective initiative is brought into play on the basis of a correct understanding of objective economic laws. Consequently, the masses' enthusiasm is not only not dampened, but can also be fully mobilized.

Likewise, the Party's general line for socialist construction requires us to uphold the dialectical unity of being greater, faster, better, and more economical.

To undertake socialist construction, we must do as much as possible, as quickly as possible; otherwise, the so-called rapid development of socialist production is empty talk.

However, if we cannot also do things as well and economically as possible, we will "haste makes waste," and the "greater" and "faster" will inevitably be greatly affected. Therefore, rapidly developing socialist production does not mean disregarding product quality and production consumption and simply striving for greater and faster. Greater, faster, better, and more economical form an organic whole; they depend on and constrain one another.

The relationship between "greater and faster" and "better" mainly reflects the unity of opposites between quantity and quality. Any quantity is based on a certain level of quality; likewise, any quality is expressed through a certain quantity. They depend on each other and transform into each other. Producing products in greater quantities and at a faster pace makes it easier to compare and select among them, and to summarize and promote the production experience behind the best products, thereby improving the quality of production as a whole. At the same time, quality can also be transformed into quantity. For example, improving the quality of machinery and equipment can create new production capacity and raise labor productivity, enabling products to be produced in greater quantities and more quickly. Improving the quality

of consumer goods makes them more durable and longer-lasting, which in effect is equivalent to increasing the quantity of products. Conversely, poor product quality can affect production efficiency; alternatively, if products have very short service lives or are even defective, then although the quantity may appear greater and production faster, in reality there is less, not more, and it is slower, not faster. Clearly, quantity and quality are closely related, and neither can be neglected.

The relationship between "greater and faster" and "more economical" mainly reflects the unity of opposites between increased production and practicing economy. On the one hand, economy can promote increased production, turning into "greater and faster." By conserving resources, we can carry out more production and construction with the same amount of manpower and material resources. On the other hand, "greater and faster" also includes an element of "more economical." For example, as labor productivity continues to improve, the labor consumption per unit of product correspondingly decreases. Conversely, if we do not pay attention to practicing economy, even if production increases, the products are all wasted, which in practice amounts to no increase in production at all.

The practice of socialist construction in our country has proved that only by continually and correctly handling, in accordance with the requirements of the general line, the relationships between politics and economic affairs, subjective initiative and objective lawfulness, and the principle of greater, faster, better, and more economical, can we fully mobilize the enthusiasm and creativity of the broad masses of the people and sustain them over the long term, so that socialist construction in our country proceeds with vigor and vitality and advances at high speed.

## The General Line for Socialist Construction Took Shape and Developed Through Struggle

The general line for socialist construction was formulated by Chairman Mao on the basis of summing up our Party's experience in building revolutionary base areas, our country's experience in socialist construction during the First Five-Year Plan, and the lessons of the Khrushchev renegade clique's restoration of capitalism in the Soviet Union, as well as repeated investigation and study. However, the Party's correct line did "**emerge and develop spontaneously and tranquilly, but only in the course of struggle.**"[1] This is precisely what the facts show. The formation, consolidation, and development of the Party's general line for socialist construction have always involved sharp and intense struggle between Chairman Mao's proletarian revolutionary line and the revisionist line.

The general line formulated by Chairman Mao—"**Go all out, aim high, and achieve greater, faster, better and more economical results to build socialism**"—was formally adopted at the Second Session of the Eighth Party Congress in May 1958. But as early as April 1956, in Chairman Mao's famous report "On the Ten Major Relationships," he had already proposed "**mobilizing all positive factors, internal and external, to serve the cause of socialism,**"[2] and led the entire Party and the people of the whole country to achieve the basic victory of socialist transformation and realize the great development of the national economy in 1956.

---

[1] Mao Zedong, "Problems of Strategy in China's Revolutionary War," in *Selected Works of Mao Zedong*, Vol. I, 194.

[2] Mao Zedong, "On the Ten Major Relationships," in *Selected Works of Mao Zedong*, Vol. V, 284.

However, representatives of the bourgeoisie within the Party, represented by Liu Shaoqi and his ilk, deliberately engaged in disruption and sabotage. On the one hand, they promoted the theory of the dying out of class struggle and the theory of productive forces; on the other, they seized on certain shortcomings caused by a lack of experience during the 1956 production leap and launched sweeping attacks, whipping up a sinister "Opposing Rash Advance" wind. This undermined the socialist enthusiasm of the broad masses, affected the pace of development of industry and agriculture in 1957, and created a "saddle-shaped" pattern in the development of the national economy. Their "Opposing Rash Advance" campaign echoed and closely coordinated with the international anti-communist and anti-socialist current at the time and the bourgeois rightists' frenzied attacks on the Party and socialism at home.

The great leader Chairman Mao saw through everything and promptly exposed the sinister designs of Liu Shaoqi and his ilk. In light of the domestic and international situation of class struggle at the time, in February 1957 he delivered a speech, *On the Correct Handling of Contradictions Among the People*, in which he clearly pointed out that after the socialist transformation of ownership of the means of production was basically completed, "**class struggle is by no means over.**"[1] He particularly emphasized the need to carry out a socialist revolution on the political and ideological front. Under Chairman Mao's leadership, the entire Party and the people throughout the country launched a vigorous Anti-Rightist struggle and won a great victory, thereby further laying the political and ideological foundation for building socialism with greater, faster, better, and more economical results. Immediately afterward, they also profoundly criticized and settled accounts with the error of "Opposing Rash Advance,"

[1] Mao Zedong, "On the Correct Handling of Contradictions Among the People," 409.

engaging in a head-on struggle with Liu Shaoqi and his ilk. In March 1958, at the Chengdu Conference, Chairman Mao clearly put forward the statement: "**The correct line for building socialism is: go all out, aim high, and greater, faster, better, and more economical results.**"[1] In May of the same year, this was incorporated into the resolution of the Second Session of the Eighth Party Congress and announced nationwide. After a series of intense struggles, the Party's general line for socialist construction emerged victorious.

After this general line was established, its tremendous power became immediately apparent, greatly promoting the development of our country's socialist construction endeavors. Under the radiant light of the general line, people throughout the country were full of vigor and high in morale. They broke with superstition, emancipated their minds, and displayed an unprecedentedly strong revolutionary spirit of daring to think, speak, and act. The socialist competition to learn from, catch up with, and help one another swept across the country, and the national economy entered a Great Leap Forward unprecedented in its history. The rapid development of the productive forces, in turn, promoted further changes in the relations of production, and people's communes were established throughout the vast rural areas. Guided by the Three Red Banners—the general line, the Great Leap Forward, and the people's communes—in 1958, our country's industrial growth reached 66% and agricultural growth 25%, respectively 2.7 times and more than 4 times faster than the average annual growth rates during the First Five-Year Plan. Practice has eloquently proved that the general line for socialist construction formulated by Chairman Mao for our Party is a correct Marxist line and a beacon guiding the people of our country in building a powerful socialist state.

---

[1] Note from translator: No official English translation available for the whole sentence. Furthermore, the official document from the Chengdu Conference shows that this sentence is likely a summarization rather than exact quote.

However, the struggle continued. Liu Shaoqi and his ilk were not reconciled to defeat and changed their tactics again, using an ultra-"Left" guise to conceal the essence of their right opportunism. They whipped up the the wind of "communization," the wind of "exaggeration," and "blind command," among other things, conspiring to undermine the general line, the Great Leap Forward, and the people's communes, and to discredit the Three Red Banners. Chairman Mao promptly and sternly criticized this unhealthy trend, corrected the errors of "equalization and requisition," and educated the entire Party and the people throughout the country, thereby ensuring the correct implementation of the Three Red Banners.

However, the tree may prefer calm but the wind keeps blowing.[1] In 1959, the anti-Party clique headed by Peng Dehuai, with Liu Shaoqi's support, once again came out into the open, seizing on some problems that had arisen in the mass movement and in our work as a banner to attack the Party's general line, the Great Leap Forward, and the people's communes, claiming that nothing about the people's cause was any good. At the Eighth Plenary Session of the Eighth Central Committee, held on Lushan, Chairman Mao and the Central Committee of the Communist Party exposed and crushed the frenzied offensive of Peng Dehuai's anti-Party clique and launched a struggle against right opportunism throughout the Party, thereby defending the Three Red Banners and socialism.

Chairman Mao pointed out: "**The struggle at Lushan is a class struggle, a continuation of the life-and-death struggle between the two major antagonistic classes, the bourgeoisie and the proletariat, a struggle which has been going on in the socialist revolution for the last ten years. This kind of struggle, it seems, will continue in China and in our Party for at**

[1] Note from translator: English translation is from Wiktionary.

**least twenty years and possibly half a century. In short, the struggle will not cease until classes die out completely.**"[1] The course of history has fully vindicated Chairman Mao's wise judgment. Since the Lushan Conference, our Party has continued to wage fierce struggles against the revisionist lines of Liu Shaoqi, Lin Biao, and Deng Xiaoping.

From 1960 to 1962, Liu Shaoqi and his ilk joined the Soviet revisionist anti-China and anti-communist countercurrent in launching fierce attacks on our Party, blaming the temporary economic difficulties caused to our country by the Soviet revisionists' withdrawal of experts, breach of contracts, and severe natural disasters on the Party's general line, the Great Leap Forward, and the people's communes. Moreover, under the pretext of overcoming difficulties, they went all out with "close, suspend, merge, and convert," carried out massive cuts and destruction, undermined the achievements of the Great Leap Forward, vigorously promoted the revisionist line of "three freedoms and one contract," and frantically engaged in the criminal activity of restoring capitalism. In 1962, at the Tenth Plenary Session of the Eighth Central Committee, Chairman Mao issued to the entire Party and the people of the whole country the great call, "**Never forget class struggle**," and fully set forth the Party's basic line for the entire socialist historical stage. This dealt a heavy blow to Liu Shaoqi and his ilk, halted the evil wind of capitalist restoration they had whipped up, and set our country's revolution and construction back on course.

During the unprecedented Great Proletarian Cultural Revolution, after the bourgeois headquarters headed by Liu Shaoqi was smashed, another bourgeois headquarters headed by Lin Biao emerged. They sought to change the Party's basic line, overthrow the dictatorship of the

[1] Quote from Mao Zedong. Tien Chih-sung, "Grasp the Principal Contradiction In Socialist Society," *Peking Review*, No. 17 (1976), 15.

proletariat, and restore capitalism. To achieve this criminal aim, they denied the great achievements our country's people had made under the guidance of the general line for socialist construction, attacked our country's national economy as "stagnating," and used their so-called counterrevolutionary economic program of "rich people and powerful country" to oppose and sabotage the implementation of the general line. However, under the wise leadership of Chairman Mao, their counterrevolutionary plot likewise ended in complete failure.

Deng Xiaoping's revisionist line is a continuation of the revisionist lines of Liu Shaoqi and Lin Biao. They deny the leading role of revolution over production, replacing the class struggle established by the Party's basic line and the general line for socialist construction with the "taking the three directives as the key link"; they deny the historical role of the masses and vigorously proclaim that socialist construction can rely only on a handful of bourgeois "experts" and "authorities." They oppose the Party's policy of "**independence and self-reliance**" and advocate the "the slavish comprador philosophy," "doctrine of trailing behind at a snail's pace," and so on. In short, they oppose implementing the Party's basic line and the general line for socialist construction in the development of the national economy, in order to carry out their sinister plot to restore capitalism. What Deng Xiaoping has been doing is, in essence, the same revisionist stuff of Liu Shaoqi and Lin Biao that was criticized by the masses during the Great Proletarian Cultural Revolution. His activities to overturn verdicts and restore capitalism are unpopular; under the forceful counterattack of the masses, he quickly fell from power. His revisionist line has already been criticized by hundreds of millions of people and will face increasingly profound and thorough criticism.

In summary, it is clear that the general line for socialist construction was formed, consolidated, and developed through struggle. This struggle is far from over and will continue for a long time. Therefore, guided by the Party's basic line and taking class struggle as the key link, we must continuously struggle against the bourgeoisie within the Party and its counterrevolutionary revisionist line, eliminating all kinds of interference and sabotage. Only then can we ensure the implementation of the general line for socialist construction and promote the vigorous development of socialist construction endeavors more rapidly, better, and more economically.

# Part Three: Circulation Process Under Socialism

# Chapter Seven: Exchange of Socialist Products

## Section One: General Characteristics of Exchange Under the Socialist System

### The Process of Exchange Under Socialism is a Unity of Direct Social Distribution and Commodity Exchange

The process of social reproduction is the unity of production and circulation. Under the conditions of the social division of labor, the circulation of the social product among the various economic units is necessary to replace the means of production and means of consumption used up in social production and reproduction, and thus to ensure the continuous reproduction process. The more production develops, the more intricate and complex society's material exchanges become. Therefore, the circulation of the social product is an inevitable result of the social division of labor and an intrinsic requirement of social production itself.

Marx once pointed out: "**Circulation itself [is] merely a specific moment of exchange, or [it is] also exchange regarded in its totality.**"[1] Viewed as a whole, the circulation process

[1] Karl Marx, "Introduction," in *Grundrisse.*

under socialism consists of the interweaving of the exchange of socialist products and currency circulation. The following sections examine these two aspects separately.

Production is the foundation of human social activity and the decisive element in the reproduction process. Production determines exchange and other elements; this is a fundamental tenet of the Marxist theory of reproduction: "**A definite production thus determines a definite consumption, distribution and exchange as well as *definite relations between these different moments*.**"[1] Exchange is always adapted to a particular mode of production at a given stage of social development. The nature, forms, and laws of development of exchange under socialism are determined by the nature, forms, and laws of development of socialist production. The duality of the socialist production process means that the process of exchange under socialism likewise has a dual social character: the unity of direct social distribution and commodity exchange. In effect, this is the continuation and extension of the duality of the socialist production process in the circulation sphere.

Direct social distribution and commodity exchange are, in essence, two different types of exchange process that exclude and negate one another. In capitalist society based on private ownership of the means of production, there is only commodity exchange, with no direct social distribution, nor could there be; in communist society based on a single form of ownership by the whole people, commodity exchange will cease to exist and be entirely replaced by direct social distribution. The process of exchange under socialism, however, differs from both the process of exchange under capitalism and that under communism: it is a unity of commodity exchange and direct social distribution. This is because socialist society has only just emerged from capitalist

[1] Karl Marx, "Introduction."

society; the level of development of the social productive forces is not yet high enough; two forms of public ownership of the means of production still exist—ownership by the whole people and collective ownership—and remnants of private ownership also remain. Consequently, the social product can only be directly possessed and distributed by society as a whole in part, not in its entirety. For example, between ownership by the whole people and collective ownership, each can only produce its own products as commodities and obtain the other's products through equivalent exchange in order to meet its own needs. This is also the only form of compensation for labor that peasants can accept at the present stage. It is therefore clear that commodity exchange continues to be practiced in the socialist stage independently of people's subjective will, because it still has an objective economic foundation for its existence. This economic foundation is the coexistence of two forms of socialist public ownership of the means of production. Therefore, the process of exchange under socialism is a unity of direct social distribution and commodity exchange.

The difference between direct social distribution and commodity exchange is that the former does not involve a transfer of ownership, whereas the latter does; the former is uncompensated, whereas the latter is compensated; the former is part of the social product from the outset and can enter production and consumption directly, whereas the latter must take a roundabout and circuitous route before it can be shown to be part of the social product.

# Forms of Commodity Exchange under the Socialist System

Under socialism, different exchange relations take different forms of exchange. To understand the different forms of commodity exchange under socialism, we must first analyze the exchange relations that exist in socialist society.

After the socialist transformation of ownership of the means of production is basically complete, several kinds of exchange relations exist in our country's actual economic life:

First, the exchange relations between units under socialist ownership by the whole people and units under collective ownership. The coexistence of the two forms of socialist public ownership is the basis of these exchange relations. They mainly embody the economic ties between the two major working classes, workers and peasants; serve as a bridge for the exchange of goods between industry and agriculture; and constitute an important form of urban-rural economic integration.

Second, the exchange relations among socialist collective ownership units. The fact that the means of production and products are owned by different collective economic units forms the basis of these exchange relations. They are mainly manifested in the economic ties among the collective units of the various rural people's communes, as well as among the collective organizations at different levels within the same commune. This is the circulation of commodities within collective ownership, and a channel for exchanging what one has for what one lacks and balancing surpluses and shortages.

Third, the exchange relations between peasants, between peasants and town and city residents, and between peasants and commercial departments. The existence of private plots and

household sideline production among members of rural people's communes forms the basis of these exchange relations. They reflect the economic ties among members, as well as between members and town and city residents and commercial departments, and are a necessary supplement to the socialist market at the present stage.

Fourth, the exchange relations between units under socialist ownership by the whole people and wage earners. The state's distribution of personal consumer goods to wage earners in the form of money wages is the basis of these exchange relations. They embody the economic ties between the socialist state and individual wage earners, serve as a link between production and consumption, and are a necessary component in implementing the principle "from each according to their ability, to each according to their work."

Fifth, the exchange relations involving means of production between units under socialist ownership by the whole people. The relative independence of socialist enterprises under state ownership by the whole people in their business operations and management forms the basis of these exchange relations. They embody economic ties within a single owner (namely, the socialist state) and are a necessary condition for mutual aid and cooperation and the exchange of goods among state-owned enterprises.

The five exchange relations above can be further classified into three types:

The first three types of exchange relations constitute one category. Although these forms of exchange themselves differ in certain respects—for example, some are based on socialist public ownership, while others are based on household sideline production—they all involve exchange between different forms of ownership or between different owners, and all entail a transfer of ownership. They retain the basic attributes and characteristics of general commodity

exchange. Therefore, this category of exchange is a relatively typical form of commodity exchange under socialism.

The fourth type of exchange relation is another kind. This exchange is in fact a form by which a socialist state distributes personal consumer goods among wage earners; it is a special kind of exchange. Wage earners in state-owned enterprises use their labor income to purchase consumer goods at state-owned stores. Ownership is transferred in this process, and the same principle of equivalent exchange of commodities still applies. Therefore, this type of exchange still retains the character of commodity exchange.

The fifth type of exchange relation differs from the two types mentioned above. It is exchange within ownership by the whole people and does not entail a transfer of ownership; it concerns only the use of these products by different enterprises. As for the mutual exchange of products and material transformation within socialist ownership by the whole people, it is not necessary to apply the principle of equivalent exchange to compensate for one's own labor expenditure, because within the scope of ownership by the whole people, the socialist state can ensure the smooth progress of reproduction through fiscal appropriations and the allocation of materials. Thus, in this sense, the principle of compensation has no necessary connection with exchange between socialist enterprises under state ownership by the whole people. However, since the socialist economy is an interdependent and closely interconnected whole, commodity relations between the two forms of socialist public ownership inevitably permeate relations within socialist ownership by the whole people. In analyzing the origins of commodities, Marx once pointed out: "**As products once become commodities in the external relations of a**

**community, they also, by reaction, become so in its internal intercourse.**"[1] Since some of society's products are produced as commodities, the measure used by various sectors and enterprises to calculate labor expenditure and assess operating results can only be a unified form of value. At the same time, the relative independence of socialist enterprises under state ownership by the whole people in their management also requires that, when exchanging products with one another, they not transfer them without compensation, but continue to price and settle accounts according to the principle of equivalent exchange, as if dealing with different owners. In this sense, exchange between socialist enterprises under state ownership by the whole people still needs to take the form of commodities.

The foregoing analysis shows that although these three types all remain within the commodity system, the degree of their commodity character differs, and consequently so do their forms of exchange. In summary, these forms are planned allocation and commercial exchange. This difference in the forms of socialist exchange reflects the dual character of socialist labor products in the circulation process; from the perspective of circulation, it indicates the different stages occupied by socialist products as they develop from commodities into direct social products of communism.

In the first and second types of exchange, although there are differences between them, ownership is transferred in both cases, so they take the form of commercial exchange. The products exchanged are consumer goods, some scattered industrial means of production, and most agricultural means of production. Although this mode of exchange is also carried out under the guidance of the state plan, because all these exchanges take place through market

[1] Karl Marx, "Chapter Two: Exchange," in *Capital*, Vol. I.

transactions, compared with planned allocation it has a stronger liberal tendency and is more greatly affected by the law of value. This is precisely the reflection in the circulation sphere of the stronger commodity character of the social product.

The third type of exchange mainly involves the exchange of means of production within ownership by the whole people, and therefore takes the form of planned allocation. Socialist ownership by the whole people provides the objective possibility for this form. The products exchanged are mainly important means of production. They do not need to pass through the market, but are directly distributed according to the unified state plan. This is precisely how the relatively strong direct social character of the social product is manifested in the circulation sphere.

In socialist exchange, whether it takes the form of commercial exchange or planned allocation, "**develop production and ensure supply**"[1] must be taken as the fundamental point of departure. We must oppose both the purely commercial view that does not start from developing the economy and merely goes round in circles in circulation, and the metaphysical view that mechanically holds that production determines circulation and denies that circulation has a countereffect on production. Only by resolutely implementing the great policy of "**develop production and ensure supply**" can socialist exchange advance along Chairman Mao's revolutionary line, serve the socialist revolution and socialist construction, and serve to consolidate and strengthen the dictatorship of the proletariat.

---

[1] Mao Zedong, "Greet the New High Tide of the Chinese Revolution," in *Selected Works of Mao Zedong*, Vol. IV, 124.

# Section Two: Planned Allocation of the Means of Production under the Socialist System

## Significance of Planned Allocation of the Means of Production

Implementing resource allocation through planned allocation is one of the basic features of the socialist economy and also a manifestation of the superiority of the socialist system.

Planned allocation of the means of production is of great significance for consolidating and strengthening the economic base of the dictatorship of the proletariat. Socialist ownership by the whole people is the principal socialist economic base and the leading force in the national economy. Bringing important means of production under socialist planning, allocating them uniformly, and keeping them firmly in the hands of the state under the dictatorship of the proletariat helps strengthen the socialist economy under state ownership by the whole people and prevent old and new bourgeois elements from acquiring means of production to restore capitalist business practices.

The planned allocation of the means of production plays an extremely important role in establishing the correct proportional relations in the national economy. Planned, proportionate development of the national economy is an objective economic law of socialism. To ensure the high-speed development of the socialist economy, the socialist state strives to establish reasonable proportional relations within the national economy, in accordance with the political and economic tasks of each period and the requirements of the objective economic laws of socialism. The development of each department and sector depends mainly on the amount of labor power and means of production invested by society in that department. In other words,

establishing reasonable proportional relations within the national economy requires a corresponding material foundation. For example, to establish a reasonable proportion between Department I and Department II of social production, it is necessary not only to give priority to developing production in Department I, but also to organize the circulation of the means of production between Department I and Department II, as well as among the various production sectors within Department I, so that each sector receives the equipment, power, raw materials, fuel, and other inputs it needs in reasonable proportions. The planned allocation of the means of production provides the material foundation for continuously maintaining and establishing reasonable proportional relations within the national economy.

The planned allocation of the means of production is a necessary condition for the smooth development of production in enterprises under ownership by the whole people. Social production is characterized by intrinsic links of mutual dependence and mutual conditioning. Circulation, in turn, is the intermediate link between production and productive consumption; the production process is also the process of consuming the means of production. To organize production according to plan, it is essential to organize the circulation of the means of production according to plan. For production to continue uninterrupted, every production unit must receive a steady supply of means of labor and objects of labor. Otherwise, production cannot proceed. Moreover, the production of a given product requires the means of production to meet certain requirements not only in quantity and quality, but also in variety, specifications, technical standards, and other respects. To ensure uninterrupted production, delivery times must also conform to the production schedule. It is clear, therefore, that the supply of the means of production plays a decisive role in whether production can proceed normally and smoothly.

Socialist ownership by the whole people links the production and circulation of all state-owned enterprises into a single whole. By allocating important means of production according to plan, it directly connects supply with demand, making it possible for the parties to provide each other, in the required quality and quantity and on time without interruption, with means of labor and objects of labor, thereby reliably ensuring the smooth development of production.

Planned allocation of the means of production is an effective means of shortening the circulation process of materials, accelerating their turnover, and increasing the utilization rate of the means of production. Viewed from the perspective of the social production process, all means of production are constantly in one of two states: some are undergoing productive consumption, while others are in circulation—that is, moving from production into the circulation process of reproduction. If, while ensuring that production capacity is fully utilized, the proportion of materials in circulation can be reduced, the proportion available for productive consumption will increase correspondingly, thereby helping to accelerate the pace of socialist construction. To achieve this, in addition to such conditions as rationally distributing industry and improving transportation, the most important measure is to allocate the means of production according to plan, properly arrange cooperative relations of production among enterprises, and eliminate unnecessary intermediate links, thereby shortening the circulation process. This makes it possible to improve the utilization rate of the means of production.

As can be seen from the above, whether to uphold the planned allocation of the means of production or to engage in the free buying and selling of the means of production is by no means a question of method or technique, but a question of direction and political line. After the Soviet revisionist renegade clique came to power, in order to bring about the complete restoration of

capitalism, it could not help extending its evil claws into the circulation sphere of the means of production. They vigorously proclaim: “The allocation system is outdated not only for most consumer goods, but also for many means of production.” According to Soviet revisionist publications, some regions have even set up free markets for the buying and selling of the means of production, attended by thousands of representatives of companies and enterprises from various regions of the Soviet Union. The means of production traded there include everything from machine tools, cranes, generators, gasoline, seamless steel pipes, and instruments to locomotives. This has  not only further undermined the planned economy, but also opened the door wide to the proliferation of private underground factories.

## Several Relationships in the Planned Allocation of the Means of Production

The planned allocation of the means of production reflects the relationships of mutual exchange of labor between the central economic departments and local economic departments, as well as among enterprises, regions, and departments within ownership by the whole people.

The relationship between central economic departments and local economic departments, as reflected in the allocation of the means of production, is the question of centralization versus decentralization. To integrate the various sectors of the national economy and enterprises into a unified whole in production, and to coordinate their development according to a unified plan, the means of production that are vital to the national economy and people’s livelihood, or are produced in small quantities and need to be balanced and allocated nationwide, must be centrally

managed and allocated according to plan. However, our country is vast, and economic conditions differ from place to place. To mobilize the initiative of all parties, the allocation of the means of production should also be managed at different levels under the unified state plan, taking into account the distribution of industrial production, the relationship between production and demand, transportation conditions, and other factors. Without an appropriate degree of centralization, unified leadership cannot be ensured; without an appropriate degree of decentralization, it is also difficult to bring local initiative and enterprise into play.

In the allocation of the means of production, correctly handling the relationship between the central economic departments and the local economic departments is the key link in strengthening the system for managing supplies. In essence, this means fully bringing into play the initiative of both the central and local authorities, and carrying out socialist economic construction with greater, faster, better, and more economical results. "**Having two initiatives is far better than having only one.**"[1] From the perspective of the central economic departments, greater attention should be paid to encouraging local initiative: "**Let the local authorities engage in more undertakings under the unified planning of the central authorities.**"[2] From the perspective of the local economic departments, they must consciously submit to the unified leadership of the center, subordinate the smaller picture to the larger one, and the part to the whole, preventing each locality from acting on its own or seeking independence. Therefore, we must criticize both "sectional dictatorship" and "total monopoly," while also opposing the kind of localism that rejects centralization, planning, and discipline. Only in this way can the

[1] Quote from Mao Zedong. Editorial by *Renmin Ribao*, *Hongqi* and *Jiefangjun Bao*, "Advance Victoriously Along Chairman Mao's Revolutionary Line," 10.

[2] Ibid.

relationship between the central economic departments and the local economic departments be handled properly.

In our country, in accordance with the principle of "unified leadership, management at different levels, and division of operations," the state classifies means of production into three categories and manages them at different levels, based on their importance and uses in the national economy. The first category consists of "centrally allocated materials," such as steel, copper, and important electromechanical equipment. These materials are of decisive significance to the development of the national economy and are centrally controlled and allocated by the state planning authorities. The second category consists of "materials managed by ministries," such as tin, nickel, and materials requiring extensive coordination and specialization (such as metallurgical furnace materials). These materials play an important role in the national economy and are balanced and allocated by the relevant central government departments. The third category consists of "materials managed by local authorities," namely, materials other than those in the first two categories, which are managed by the provinces, municipalities, and autonomous regions.

To implement Chairman Mao's great strategic policy of "**be prepared against war, be prepared against natural disasters, and do everything for the people,**"[1] our country's planned management system for the means of production is currently adopting, in a differentiated and phased manner, the approach of "regional balancing, differential allocation, variety adjustment, and ensuring delivery to the state under the unified state plan." This requires that, on the premise of the unified state plan and ensuring delivery to the state, raw materials, equipment, and other

[1] Quote from Mao Zedong. Hung Yin-hang, "Great Victory for Mao Tsetung Thought On Financial and Monetary Front," 8.

products produced in each region be balanced and matched locally. Regional balancing and ensuring delivery to the state are contradictory yet unified opposites, reflecting the relationship between the central and local authorities. Regional balancing cannot be achieved by withholding or reducing deliveries to the state; rather, it should be achieved gradually on the basis of regional economic development. Ensuring delivery to the state concerns overall needs, but delivery targets should be set appropriately and should help promote regional balancing. Through tapping potential and practicing economy, the portion of output exceeding the plan, as well as products from local five small industries, may be retained for local use. Properly resolving the relationship between regional balancing and ensuring delivery to the state can both ensure centralized leadership by the center and help mobilize local initiative; it can also help improve local self-sufficiency in raw materials and the level of equipment matching, and help properly handle the relationship between the central and local authorities, in keeping with the requirement to build socialism with greater, faster, better, and more economical results.

The relations among enterprises under ownership by the whole people, as reflected in the distribution of the means of production, are relations of the division of labor and mutual cooperation within ownership by the whole people. Specifically, they take the following form: under the guidance of the Party's line, principles, and policies and the state plan, enterprises provide one another with the material means needed for extended reproduction by concluding economic contracts with each other and adopting the form of commodity-money relations. Socialist ownership by the whole people and the centralized, unified leadership of the socialist state provide the economic base and conditions for extensive cooperation among enterprises. In accordance with the political and economic tasks set by the Party in each period and the

objective requirements of proportional development of the national economy, the socialist state incorporates all major cooperative relations into the unified state plan. Leadership departments at all levels organize enterprises to conclude economic contracts with one another in accordance with the state's unified plan. These contracts include basic terms such as product type, quantity, specifications, quality, delivery schedule, price, storage and transportation, inspection and acceptance, and settlement. Every enterprise is obliged to perform its economic contracts strictly and has the right to require the other party to execute them strictly. Close cooperation among enterprises under socialist ownership by the whole people is the foundation for ensuring coordinated economic development. Taking the national economy as a whole and conscientiously promoting socialist cooperation is the principle for correctly handling relations among socialist enterprises under ownership by the whole people. Every enterprise should align the performance of contracts with the fulfillment of plans, uphold proletarian politics in command, criticize bourgeois right concepts, continually eliminate capitalist business practices, departmentalism, and decentralism, foster a communist spirit, and take all effective measures to execute contracts rigorously by product type, specification, quantity, model, and deadline.

## Channels for Resource Allocation Through Planned Allocation

The planned allocation of the means of production requires not only an appropriate supply system but also suitable circulation channels, so that goods can flow smoothly and resources can be put to full use, completing the circulation of the means of production among

entities under ownership by the whole people at a faster pace, with lower costs, and through rational turnover stages.

At present, our country has two channels for resource allocation through planned allocation: one is direct supply, and the other is supply through materials departments.

Direct supply means that, under the state's unified planning arrangements, state-owned enterprises establish fixed cooperative relationships by signing fixed-point, fixed-quantity contracts. The production unit supplies products directly to the user unit, without passing through any intermediate distribution stages. Such circulation channels can shorten circulation time, save circulation costs, and help improve product quality. They are the main form of planned allocation and a direction for its development. However, this channel cannot be used in every circumstance. Generally speaking, it is suitable for exchanges between enterprises whose production and demand volumes are relatively large, whose products are relatively standardized, and whose supply-and-demand relationships are relatively stable.

Supply through materials departments also takes place under the state's unified planning arrangements. The means of production manufactured by state-owned enterprises are first gathered at the state materials departments in accordance with product supply contracts, then processed and sorted as necessary, and finally distributed to the consuming enterprises. Generally speaking, this channel is suitable for the circulation of means of production that come in many specifications, or are produced by relatively few enterprises but are needed across a wide range of users. At first glance, it may seem slower and more costly than direct supply, but in fact this is not the case. Some enterprises need only small quantities of certain means of production. If these were all supplied directly by the production units, many production units would have to establish

large-scale supply and marketing organizations; otherwise, they could not meet the requirements for timely delivery. Thus, supply through materials departments via an intermediate link is, relatively speaking, less costly and faster. In addition, it helps the state maintain reserves of certain materials, so that it can meet temporary requests for means of production arising from changes in planned tasks.

It should be noted here that, in addition to the portion of the means of production of socialist enterprises under state ownership by the whole people that is distributed through planned allocation, another portion is circulated through market transactions. This portion of the means of production generally consists of a complex range of goods in small quantities, with their users relatively dispersed. Although market transactions add intermediate links and circulation costs, they can prevent shortcomings that may arise in distribution, such as omissions of certain types of goods, mismatches between goods and needs, and failure to meet regional needs. This benefits production units in organizing production and helps ensure the scattered needs of consumer units. From the perspective of society as a whole, this is still reasonable and beneficial.

# Section Three: Socialist Commerce

## The Role of Socialist Commerce

Commercial exchange is an economic form that organizes commodity circulation. It is a product of specific historical conditions, changing with the emergence, development, and disappearance of commodity production and commodity exchange. Under capitalist society, commercial exchange reached its peak.

Under socialism, since commodity production and commodity exchange still exist, commerce must also exist as a form of organizing commodity circulation. However, the economic relations embodied in socialist commerce are fundamentally different from those in capitalist commerce. Capitalist commerce is based on capitalist ownership of the means of production. Commerce employees are hired by capitalists and regarded by the bourgeoisie as slaves who serve others. Like industrial workers, they are politically oppressed and economically exploited, and therefore have irreconcilable conflicts with the bourgeoisie. Socialist commerce, by contrast, is based on public ownership of the means of production and is a new type of commerce never before seen in human history. Commerce employees have been liberated both politically and economically, becoming the masters of socialist commercial enterprises. Their relationship with the broad masses of the workers is one of comradeship based on mutual aid and cooperation.

Socialist commerce is an important front in the three great revolutionary movements of class struggle, production struggle, and scientific experimentation during the socialist period. It

plays an important role in consolidating the dictatorship of the proletariat, promoting the development of industry and agricultural production, and organizing the people's economic life. This is determined by the fundamental nature of socialist commerce.

Serving to consolidate the dictatorship of the proletariat is the primary task of socialist commerce. How well the purchase and sale of commodities, the organization of markets, the stabilization of prices, and other work are carried out directly affects the development of the cause of socialist revolution and construction, as well as the consolidation and strengthening of the dictatorship of the proletariat based on the worker-peasant alliance. During socialist transformation, state-owned commerce, on the one hand, implemented unified purchase and marketing of major agricultural products such as grain, cotton, and oil crops, thereby severing the economic ties between the bourgeoisie and the peasants in the circulation sphere, curbing the development of spontaneous forces in the countryside, and strengthening the economic ties between socialism and the peasants; on the other hand, through such forms as processing and orders, procurement and unified sales, and distribution and agency sales, it vigorously promoted the socialist transformation of the individual economy and capitalist industry and commerce. In socialist construction, the linking of industry and agriculture, the leading role of industry, the realization of agriculture's foundational role, and mutual support between industry and agriculture all depend on the activities of socialist commerce. It is clear, then, that socialist commerce is a channel for urban-rural economic integration and an indispensable link in consolidating the worker-peasant alliance. Moreover, socialist commerce is also a powerful instrument for carrying out socialist revolution in the sphere of the superstructure. Through its own business activities, it can wage a struggle against bourgeois ideology, break with old

customs and foster new ways, and continually "eliminate capitalism and promote socialism," thereby serving to expand the socialist foothold and consolidate the dictatorship of the proletariat.

Socialist commerce must be rooted in production and serve production, working to promote the development of industry and agriculture. As early as the period of the democratic revolution, Chairman Mao established the general guiding principle for financial and economic work: "**Develop production and ensure supply.**" This general principle is the fundamental guiding principle for socialist commercial work. It profoundly reflects the requirements of the basic economic law under socialism and scientifically elucidates the dialectical relationship between production and circulation. Production is the foundation. Without production, there can be no circulation. Only when production develops can commodity circulation continue to expand and the market become increasingly prosperous. If commerce is detached from production, it becomes water without a source and a tree without roots. Therefore, socialist commerce can do its work ever better only by starting from production, vigorously supporting industry and agriculture, and promoting the continuous development of production.

Socialist commerce promotes the development of industry and agricultural production mainly through its own functions: starting from production, it completes the circulation process through activities such as purchasing, selling, transporting, and storing commodities, and organizes the exchange of industrial and agricultural products. Through its own purchasing and sales activities, socialist commerce continually provides production with the raw materials it needs, while also opening up broad markets for production, thereby ensuring the smooth progress of industry and agricultural production. As Stalin said: "**Production without sale is**

**fatal for industry; because industry can be expanded only by the expansion of sales as a result of developing trade.**"[1] Since different regions produce different products, and even when they produce the same product there may be surpluses in some places and shortages in others, it is necessary to exchange what is available and adjust surpluses and shortages among regions and departments. Thus, from procurement to sale, commodities generally need to undergo a process of transportation and allocation in order to be transferred from one place to another. This is a necessary link in the process of commodity circulation. In addition to spatial distances, some commodities also face a time gap between supply and demand. This is especially true of agricultural products and industrial products made from agricultural raw materials. Some are produced seasonally but consumed throughout the year, such as grain and oil crops; some are produced throughout the year but consumed seasonally, such as certain kinds of cloth; and for some products, peak and slack production periods do not coincide with peak and slack consumption periods, as with poultry, eggs, tobacco, and alcohol. Similar situations also arise with certain means of production used in agriculture, such as chemical fertilizers and pesticides. To ensure that commodity circulation is not interrupted, commercial departments must always maintain the necessary quantity of stored commodities. "**No commodity circulation without commodity-supply.**"[2] During peak production periods, when supply exceeds demand, commodity storage is increased; during slack production periods, when demand exceeds supply, it is reduced. Socialist commerce thus serves as a "reservoir," regulating supply and demand and ensuring that production proceeds according to plan.

---

[1] Joseph Stalin, "VII. Strategy and Tactics," in *Foundations of Leninism*, *Works*, Vol. 6 (Foreign Languages Publishing House, Moscow, 1953).

[2] Karl Marx, "Chapter 6: The Costs of Circulation."

On the question of socialist commerce serving production, there has always been a struggle between two classes, two roads, and two lines. For many years, Liu Shaoqi loudly peddled the fallacy that "circulation determines production," openly clamoring that commerce "presses down on industry" and "chokes the peasants," in a vain attempt to reverse the positions of production and circulation and the relationship between industrial and agricultural production and commerce. After their conspiracy was exposed, a handful of class enemies, unwilling to accept defeat, stirred up another evil wind, proclaiming that "circulation is useless." They sought to deny the role of socialist commerce in promoting industry and agricultural production, and schemed to make socialist commerce break away from the track of socialist state planning, thereby achieving their criminal aims of sabotaging industry and agricultural production, undermining the worker-peasant alliance, overthrowing the dictatorship of the proletariat, and restoring capitalism.

Socialist commerce also plays an important role in organizing the people's economic life. In socialist society, the distribution of personal consumer goods according to the principle "from each according to their ability, to each according to their work" is carried out mainly through commercial exchange. Production provides the material basis for consumption, so the level of production development determines the extent to which people's needs can be met. However, given a particular level of production development, how well market supply is managed also determines how fully the people's needs are met; this depends on the quality of commercial work. Therefore, commercial exchange, which serves as a bridge between production and consumption, must not only actively serve industry and agricultural production and promote its development, but also actively serve the people's economic life. To achieve this, it is necessary

to continually criticize and eradicate Liu Shaoqi and his ilk's "theory of serving the whole people," which obscures the class character of socialist commerce; uphold the political orientation of socialist commerce serving the broad masses of workers, peasants, and soldiers; continually improve the quality of service; and conscientiously accept the supervision of the workers, peasants, and soldiers.

Providing accumulation to the state is also an important task of socialist commerce. Accumulation by socialist commerce consists of commercial departments turning over to the state a portion of the national income created by industry and agriculture's production departments, to expand socialist reproduction and improve people's living standards. The process of accumulation by socialist commerce is, in fact, also the process by which socialist relations of production continually expand and develop. Socialist commerce must strengthen economic accounting, use funds rationally, and reduce commodity circulation costs, thereby providing more accumulation and playing a greater role in promoting the development of industry and agriculture and of the national economy as a whole.

## Domestic market Under socialism

Socialist commerce can fulfill its proper role only through certain channels. At the present stage in our country, commerce operates mainly through two channels: state-owned commerce and collective-owned cooperative commerce. Together, they make up our country's unified socialist market, but they occupy different positions and play different roles.

Socialist state-owned commerce is an enterprise under ownership by the whole people and is the mainstay of the socialist domestic market. It controls the retail stage for the vast majority of commodities and the entire wholesale stage. It purchases the vast majority of consumer goods and some means of production produced by state-owned and collective industries; it also purchases the main agricultural and sideline products and some industrial goods produced by collectively owned enterprises. It has the capacity to organize commodity circulation and supply commodities according to plan nationwide, and is the leading force in the unified domestic market. In 1973, state-owned commerce accounted for 92.5% of total retail sales of commodities.

Socialist collective ownership commerce is an assistant to state-owned commerce. It includes rural supply and marketing cooperatives and urban cooperative stores. In 1973, collective ownership commerce accounted for 7.3% of total retail sales of commodities.

The establishment of supply and marketing cooperatives was objectively necessary. In the early years after the founding of the country, our country's rural areas formed a market in which the individual economy held an overwhelming advantage. At the time, because of limitations in manpower, material resources, and other areas, state-owned commerce could not yet fully meet the purchasing and sales needs of the many small-scale producers. If socialism did not occupy this market, capitalism inevitably would. Therefore, relying on the masses, people first organized themselves in the sphere of circulation and established rural supply and marketing cooperatives of their own. These cooperatives played a positive role in balancing supply and demand, managing the market, stabilizing prices, and promoting the socialist transformation of the individual economy. As the cause of socialist revolution and construction advanced on the

economic front, the state assigned large numbers of cadres to supply and marketing cooperatives and invested substantial state funds in them; in nature, they had gradually begun to transition toward state-owned commerce.

Cooperative stores are formed by individual peddlers in towns joining together. Primarily to meet the needs of the public and make consumption more convenient, they act as agents for the state in selling certain small-value, wide-variety miscellaneous goods. In their politics, prices, and methods of service, they are all subject to the state's leadership and supervision. They are a transitional form for transforming individual peddlers in towns into state-owned commerce.

In addition to state-owned commerce and cooperative commerce, rural local markets also existed during a certain period in socialist society. It was required by the economic conditions in which rural people's communes operated a three-tier ownership system and collective peasants retained small private plots and household sideline production, and it served as a supplement to the socialist planned market. Products from commune members' private plots and household sideline production, apart from the portion used by the producers themselves or sold to the state, could be exchanged through rural local markets in accordance with state regulations. Market trade was a venue where peasants exchanged goods among themselves and traded directly with town and city residents; middlemen were not allowed to profit from it.

Rural local markets have a duality. On the one hand, as a supplement to the socialist planned market, it plays a positive role in promoting the development of agriculture and sideline production, increasing social product and the income of members of cooperatives, and invigorating the rural economy. On the other hand, it is ultimately an unplanned market; if allowed to develop unchecked, it will undermine the socialist planned market and foster

capitalist forces. Therefore, the state must strengthen its management of market trade, properly bring its positive role into play, and limit its negative effects, so that it can better serve the socialist economy.

The market has always been an important arena of class struggle. The process of establishing a unified socialist market in our country was a complex and intense process of class struggle. This struggle was closely linked to the struggle between the two classes, two roads, and two lines throughout society. After the unified socialist market was established, the contradictions and struggle between socialism and capitalism do not end, but continue to exist. The storm of promoting the capitalist free market on a grand scale that Liu Shaoqi whipped up during a period of temporary difficulties in our country's national economy is a prominent example. As Lenin pointed out: "**What is free exchange? It is unrestricted trade, and that means turning back towards capitalism.**"[1] Liu Shaoqi's advocacy of vigorously promoting a "free market" was an attempt to undermine the socialist economic base and open a breach for the restoration of capitalism. Therefore, we must never let down our guard; we must continually strengthen the Party's leadership over commercial work and state-owned commerce's leadership over the socialist market.

## Several Relationships in Socialist Commerce

The economic ties between industry and agriculture, between urban and rural areas, among the various sectors of the national economy, among enterprises, and among regions, as

[1] Vladimir Ilyich Lenin, "Report On The Substitution Of A Tax In Kind For The Surplus Grain Appropriation System," in *Tenth Congress of the R.C.P.(B.)*, *Lenin's Collected Works*, Vol. 32.

reflected through socialist commerce, are manifested in actual economic life primarily as agriculture-commerce relations, industry-commerce relations, and relations between commerce and individual consumers, among others. Properly handling all these relationships is of great importance to realizing the role of socialist commerce.

Socialist commerce plays an important role in purchasing agricultural and sideline products and supplying industrial goods to the countryside, and in facilitating the exchange of goods between urban and rural areas. This is of great significance for consolidating the collective economy of people's communes, developing agricultural production, meeting the needs of all sectors for agricultural and sideline products, and strengthening the worker-peasant alliance. It serves the interests of both the peasants and the state. But this does not mean that there are no contradictions in the exchange of goods between urban and rural areas. In serving agricultural production, socialist commerce must properly manage its relations with the peasants, which requires correctly resolving the issues of how much of the agricultural and sideline products should be purchased versus retained, as well as the supply of industrial goods.

The production of agricultural and sideline products consists of two parts: commodity production to meet social needs, and production for self-sufficiency to meet peasants' own needs. At present, agricultural production in our country is still greatly affected by natural conditions, and the proportion of production that is marketed is also low. A certain contradiction exists between the volume of agricultural and sideline products sold to the state and the state's ever-growing needs. If purchases of agricultural and sideline products are expanded excessively, this will affect peasants' livelihoods and dampen their production initiative; conversely, if the portion of such products retained for self-sufficiency is expanded excessively, this will also hinder the

development of industry and the national economy as a whole. The proportion of agricultural and sideline products purchased versus retained is therefore directly related to the proper handling of the interests of the state, the collective, and the individual. Accordingly, in its purchasing work, socialist commerce must properly arrange this proportion, taking into account the needs of the state and the collective, as well as peasants' own consumption, so that the state receives the necessary quantity of agricultural and sideline products while collective production and peasants' livelihoods are properly provided for.

In the procurement of agricultural and sideline products, the level of purchase prices is also an important aspect of properly managing agriculture-commerce relations. Whether purchase prices for agricultural and sideline products are appropriate directly affects peasants' actual earnings, whether the living and materialized labor consumed in agricultural production can be compensated, and whether the funds needed for extended reproduction can be secured. It also affects the state's reasonable accumulation and the stability of market prices. Therefore, reasonable purchase prices should also take into account the interests of the state, the collective, and the individual. Since the founding of the People's Republic, the Party and the state have raised purchase prices for agricultural and sideline products in a planned and gradual manner. This not only changed the unreasonable terms of trade between industrial and agricultural products inherited from the past and raised peasants' living standards, but also reasonably adjusted the relative prices of agricultural and sideline products, ensuring the balanced development of grain and cash crops.

When the state purchases agricultural and sideline products, it should also ensure that industrial goods are supplied to the countryside. Peasants actively sell agricultural and sideline

products to the state, while the state makes every effort to meet peasants' demand for industrial goods. This embodies the mutual aid and cooperation relations of mutual support and mutual advancement between workers and peasants, industry and agriculture, and cities and the countryside. With the rapid development of agricultural production and the continued expansion of people's communes, and especially the rapid progress of agricultural technological transformation, there is an increasingly urgent need to supply means of production and means of consumption in a wide variety, in large quantities, with high performance, and of good quality. Socialist commerce must do this work well and supply peasants in a timely manner with the industrial goods needed in rural areas. Otherwise, if peasants' reasonable demand for industrial goods is not met, agricultural production and peasants' lives will be affected, which in turn may dampen peasants' willingness to sell agricultural and sideline products. Therefore, when distributing industrial goods, socialist commerce must take both urban and rural areas into account and must not favor one over the other.

Industry-commerce relations under socialism are fundamentally different from those under capitalism. Under the capitalist system, the division of labor between industry and commerce is a division in which industrial capitalists and commercial capitalists jointly extract surplus value and realize surplus value. In their joint exploitation of the broad masses of working people, they collude with and make use of one another; at the same time, they engage in intrigue and deception and compete with one another. Under the socialist system, industry and commerce are based on socialist public ownership and are two distinct economic sectors, responsible respectively for organizing production and circulation. They cooperate with, support, and promote one another, striving under the unified guidance of the state plan to fulfill their shared

task of "**develop production and ensure supply.**" However, socialist industry and commerce still have a division of labor and different functions. Moreover, in concrete economic activities, every grassroots enterprise is an independent accounting unit, making it difficult to avoid certain contradictions. These are mainly manifested in the following aspects:

Contradictions in production and procurement. Under the socialist system, industrial production and commercial procurement are both arranged according to the state plan. Generally speaking, it is rare for industry to produce goods that commerce does not procure, or for commerce to plan to procure goods that industry does not arrange to produce. However, because industry and commerce occupy different positions and approach their work from different perspectives, certain contradictions often arise. For example, because industrial production is constrained by factors such as labor organization and the allocation of technology, it generally requires the types and quantities of goods that commerce procures to remain basically stable over a given period; when production exceeds the target, industry also hopes that commerce will procure more. Yet market demand for commodities changes relatively frequently, and sometimes changes considerably. Commerce therefore hopes that the types, quantities, specifications, and so on of industrial products will change in response to the market. As a result, contradictions sometimes arise in which commerce is unwilling to procure goods and industry is unwilling to arrange their production. To some extent, this contradiction reflects the contradiction between production and demand in industry-commerce relations.

Contradictions on product quality. For example, some industrial products are of poor quality, and commercial enterprises are unwilling to purchase them; some commercial enterprises make excessive demands regarding product quality or fail to strictly apply the

principle of pricing according to quality, all of which can lead to conflicts between industry and commerce.

The general policy of "**develop production and ensure supply**" is the fundamental starting point for correctly handling industry-commerce relations. Industrial and commercial enterprises should work closely together under the guidance of the state plan: industry should serve the market, and commerce should serve production. Industry should respond to market needs by continually improving product quality, reducing production costs, expanding the range of styles and varieties, and supplying the market with more high-quality, low-priced commodities. Commerce, taking production as its foundation, should respond to industry's urgent needs and concerns, actively help industry resolve practical problems in increasing production, improving quality, and expanding product varieties, proactively inform industrial units of market changes, and strictly implement the principle of pricing according to quality. Only in this way can production and circulation be closely integrated, enabling products to better meet consumer needs.

The contradiction between production and need in commodity exchange ultimately manifests itself in the relationship between socialist commerce and the broad masses of consumers. Socialist commerce is charged with organizing the people's livelihood and functions as the state's representative in distributing and supplying personal consumer goods to the masses. In this respect, the relationship between commerce and consumers reflects, to a certain extent, the relationship between the state and the masses. Doing a good job of distributing and supplying commodities is of great importance for promoting stability and unity and mobilizing the socialist enthusiasm of the broad masses. Socialist commerce must follow Chairman Mao's teaching that

"**This question of 'for whom?' is fundamental; it is a question of principle,**"[1] foster the conviction that it must serve the people wholeheartedly, actively organize sources of supply and allocate commodities rationally according to the needs of workers, peasants, and soldiers, and make proper arrangements for the socialist market. It must also actively influence and guide consumption in light of the development of socialist production in industry and agriculture and the state of the country's resources. Only in this way can the relationship between socialist commerce and the broad masses of consumers be handled correctly.

Socialist commerce must also properly manage relations among different regions and relations within commercial departments. Properly handling commercial relations among regions is of great importance for strengthening economic ties among regions and promoting the common economic development of all regions nationwide. For example, Tianjin Municipality is responsible for supplying commodities to North China, Northwest China, and Northeast China. This requires taking the national economy as a whole into account, supporting and promoting one another with neighboring regions, supporting their economic development, and meeting their needs. In addition, within commercial departments, relations among the various links—stations, companies, wholesale, and retail—should also be properly managed. When these links work closely together and cooperate, they can better accomplish the major tasks entrusted to socialist commerce.

The experience of the struggle between the two lines teaches us that the various contradictions within socialist commerce are inseparable from the influence of capitalist business practices or interference from an erroneous line. Contradictions objectively exist; they can

[1] Mao Zedong, "Talks at the Yenan Forum on Literature and Art," 78.

neither be avoided nor concealed. Only by bringing them to light, identifying them promptly, analyzing them correctly, adhering to the general policy of "develop the economy and ensure supply," and taking active and effective measures can we, to the greatest extent possible, guide these contradictions toward outcomes favorable to socialist revolution and socialist construction, fully bring into play the positive role of socialist commerce, and enable it to better serve the consolidation and strengthening of the dictatorship of the proletariat.

# Section Four: Correctly Understanding and Dealing With the Commodity System in Socialist Society

## Nature of Commodity Exchange Under Socialism

As an economic category, a commodity is a certain social relation among people concealed beneath the outer shell of things. Commodity exchange under different social systems reflects economic relations of different natures. In capitalist society, the commodity economy reflects the fundamental conflict of interests between capitalists and the workers, as well as among capitalist enterprises. Between labor and capital, the relationship is one of exploitation and being exploited; among capitalist groups, it is a struggle of conflicting interests marked by mutual deceit and the survival of the fittest. Under socialism, because "**the system of ownership has changed,**" it instead reflects relations of mutual aid and cooperation, grounded in the shared fundamental interests of workers and peasants, and of the state, collective, and individual.

In accordance with the objective requirements of socialist public ownership, the commodity system in socialist society is subject to the basic economic law of socialism and the law of planned, proportionate development of the national economy. Labor power is no longer a commodity. Some major means of production circulate among enterprises under ownership by the whole people and between the two types of public ownership units, but they are not permitted to be bought and sold between private individuals. This shows that it no longer has the all-encompassing character of the capitalist commodity system.

However, the commodity system in socialist society is, after all, an old trace inherited from the old society. Therefore, it still retains certain basic attributes and characteristics of the

commodity economy: First, commodities still have use value and value. This is because, on the one hand, a commodity must have use value in order to satisfy some human need; on the other hand, it must have value in order to be exchanged for other things. Second, exchange presupposes that the parties are different owners who transfer commodities to one another, and the principle of equivalent exchange still applies, so bourgeois right still exists. Third, the factual inequality in commodity exchange shows that the law of value still plays a certain role in exchange. Finally, commodity exchange still uses money as its medium, and the amount of value is expressed through money. In short, within the commodity system in socialist society, the internal contradictions of commodities still exist, the principle of equivalent exchange still applies, the basic laws of the commodity economy still play a certain role, and some old forms are still retained. In a word, it has not gone beyond the bounds of bourgeois right, so it is "**scarcely different from those in the old society.**"

## The Necessity of Restricting the Commodity System and Bourgeoisie Rights

History tells us that the development of the commodity economy not only helped dismantle primitive communal ownership, but also gave rise to the bourgeoisie and the capitalist system. The current class struggle also shows that the existence of bourgeois right in the commodity system of socialist society is precisely the objective basis for capitalist business practices such as disregarding the needs of the state and the people, pursuing output value single-mindedly, putting profit in command, and making money the guiding principle. It is also a

breeding ground for the criminal activities of urban and rural capitalist forces, such as scheming for personal gain. Old bourgeois elements can use it to engage in sabotage, while capitalism and new bourgeois elements can also take root in this soil.

Because commodities in socialist society still embody a contradiction between use value and value, this may lead some state-owned enterprises and collective economic units down the capitalist path of pursuing value and profit alone. Socialist public ownership requires state-owned enterprises and collective economic units to start from meeting the needs of the state and the people, and to focus on use values produced in large quantities, of good quality, and in a full range of varieties, whereas a commodity economy demands the production of value. The planned targets issued by the state include not only use-value targets such as quantity, variety, and quality, but also value targets such as output value and profits turned over to the state. Assessing operating results and conducting economic accounting must also be done through value forms. As a result, a contradiction may objectively arise between achieving value targets and achieving use-value targets. Under the influence of capitalist business practices and the revisionist line, some people may become bound by the bourgeois right inherent in the commodity system, fail to act in accordance with the state plan, disregard the needs of the state and the people, produce a great deal when profits are high, a little when profits are low, and nothing when there is no profit, while one-sidedly pursuing output-value and profit targets. They may try to reduce as much as possible the products with low output value and small profits, and arbitrarily increase those with high output value and large profits, thereby artificially creating contradictions between supply and demand for certain products. If allowed to continue, this will change the socialist character of enterprises, leaving public ownership in name only. At the same time, the old and new

bourgeoisie will exploit this contradiction to engage in various nefarious activities aimed at restoring capitalism.

Under socialism, the commodity system remains linked to the market and exchange, so the law of value still plays a certain role. This may provide a sphere of activity for spontaneous capitalist forces. The law of value requires equivalent exchange. The value of a commodity is determined not by the individual labor time but by the socially necessary labor time. On the market, this means that the same commodity is bought and sold at the same price at the same time and place. However, because conditions of production are not entirely alike, the individual labor time spent producing the same commodity often differs from the socially necessary labor time that determines its value. Yet the commodity is sold at the same price on the market, and consequently the actual returns are not the same. Units or individuals with favorable conditions of production may, through legal or illegal means, exchange a small amount of labor for a greater amount of others' labor, and thus grow rich. The law of value is always manifested through the market. In a socialist state, although planned prices are implemented and the market is subject to planned management, imbalances in supply and demand on the market over time and between regions may still affect the prices of certain commodities to some extent. This, in turn, may create opportunities for speculation and profiteering, long-distance trafficking, and hoarding and resale.

Because bourgeois right exists, capitalist principle of commodity exchange inevitably intrudes into the life of the Party and political life, corrupts the machinery of the state under the dictatorship of the proletariat and undermines the socialist economic base. The overthrown landlord and bourgeois classes and capitalist roaders within the Party, in order to overthrow the

dictatorship of the proletariat, constantly try to use bourgeois right ideology to corrupt our Party and the state, forcing capitalist principles of commodity exchange into the political life of the Party and the state, turning relations between some people into "**naked self-interest,**" into "**callous 'cash payment.'**"[1] Thus, "**both within the ranks of the proletariat and among the personnel of state organs there are people who follow the bourgeois style of life.**"[2] Some have allowed such unhealthy practices as gift-giving, bribery, and promising official posts; some, to achieve their individual aims, disregard the Party's line and policies and trade away principles; some have even treated themselves as commodities, reaching out to the Party at every opportunity to seek fame and profit, demand status, and make a fuss about their treatment.

The traitor Lin Biao and his ilk exploited this kind of capitalist commodity-buying-and-selling relationship to serve their implementation of a counterrevolutionary revisionist line. In their eyes, all relations between people were commodity-buying-and-selling relationships, so they "lured people with official posts, emoluments, and virtue." In other words, as long as you were willing to risk your life for his counterrevolutionary revisionist line, he could offer you high office and generous rewards in exchange, using this to build factions, form cliques of sworn followers, organize a black headquarters, and cobble together "fleets" large and small. Lin Biao also invoked capitalist principles of commodity exchange to propagate such fallacies as "human relations outweigh the law," seeking to corrupt people's thinking, open a breach, and restore capitalism.

---

[1] Karl Marx and Friedrich Engels, "Chapter I. Bourgeois and Proletarians," in *Manifesto of the Communist Party, Marx/Engels Selected Works,* Vol. One.

[2] Quote from Mao Zedong. "Marx, Engels and Lenin on the Dictatorship of the Proletariat," 5.

In short, in socialist society, the existence of the commodity system remains fertile ground for the emergence of capitalism and bourgeois elements. Therefore, if capitalist roaders within the Party and revisionists succeed, they need not start from scratch: by using this ready-made system, they can turn the dictatorship of the proletariat into the dictatorship of the bourgeoisie. "**Thus it would be quite easy for people like Lin Biao to push the capitalist system if they come to power.**"[1] To consolidate the dictatorship of the proletariat and prevent the restoration of capitalism, the socialist state must impose necessary restrictions on these old traces, which "are not much different from those of the old society."

## Struggle Between Restriction and Counter-Restriction

Under socialism, the proletariat and revolutionary people, in order to advance the revolutionary cause and gradually realize the lofty ideal of communism, always proceed from actual conditions and actively take measures to restrict bourgeois right, "**ferret out its enemies from their last nook and corner, to pull up the roots of their domination, and cut the very ground which could (and had to) breed wage-slavery, mass poverty and the profiteering and effrontery of the money-bags.**"[2] The exploiting classes and their representatives, however, are unwilling to accept defeat and are bound to put up stubborn resistance. The more the proletariat restricts bourgeois right, the more rampant the bourgeoisie inside and outside the Party will become in its counter-restriction. This is an objective law of class struggle that does

[1] Quote from Mao Zedong. "Marx, Engels, and Lenin on the Dictatorship of the Proletariat," 5.

[2] Vladimir Ilyich Lenin, "Fear Of The Collapse Of Tile Old And The Fight For Tile New," in *Lenin's Collected Works*, Vol. 26.

not depend on people's will. Therefore, in dealing with the question of bourgeois right, the struggle between restriction and counter-restriction between the proletariat and the bourgeoisie is unavoidable. It is an important aspect of the struggle between two classes, two roads, and two lines during the socialist stage.

Before 1956, the struggle over whether to restrict or expand bourgeois right was focused mainly on whether to abolish or retain private ownership of the means of production. At the time, the renegade, traitor and scab Liu Shaoqi put forward the slogans "exploitation has merit" and "consolidate the New Democratic system," claiming that "hired labor and individual farming should be left to develop unchecked" and "should not be restricted"; Lin Biao, meanwhile, posted a notice proclaiming the "Four Great Freedoms" in the region under his leadership. Their program and slogans aimed to consolidate, expand, and strengthen bourgeois right, and to do everything possible to defend the bourgeois right to "the sanctity and inviolability of private property." Under Chairman Mao's leadership and guided by the brilliant light of the Party's general line for the transition period, a series of struggles culminated in the basic abolition, by 1956, of bourgeois right in the sphere of ownership of the means of production, though it had not yet been abolished completely.

However, the struggle was not over. The bourgeoisie and its representatives were unwilling to accept defeat and were constantly scheming to restore the paradise they had lost. In 1957, taking advantage of the rectification campaign within our Party, bourgeois rightists launched a frenzied attack on socialism. For example, the rightist Li Kangnian proposed "dividends payments for twenty years," seeking to restore all bourgeois rights within the sphere of ownership. At the same time, Liu Shaoqi did his utmost to promote the revisionist line of

"freedom of trade," advocating such fallacies as "free market," "free prices," and "free competition," and desperately opposing the proletariat's restrictions on bourgeois rights in the circulation sphere. Lenin once pointed out: "**What is free exchange? It is unrestricted trade, and that means turning back towards capitalism.**" "**This exchange and freedom of trade inevitably lead to a division of commodity producers into owners of capital and owners of labor-power, a division into capitalists and wage-workers, i.e., a revival of capitalist wage-slavery.**"[1] Clearly, Liu Shaoqi's criminal aim in advocating "freedom of trade" was to let urban and rural capitalist forces run rampant in the circulation sphere, thereby opening a breach for the restoration of capitalism.

After the 1957 Rectification Campaign and the Anti-Rightist Struggle, the broad masses broke with superstition, emancipated their minds, and mounted a powerful assault on all decadent ideologies and on those parts of the superstructure that were unsuited to the economic base. Chairman Mao synthesized the masses' revolutionary demands and clearly proposed that bourgeois right ideology should be do away with. Liu Shaoqi and his ilk, however, clung tenaciously to bourgeois right, driven by the reactionary nature of the exploiting classes. Thus, the press at the time engaged in a major debate over whether bourgeois right should be restricted; in essence, the question was whether to uphold the dictatorship of the proletariat over the bourgeoisie. After the broad masses had attacked bourgeois right through their revolutionary actions, Liu Shaoqi and his ilk changed tactics and appeared under a "Left" guise, advocating the immediate abolition of commodity production and equivalent exchange. In 1962, they again showed their true colors, producing the reactionary slogans of "three freedoms and one contract"

[1] Vladimir Ilyich Lenin, "Report On The Substitution Of A Tax In Kind For The Surplus Grain Appropriation System."

and "putting profit in command" in an attempt to restore those aspects of bourgeois right that had already been restricted or abolished.

Since the Great Proletarian Cultural Revolution, under the guidance of Chairman Mao's revolutionary line, many new socialist things have emerged, further striking at and restricting bourgeois right in every respect, and consolidating and strengthening the dictatorship of the proletariat. This has provoked resistance from the old and new bourgeoisie and their representatives. The Lin Biao anti-Party clique's vicious attacks on the Great Proletarian Cultural Revolution and its extreme hostility toward new socialist things clearly reflected its attempt to preserve, expand, and strengthen bourgeois right, thereby using this soil to foster a contingent of new bourgeois elements as a social force for their restoration of capitalism.

At the end of 1974, the great leader Chairman Mao issued important instructions on theoretical questions, pointing out the necessity and importance of restricting bourgeois right in combating revisionism and preventing its resurgence and consolidating the dictatorship of the proletariat, and providing us with a powerful ideological weapon for upholding continuing revolution under the dictatorship of the proletariat. However, Deng Xiaoping, the Party's biggest unrepentant capitalist-roader, driven by his bourgeois nature, "**when it comes to criticizing bourgeois right, they resent it,**"[1] and could not wait to jump out. Not only did he pour cold water on the study of how to further restrict bourgeois right, he even forbade the use of the concept "bourgeois right," openly setting himself against Chairman Mao's proletarian revolutionary line. He spouted such nonsense as: "Restricting bourgeois right also requires a material basis. Without one, how can it be restricted?" In other words, the material basis for

[1] Quote from Mao Zedong. Fang Kang, "Capitalist-Roaders Are the Bourgeoisie Inside the Party," 7.

restricting bourgeois right is not yet in place. It is true that the social product has not yet reached a state of great abundance. But can bourgeois right be restricted only once the social product has become greatly abundant? If so, we would have to wait until communism to restrict it. Yet if bourgeois right is not restricted now, capitalism will be restored and communism will not be achieved; as for great abundance of the social product, it will remain nothing but a fantasy. Clearly, Deng Xiaoping's fallacy is nothing but an excuse for opposing continuing revolution under the dictatorship of the proletariat; his real purpose is merely to preserve the foundation on which the bourgeoisie inside and outside the Party depends for its existence.

Chairman Mao said: "**Opportunists trying to stem the tide are found almost everywhere, but the tide can never be stemmed, and socialism is advancing triumphantly everywhere, sweeping away all obstacles.**"[1] The capitalist-roaders in the Party who refuse to mend their ways oppose restrictions on bourgeois right and whip up a right-deviationist trend to reverse verdicts, vainly hoping to hold back the advance of history. This is wishful thinking. The harsh realities of class struggle tell us that society always moves forward, history always develops, and the cause of proletarian revolution must never stagnate. As the socialist revolution deepens, any failure of our thinking to keep pace with developments will be strikingly evident in the question of restricting bourgeois right. Whether to restrict bourgeois right, and what attitude to take toward such restrictions, is an important test of whether we can uphold continuing revolution under the dictatorship of the proletariat and a touchstone for whether we are practicing Marxism or revisionism. All comrades willing to continue the revolution must understand this law of class struggle, study diligently, strive to remold their worldview, become promoters of

[1] Mao Zedong, "Editor's Notes from Socialist Upsurge in China's Countryside," 250.

restrictions on bourgeois right, and continue advancing together with the broad masses of workers and poor and lower-middle peasants.

# Section Five: Foreign Trade of Socialist Countries

## The Nature and Characteristics of Foreign Trade in Socialist Countries

Foreign trade falls within the sphere of commodity circulation and consists of the exchange of goods between one country (or region) and other countries (or regions). Bringing goods in from abroad is called imports; sending goods abroad is called exports. A country's foreign trade consists of imports and exports and is priced and settled in foreign exchange. The nature of a country's foreign trade is determined by its socioeconomic system.

Foreign trade in capitalist countries based on private ownership of the means of production has always served capital accumulation and has been an important means by which capitalists exploit and enslave the working people of their own and other countries. In the period of imperialism, the export of commodities becomes combined with the export of capital, and foreign trade becomes even more a tool used by monopoly capitalist groups to carry out economic aggression and expansion, enslave and plunder other countries, extract the maximum possible profit, and contend for world hegemony.

The foreign trade of socialist countries, based on socialist public ownership of the means of production, is fundamentally different from the foreign trade of capitalist countries and represents a new type of foreign trade. It is a tool used by the proletariat to carry out socialist revolution and socialist construction, as well as an important means of consolidating the dictatorship of the proletariat and supporting world revolution. It has the following important characteristics:

First, the foreign trade of socialist countries is controlled by the state of the dictatorship of the proletariat.

For a socialist state under the dictatorship of the proletariat to effectively resist the economic aggression of imperialism, protect the development of domestic industry, agriculture, and production, and defend its independence, foreign trade must be subject to a state monopoly system.

Before liberation, foreign trade in old China was entirely controlled by imperialists and their lackeys, becoming a channel through which they sucked the blood and sweat of the Chinese people. Imperialist states colluded with bureaucratic capital represented by the four big families of Chiang, Soong, Kung, and Chen, and, relying on various privileges, plundered our country's important agricultural and sideline products and mineral raw materials at low prices, while selling their industrial goods at high prices. Through unequal trade, they extracted enormous profits, leaving our country with a large and prolonged foreign trade deficit and severely undermining our national economy.

On the eve of the founding of the People's Republic of China, Chairman Mao clearly pointed out: "**The restoration and development of the national economy of the people's republic would be impossible without a policy of controlling foreign trade,**" and that for our country to transform from a backward agricultural country into an advanced industrial country, "**it will be impossible to achieve this aim without controlling foreign trade.**"[1] After the founding of the People's Republic of China, our country's government, following Chairman Mao's revolutionary line, expelled imperialist forces of economic aggression, abolished the

[1] Mao Zedong, "Report to the Second Plenary Session of the Seventh Central Committee of the Communist Party of China," 369.

various privileges imperialism had enjoyed in our country, and reclaimed the customs houses it had occupied for a long time, placing the keys to China's gates in its own hands. At the same time, it confiscated the foreign-trade agencies and enterprises of the bureaucratic bourgeoisie and gradually transformed capitalist private import and export enterprises, firmly placing control over foreign trade in the hands of the proletariat. Thus, our country's foreign trade became independent and self-reliant, under the state control of a state of the dictatorship of the proletariat.

Second, the foreign trade of socialist countries is foreign trade based on equality and mutual benefit under the guidance of the Marxist line.

The foreign trade of imperialist states is an important component of imperialist aggression abroad. In international economic relations, they are "**beasts who are so absorbed in fighting among themselves,**" "**wild beasts who have plundered the whole world and are now quarreling over the prey.**"[1] Exploitation, plunder, aggression, and war are the principles governing the foreign trade of imperialist states.

Foreign trade of socialist countries is an important component of their foreign activities. Equality and mutual benefit are the fundamental principles of their foreign trade. These principles accord with the wishes and interests of the peoples of all countries and are conducive to their economic development.

Trade relations among socialist states are one aspect of proletarian internationalist cooperation. This trade represents a new type of friendly cooperation and mutual support. On the basis of combining proletarian internationalism with patriotism, and in accordance with the

[1] Vladimir Ilyich Lenin, "Extraordinary Plenary Meeting Of The Moscow Soviet Of Workers' And Red Army Deputies," in *Lenin's Collected Works*, Vol. 29.

principles of active collaboration, equality and mutual benefit, and seeking truth from facts, trade between them is to be actively conducted in a planned manner according to needs and possibilities, so as to promote shared growth in economic affairs.

Trade between socialist states and Third World developing countries is not merely an exchange of commodities; it is also an important means of mutual support and assistance in their struggles. The continuous expansion of trade between socialist states and Third World developing countries, with each side supplying what the other lacks, helps them develop independent national economies on the basis of self-reliance, strengthen their friendly relations of cooperation, and advance their struggle against imperialism, old and new colonialism, and hegemonism.

"**So far as possible, we must first of all trade with the socialist and people's democratic countries; at the same time we will also trade with capitalist countries.**"[1] Trade between socialist states and capitalist countries must be based on equality and mutual benefit. However, fierce struggle has persisted in these trade relations. This is a form of class struggle between the proletariat and the bourgeoisie in the international economic sphere. In their trade with capitalist countries, socialist states must fully take into account the role of the law of value and the laws of the monopoly-capitalist economy in the world market; pay close attention to, and gain a thorough understanding of, the capitalist economy and the supply and demand for commodities on the world market; remain alert to developments in the class struggle over the prices and settlement terms of imports and exports; and fight against all conduct that violates the

[1] Mao Zedong, "Report to the Second Plenary Session of the Seventh Central Committee of the Communist Party of China," 371.

principle of equality and mutual benefit, as well as trade discrimination practiced by certain capitalist countries.

Third, foreign trade in socialist states is conducted in a unified and planned manner under the leadership of the Party.

Foreign trade of socialist countries is both an important aspect of their external relations and an important component of the national economy as a whole. The planned economy of socialist countries requires that their foreign trade also follow the principle of centralized leadership and unified dealings with foreign countries. The state monopoly system provides the preconditions for socialist countries to conduct unified, planned foreign trade. Unified, planned foreign trade is one manifestation of the superiority of the socialist system over the capitalist system. Only by adhering to centralized leadership and unified dealings with foreign countries can the revolutionary foreign policy line be implemented correctly and the exchange of commodities with foreign countries be organized according to plan, so as to meet the needs of the development of the national economy as a whole; it is also the only way to prevent the blindness and competitiveness of the foreign trade of capitalist countries, as well as the damage and effects that capitalist economic crises may bring to socialist countries' construction.

Although the foreign trade of socialist states is a new type of foreign trade, it still inevitably bears the influence of bourgeois right, since it remains within the sphere of commodity exchange. For example, in foreign trade management policies, the question remains whether to put politics or foreign exchange in command. In organizing export supplies, there are phenomena such as "when demand abroad is high, the radishes are rushed out without washing off the mud; when demand is low, a layer is cut off," and goods are "rushed" out when foreign demand rises

but "cut" back when it falls. This shows that, like domestic trade, foreign trade is also subject to the influence of bourgeois right in commodity exchange. If there is any difference, it is that foreign trade encompasses a wider range of commodities than domestic trade, is more directly exposed to the influence of the foreign bourgeoisie, and provides more fertile soil for the emergence of capitalist and bourgeois elements. Therefore, we must not overlook bourgeois right in foreign trade, but must impose the necessary restrictions on it.

## Role and Significance of Foreign Trade of Socialist Countries

Under different social systems, foreign trade has different status and functions. Marx once pointed out: "**The expansion of foreign trade, although the basis of the capitalist mode of production in its infancy, has become its own product, however, with the further progress of the capitalist mode of production, through the innate necessity of this mode of production, its need for an ever-expanding market.**"[1] Lenin also once pointed out: "**It is therefore impossible to conceive a capitalist nation without foreign trade, nor is there any such nation.**"[2] This shows that capitalist countries do not merely need foreign trade in general; they depend on it and cannot do without it. But this is not the case for socialist states. The high-speed development of the national economy in socialist states does not depend on foreign markets, but on the leadership of a correct proletarian revolutionary line, on the superiority of the socialist system and planned economy, and on the self-reliance and hard struggle of the working

[1] Karl Marx, "Chapter 14. Counteracting Influences," in *Capital*, Vol. III.

[2] Vladimir Ilyich Lenin, "Chapter I. The Theoretical Mistakes of the Narodnik Economists," in *The Development of Capitalism in Russia*, *Lenin's Collected Works*, Vol. 3.

people of the country. Nevertheless, foreign trade must by no means be relegated to a position where it is considered optional or insignificant.

Chairman Mao pointed out: "**The Chinese people wish to have friendly co-operation with the people of all countries and to resume and expand international trade in order to develop production and promote economic prosperity.**"[1] In fact, no country can produce everything it needs. Socialist states should use foreign trade as a means of regulating and supplementing the proportional relations of socialist extended reproduction. By importing certain necessary goods through foreign trade, temporary shortages of certain products and resources arising from conditions of production and natural conditions can be adjusted; temporary gaps in planned allocations caused by accidental factors can be made up; advanced technology can be introduced to facilitate the technological transformation of industry and agriculture; and foreign trade can also provide the state with a portion of the funds for accumulation. For more than twenty years, guided by Chairman Mao's proletarian revolutionary line, our country's foreign trade has continually overcome the interference and sabotage of the revisionist line, adhered to the policy of independence and self-reliance, and, in accordance with the requirements of the state's national economic plan, organized the exchange of goods between domestic and foreign markets in a timely manner, playing an important role in promoting the development of our country's national economy.

To correctly bring foreign trade into play, it is essential to uphold the correct orientation that foreign trade must be subordinate to the proletarian political line and serve Chairman Mao's revolutionary foreign policy line. Foreign trade of socialist countries is not only a component of

---

[1] Mao Zedong, "Address to the Prepatory Meeting of the New Political Consultive Conference," in *Selected Works of Mao Zedong*, Vol. IV, 408.

foreign policy, but also a tool of foreign relations. The planned development of foreign trade helps strengthen the self-reliance of socialist states, promotes the development of socialist construction, fosters friendship with the peoples of all countries, and advances world revolution. Although foreign trade policy is determined by the foreign policy line and policy, foreign trade also plays a certain role in promoting diplomatic activity, often serving as the vanguard that opens the way for diplomacy. Therefore, foreign trade is an indispensable part of implementing Chairman Mao's revolutionary foreign policy line.

To properly fulfill the role of foreign trade, it is also necessary to correctly understand and handle the relationship between foreign trade and domestic trade. Foreign trade and domestic trade are two economic sectors within the circulation sphere. Their relationship is one of mutual coordination and cooperation under the unified state plan. Their fundamental purpose is the same: to serve the needs of the socialist state and the people. However, alongside this fundamental purpose, certain contradictions also exist. For example, increasing exports of certain commodities during a given period will affect the supply of the domestic market, and a contradiction may arise between the export volume of certain commodities and their supply to the domestic market. To properly handle the relationship between foreign trade and domestic trade, we must follow Chairman Mao's teaching to "**over-all consideration and proper arrangement**,"[1] proceed from the needs of state construction and the people's living standards, take the domestic market as our foundation, and help consolidate the worker-peasant alliance and develop the national economy. As far as possible, export commodities should be sold both domestically and abroad. Important commodities that affect the national economy and people's

[1] Mao Zedong, "On the Correct Handling of Contradictions Among the People," 407.

livelihood, such as grain, cotton, and oil crops, must first meet domestic needs; exports should be organized under control in accordance with the state plan. For commodities that are not especially important to people's living standards, such as walnuts and chestnuts, domestic trade may be appropriately reduced and exports increased. Commodities that are dispensable to people's lives, such as jade and ivory carvings, should be actively exported as a priority. Commodities that would otherwise be discarded but can be turned into valuable goods, such as cattle ear hair, goat beard hair, rooster feathers, and tangerine peel, should be exported in greater quantities.

# Chapter Eight: Currency Circulation and the Law of Value Under the Socialist System

## Section One: Currency and Currency Circulation under the Socialist System

### The Nature and Functions of Money under the Socialist System

Money is the inevitable product of commodity production and commodity exchange once they reach a certain stage of development. From the day it came into being, money has been closely connected with the commodity economy and inseparable from it. Since a socialist society still practices the commodity system, money must necessarily exist.

When discussing the socialist system, Chairman Mao observed profoundly: "**In a word, China is a socialist country. Before liberation she was much the same as a capitalist country. Even now she practices an eight-grade wage system, distribution to each according to his work and exchange by means of money, which are scarcely different from those in the old society. What is different is that the system of ownership has changed.**"[1] Chairman Mao's instructions pointed us in the right direction for correctly understanding money and currency circulation under socialism, and provided us with a sharp ideological weapon.

Under socialism, the basic properties and functions of money differ little from those in the old society. Money remains a representative of value: whether in the form of gold bars or

[1] Quote from Mao Zedong. "Marx, Engels, and Lenin on the Dictatorship of the Proletariat," 5.

silver ingots, coinage or paper money, it serves as a general equivalent and medium of exchange, and as a general embodiment of social wealth. Its basic functions continue to operate. This is determined by its nature. "**All the 'laws and administrative regulations' in the world are just as powerless against it as they are against the multiplication table or the chemical composition of water.**"[1] In other words, as long as money exists, its basic properties and functions as a general equivalent will not change with changes in the social system.

Money, as an economic category, embodies certain relations of production. With the establishment of the socialist system, the social relations of production reflected by money necessarily change as well. Under the capitalist system, money is transformed into capital, reflecting the relations of exploitation and being exploited between the bourgeoisie and the proletariat, as well as their fundamental class antagonism; it also reflects the competitive relations among exploiters, who contend with one another and struggle over their interests. By contrast, in socialist society, because "**the system of ownership has changed**," socialist public ownership has replaced private ownership. Money embodies the alliance of mutual support between the two working classes of workers and peasants, founded on their common fundamental interests; it reflects the interdependence, mutual promotion, division of labor, and cooperation among economic sectors, as well as the socialist relations of distribution between the individual and the state, and between the individual and the collective.

In socialist society, money is not only a general equivalent serving as a medium of exchange, but also a tool for the planned management of the socialist national economy and a means of distributing personal consumer goods. When the socialist state exercises planned

[1] Frederick Engels, "IV. Distribution, Part III: Socialism."

leadership over the national economy, money is used as a uniform measure for quantifying social labor and assessing results, whether in setting production targets, allocating materials, or distributing the social product. Marx once pointed out: "**The certificate of labor is merely evidence of the part taken by the individual in the common labor, and of his right to a certain portion of the common produce destined for consumption.**"[1] In the socialist economy under state ownership by the whole people, personal consumer goods are distributed to each worker according to the principle "from each according to their ability, to each according to their work," and payment is made in money wages. Here, money clearly contains an element that functions as a labor certificate.

Under the socialist system, changes in the social relations reflected by money are also manifested in its functions. A socialist state can use money's function as a measure of value to formulate and assess value indicators such as output value, cost, and profit, encouraging socialist enterprises to strengthen economic accounting and fulfill the state economic plan with greater, faster, better, and more economical results; formulate a rational price policy, regulate supply and demand, and consolidate the worker-peasant alliance. As a medium of circulation, money is a necessary tool for promoting economic ties between industry and agriculture, between urban and rural areas, and among state-owned enterprises, as well as a necessary means of ensuring the turnover of funds in socialist enterprises. Moreover, when people use money to select and purchase consumer goods, it also serves as a form of mass oversight, thereby helping production departments and commercial departments better organize commodity production and circulation. As a means of payment, money is an indispensable tool for collecting and allocating state budget

[1] Karl Marx, "Chapter Three: Money, Or the Circulation of Commodities," in *Capital*, Vol. I.

funds and issuing and recovering bank credit funds. On the one hand, it ensures the smooth operation of all sectors of the national economy; on the other, it can reveal contradictions in production and business operations and encourage enterprises and public institutions to use funds rationally. A socialist state can also use money as a means of accumulation and saving, pooling funds in the national economy and in the hands of the masses that are temporarily unused, for socialist construction. In short, under socialism, the operation of the entire national economy depends on money. It is an important link connecting production, distribution, exchange, and consumption in the national economy, and a tool for class struggle in the state of the dictatorship of the proletariat.

Money is a product of history. It exists and develops under specific historical conditions and will inevitably disappear under specific historical conditions. At the present stage, money and exchange through money have not yet reached the end of their history, and their continued existence remains necessary. Historically, money, as a social force, has had a destructive effect of blind coercion, just like natural forces. Its existence therefore also provides fertile ground for the emergence of capitalism and new bourgeois elements. However, provided that we understand it correctly and restrict it under the dictatorship of the proletariat, we can control the direction in which it operates and make it serve the socialist revolution and socialist construction.

## Our Country's Renminbi

The Renminbi is a form of paper currency issued by our country's state bank—the People's Bank of China. The state has not stipulated its gold content; it has no value in itself, but

is a representative of money and a symbol of value. Nevertheless, both domestically and internationally, it is one of the world's most stable currencies, enjoys the trust of the masses, and has an increasingly strong international reputation, standing in sharp contrast to the currency crises of the capitalist world.

In old China, currency depreciation reached an appalling level. From June 1937 to August 21, 1948, the issuance of Chinese National Currency rose from more than 1.4 billion to 663 trillion, an increase of 470,000 times; over the same period, the Shanghai price index rose 4.92 million times. From the issuance of Chinese gold yuan on August 21, 1948, through May 1949, the amount issued increased from 200 million to more than 6.79 trillion, an increase of nearly 34,000 times.[1] This was the mess that the old society left us in the financial sphere. Yet in New China, after only a short period of effort, we overcame the hyperinflation that had persisted for many years and stabilized the domestic currency. Moreover, the stability of the Renminbi's value has also helped enhance its international reputation. In recent years, a new trend has emerged in our country's foreign trade: the use of the Renminbi for pricing and settlement. This is unprecedented in our country's financial history. To date, more than half of the entities that have trade relations with our country use the Renminbi for pricing and settlement. Dozens of foreign banks have opened accounts at the head office of the People's Bank of China in Beijing. This is a great victory for Chairman Mao's proletarian revolutionary line and financial policies. It is a major event of great political significance in contemporary world finance and fully reflects the increase in our country's international prestige.

---

[1] *China Finance*, No. 5 (1955).
Note from translator: No online version or English translation available.

Why has the value of our country's Renminbi been able to remain stable over a long period? First, the balance of fiscal revenue and expenditure and the balance of international payments in our country are important conditions for the stability of the Renminbi's value. Second, the large quantities of commodities held by the state and deliberately supplied to the market at stable prices provide the material guarantee for the stability of the Renminbi's value. Finally, a socialist state can consciously apply the law of currency circulation, arrange currency circulation according to the needs of commodity circulation in the market, and regularly adjust the balance between the two, thereby ensuring the stability of the Renminbi's value. Fundamentally, however, the Renminbi's stability is determined by the superiority of the socialist economic system and the correctness of the Party's line. It is precisely because of socialist public ownership, a planned economy, and economic guidelines and policies that reflect objective laws that the Renminbi's stability has a reliable foundation and guarantee.

For example, in the early days after the liberation of the whole country, faced with the reality of hyperinflation left over from the old society, our Party, under the leadership of Chairman Mao, first took measures such as restoring industrial and agricultural production and transportation and conserving state expenditures. Soon afterward, in March 1950, it adopted the "Decision on Unifying the National Financial and Economic Work." There were three key measures: 1. Achieving a balance of fiscal revenue and expenditure nationwide and eliminating the practice of resolving fiscal deficits by issuing currency; 2. Achieving a nationwide balance in the allocation of materials, under the unified direction of the Ministry of Foreign Trade; and 3. Achieving a balance of cash receipts and expenditures, with the People's Bank designated as the central agency responsible for nationwide cash allocation. Because the Party and the state

adopted these decisions and measures, inflation was rapidly eliminated and the Renminbi's value stabilized, delivering a resounding slap in the face to the imperialist elements who barked that "the Communist Party cannot manage the economy." Clearly, without the Party's correct line, such brilliant achievements would have been impossible.

Another example is the payment of wages, one of the main channels for currency issuance: increasing wages expands currency issuance. Therefore, before wages are paid, the current supply of commodities in the market and the level of inventories must be carefully assessed, so as to avoid blindly issuing too much currency, disrupting the market, and creating a mismatch between supply and demand. During the payment of wages, the increased volume of currency circulation in the market must also be taken into account: commodities should be supplied to the market in a planned manner, currency withdrawn from circulation, and the balance between commodities and money adjusted, so as to maintain the stability of the Renminbi.

The Renminbi in our country has no prescribed gold content. Does this mean that it has no relation to gold at all? One view holds that, since we do not use gold as a unit of measurement when calculating value, nor as a medium of circulation when buying and selling goods, and since in our country gold can neither circulate freely nor be freely exchanged, and the state has not prescribed any gold content for the Renminbi, there is no connection between the Renminbi and gold: it does not represent gold, but rather the value of various goods.

This view is not agreeable. Although the Renminbi has no direct connection with gold, as a symbol of value it still represents gold. Whether gold is used in real life and whether the Renminbi objectively represents gold are two different questions and must not be confused. As a

medium of circulation, money can serve only as a momentary intermediary: commodities are exchanged for money so that it can be used to purchase other commodities, and actual money need not appear. This is why the Renminbi can represent money and perform its functions. From the perspective of the development of forms of value, however, only precious metals (gold) are genuine money. “The particular law governing the circulation of paper money can arise only from the relationship in which paper money represents gold. Put simply, this law is that the issue of paper money is limited to the quantity of gold (or silver) actually in circulation that it symbolically represents.”

It is therefore clear that the Renminbi can only represent gold; it is not wholly unrelated to gold.

To argue that, under socialism, the Renminbi’s stability is guaranteed by the commodities controlled by the state, and then conclude that the Renminbi represents the value of commodities rather than gold, is to confuse two distinct issues: the value basis of the Renminbi and the material guarantee of the stability of its value. The long-term stability of our country’s Renminbi is, of course, guaranteed by the large quantities of commodities controlled by the state and put into circulation at stable prices, as well as by the planning of Renminbi circulation. But the question of why the Renminbi, as a general equivalent, can perform the function of a measure of value is a separate one. This can only be explained by the fact that the Renminbi represents a money commodity that has value. If the Renminbi did not objectively represent the value of a particular money commodity—did not represent gold—how could it be used to measure the value of other commodities? To say that the Renminbi represents the value of various

commodities is tantamount to denying the existence of money as a general equivalent. Clearly, this view does not accord with reality.

The fact that the Renminbi is not legally defined in terms of a gold content does not prevent it from objectively representing gold as a money commodity. Defining the gold content of paper money is a measure capitalist countries adopted to stabilize its face value when paper money replaced coinage in circulation. However, because bourgeois states cannot directly regulate the circulation of market commodities and money, defining a gold content is of no avail. By contrast, although the Renminbi has no defined gold content, the socialist state can, in accordance with objective laws, regulate the circulation of paper money in a planned manner, keeping it consistently at a level corresponding to the objectively required quantity of gold in circulation. It can therefore represent real money (gold) and perform its function. Clearly, what is decisive is not whether paper money has a legally defined gold content, but whether it truly represents the objectively required quantity of money in circulation. Moreover, the Renminbi's role as a representative of gold is even clearer from the international rates of currency exchange.

## Laws Governing Currency Circulation Under the Socialist System

Currency circulation is a necessary link in the process of social reproduction, an objective economic process closely connected with commodity circulation. Wherever commodity circulation exists, currency circulation must also exist. Marx said: "**Hence the movement directly imparted to money by the circulation of commodities takes the form of a constant**

**motion away from its starting-point, of a course from the hands of one commodity-owner into those of another. This course constitutes its currency (cours de la monnaie).**"[1]

Under socialism, the existence of commodities not only determines the existence of money, and the circulation of commodities not only causes the circulation of money, but the amount of money needed in circulation is also determined primarily by the needs of commodity circulation and follows regular laws. Marx summarized the law governing the required quantity of money in the circulation sphere in the following formula:

$$\text{Amount of Currency As Medium of Circulation} = \frac{\text{Total Value of Commodities}}{\text{Number of Circulation of A Currency}}$$

"**This law holds generally.**"[2] In a socialist society, the total amount of money in circulation during a given period is primarily directly proportional to the total prices of commodities that must be realized through money, and inversely proportional to the speed of money circulation.

Although currency circulation is determined by commodity circulation, it in turn exerts an active influence on commodity circulation and can promote or affect its development. Normal currency circulation provides a stable measure of value and an adequate medium of circulation; it is a necessary condition for the smooth operation of commodity circulation and the successful development of industry and agriculture. Conversely, an excessive or insufficient volume of currency circulation will adversely affect socialist production, circulation, and distribution. It may either make it difficult to sell commodities on the market and lead to increased inventories,

[1] Karl Marx, "Chapter Three: Money, Or the Circulation of Commodities."

[2] Ibid.

preventing enterprises from completing their production cycles smoothly and thereby affecting the fulfillment of the state plan; or cause shortages of certain commodities, tight supplies, and declining inventories, weakening material reserves or causing price fluctuations in market trade. All of this will affect the development of the national economy and the stability of people's living standards. Therefore, for a socialist state to regulate currency circulation in a planned manner, in accordance with the law of currency circulation, is an objective requirement for the smooth development of the socialist economy.

The socialist system based on public ownership of the means of production has created broad possibilities for people to correctly understand and consciously apply the law of currency circulation, and to implement the planning of currency circulation. The socialist economy is a planned economy: production and circulation during any given period are carried out according to plan; commodity prices are set uniformly by the state and remain stable over the long term; the wage fund is controlled by the state plan; the issuance of money, cash management, bank credit, and cashless settlement are all centralized in the state bank; and the socialist state also holds large commodity reserves as a backing. All of this provides favorable conditions for the socialist state to issue and withdraw money according to plan, in line with the actual needs of commodity circulation in the national economy.

Of course, this may still not correspond to reality. For subjective or objective reasons, there may also be some local and temporary imbalances between currency circulation and commodity circulation under socialism. However, the issue is not that no contradictions arise between them, but that once contradictions do arise, the socialist state can take timely measures and regulate currency circulation in a planned manner, bringing it into alignment with

commodity circulation on a new basis. This clearly demonstrates the great superiority of the socialist planned economy.

To plan and regulate currency circulation correctly, it is necessary to calculate the amount of money required in the circulation sphere and systematically organize currency issuance and withdrawal. In light of the realities of our country's economic life, the factors affecting changes in the amount of currency issued can be summarized in the following two aspects:

On the one hand, the continuous development of industry and agriculture, the gradual increase in investment in capital construction, the year-by-year rise in the quantity of agricultural and sideline products purchased by the state, and the gradual increase in the labor income of urban and rural residents as production develops, among other factors, will all lead to an increase in the amount of money needed for commodity circulation and in the total amount of cash payments over a given period. This growth in currency circulation is a normal phenomenon, necessary to meet the needs of national economic development.

On the other hand, there are also factors that reduce the amount of currency in circulation. First, our country introduced cash management in April 1950. State organs, state-owned enterprises, and units under collective ownership increasingly adopted non-cash settlement among themselves, saving cash and reducing the amount of currency in circulation. Second, the success of the socialist transformation of agriculture also created favorable conditions for reducing the amount of currency in circulation in rural markets. After cooperative transformation of agriculture, the state's purchases of agricultural and sideline products were characterized by large quantities and concentrated timing. Together with the widespread development of state banks and credit cooperatives, this made it possible to conduct cashless

settlement in rural areas. At the same time, after selling large quantities of agricultural and sideline products, production teams necessarily had funds awaiting use temporarily deposited in banks or credit cooperatives, which both conserved cash and increased the production teams' income.

At the present stage, agricultural production still accounts for a considerable share of our country's national economy, and the production and living needs of the vast rural population constitute our country's broadest domestic market. Consequently, the seasonal nature of agricultural production inevitably means that currency circulation in the market also varies by season. In other words, fluctuations in the volume of currency in circulation are closely linked to the slack and busy seasons of the rural market. From the autumn harvest through the winter each year, the state must issue large amounts of money to purchase large quantities of agricultural and sideline products, and the volume of currency in circulation is therefore bound to increase. By contrast, the slack season in the rural market during May and June each summer is also when the volume of currency in circulation is at its lowest.

To adapt to market commodity circulation conditions and seasonal needs, the state should, in accordance with the requirements of objective economic laws, regulate currency circulation in a planned manner. While purchasing large quantities of agricultural and sideline products and thereby putting large amounts of money into circulation, it must vigorously organize the supply of the means of production and consumer goods needed by peasants, recover agricultural loans as they fall due according to plan, and actively promote rural savings, so as to withdraw money from circulation in a timely manner and ensure the normal circulation of money and the stability of market prices.

To plan and regulate currency circulation correctly, it is also necessary to ensure a balance between social purchasing power and the supply of social commodities.

Currency issuance by the state bank can be divided into two categories. The first is issuance directly backed by control of goods, such as expenditures on purchasing agricultural and sideline products and handicraft goods. This type of issuance is characterized by the state issuing money while simultaneously taking control of goods. After processing, or without requiring processing, these goods can become the material basis for money returning to circulation. However, two points must be observed when issuing money: First, the goods purchased must meet specified standards and quality requirements and be needed by the market; otherwise, the return of money to circulation cannot be ensured. Second, the state's price policy must be strictly implemented. If purchase prices exceed the limits set by the state, this will affect the planned return of money to circulation and undermine the balance between social purchasing power and the supply of social commodities.

The other category is issuance not directly backed by control of goods, such as the payment of wages and administrative expenses. This type of issuance is characterized by the state having to supply consumer goods in an amount corresponding to the money it spends. Therefore, expenditures must be strictly controlled according to plan and must not be exceeded arbitrarily; otherwise, the balance between social purchasing power and the supply of social commodities will be affected.

Social purchasing power consists of three parts: the purchasing power of urban and rural residents for consumer goods, the purchasing power of social groups for consumer goods, and

the purchasing power for agricultural means of production. The largest part is the purchasing power of urban and rural residents for consumer goods. Products that enter the sphere of consumption through the market are all consumer goods and some means of production; in other words, the supply of social commodities consists basically of consumer goods. Therefore, the balance between social purchasing power and the supply of social commodities depends on the correct proportions between the two major departments. If Department I develops too rapidly, the scale of capital construction becomes too large, and nonproductive expenditures are excessive and out of step with the development of Department II, social purchasing power may exceed the supply of social commodities. It is clear, then, that implementing the policy of making agriculture the foundation and arranging the national economic plan in the order of agriculture, light industry, and heavy industry is the fundamental guarantee of balance between social purchasing power and the supply of social commodities.

In short, the law of currency circulation is "**one of the principal economic laws**"[1] under conditions of commodity production, and it continues to play an important role under socialism. The balance between social purchasing power and the supply of social commodities is both a requirement of the law of currency circulation and a concrete manifestation of the coordination of currency circulation with commodity circulation; at the same time, it reflects the proportional development of the two major departments of the national economy and of the three sectors of agriculture, light industry, and heavy industry. Therefore, in accordance with the requirements of the law of currency circulation, planned regulation of currency circulation to coordinate it with commodity circulation is of great significance for socialist revolution and socialist construction.

---

[1] Karl Marx, "b. The Circulation of Money, Chapter 2: Money or Simple Circulation," in *A Contribution to the Critique of Political Economy*."

# Section Two: Prices under the Socialist System

## The Role of the Law of Value in Socialist Circulation

The reason why the necessary quantity of money in circulation over a given period is determined by such factors as the total value of commodity prices and the speed of circulation of money of the same denomination must be explained in terms of the operation of the law of value.

The law of value is the basic law of the commodity economy. In socialist society, since the commodity system is still in operation, the law of value necessarily continues to exist and play a role. In the circulation process, all exchanges mediated by money must follow the principle of equivalence. Price is the monetary expression of value, and changes in price affect socialist circulation to varying degrees, particularly in the circulation of certain everyday consumer goods, where they also play a regulatory role.

In general, the circulation process under socialism is governed by the law of planned development of the national economy. As regards the circulation of the means of production, it mainly takes the form of state-planned allocation. Which units receive supplies, the types and specifications supplied, and the quantities and timing are generally determined under the guidance of the state plan. Even the circulation of consumer goods is regulated mainly by the state plan. The state plan determines the total volume and composition of consumer goods entering the circulation sphere. At the same time, the state plan also controls the prices of commodities and social purchasing power. On the basis of planned balancing of the supply of and demand for consumer goods (purchasing power backed by the ability to pay), the state draws

up plans for the circulation of consumer goods and regulates their circulation. In particular, essential goods closely related to the national economy and people's livelihood, such as grain, cotton, and oil, are subject to unified purchase and marketing and planned supply by the state. It is precisely these institutions of the socialist planned economy, founded on public ownership of the means of production, that objectively limit the scope and extent of the operation of the law of value.

However, when the state formulates commodity circulation plans, it can only plan for the total market supply and its broad categories. The specific needs of hundreds of millions of consumers vary greatly and often change over time. Since it is difficult for planning work to grasp these specific changes with complete accuracy, contradictions between supply and demand often arise. The law of value is therefore needed as a supplement to planning adjustments, to balance the supply and demand for these products.

How can the law of value be used to regulate circulation? It is known that, over a given period, society's purchasing power is a fixed amount, consisting mainly of the wages of wage earners and the money income of members of cooperatives. The purchasing power of this money is directly related to commodity prices. When prices rise, the purchasing power of the same amount of money falls accordingly. Therefore, the state may use this connection to regulate demand and balance market supply and demand. However, in our country, the law of value is not used without restriction to balance supply and demand; it is generally applied only in the following two cases: first, within the scope of goods that are not essential to people's living standards; and second, when the quantity of a product cannot yet be supplied in sufficient amounts, or when product cost has fallen substantially and output can be greatly increased. Only

within this scope, and while keeping prices basically stable, may the prices of certain consumer goods be appropriately raised or lowered according to circumstances at different times, in order to expand or restrict their sales. For consumer goods whose production is developing rapidly, whose product cost has fallen substantially, and whose supply can be ensured, prices may be reduced to increase people's purchasing power for these goods. For consumer goods whose demand is rising rapidly but whose production cannot yet meet supply needs, in addition to making every effort to increase output, the prices of some higher-grade goods may be kept appropriately high within certain limits, thereby restraining demand to some extent. For highly seasonal personal consumer goods, such as vegetables and fruit, reasonable seasonal price differentials may be adopted to balance supply and demand. To ensure that people's basic needs are met, the state continues to rely on planned management for certain necessities, adopting measures such as rationed supply to limit bourgeois right in the monetary sphere and make distribution more rational.

In our country, in addition to the planned market, rural local markets also exists. It is a small-scale exchange activity in which collectives and members of cooperatives exchange what they have for what they lack outside the state plan, and it supplements the state's unified planned market. In this sphere, prices are negotiated by buyers and sellers themselves, and supply and demand have a clear effect on price formation; once prices are established, they in turn regulate supply and demand within the market. Thus, within this sphere, the law of value basically serves as the regulator of circulation. Nevertheless, its role differs greatly from that of the law of value in circulation in the capitalist market: first, the products brought to market through rural local markets are strictly restricted by the state plan; second, the area of circulation is limited to

exchanges of goods within the local region, and long-distance trafficking is strictly prohibited. Together with the regulation and supervision of market regulatory bodies, these restrictions confine the regulatory role of the law of value to a narrow sphere.

In short, to make proper use of the law of value as a supplementary means of planned regulation in circulation, we must adhere to the principle of "planning first, prices second." If, instead of relying primarily on planning, we rely solely on market supply and demand and inappropriately depend on prices to regulate the circulation of personal consumer goods, allowing the law of value to run unchecked, this will undermine socialist planning, affect price stability, damage the socialist economic base, and give urban and rural capitalist forces the green light to run rampant.

## Basis for Price Formation Under the Socialist System

The socialist state consciously makes use of the law of value, mainly by setting planned prices. Planned prices are an important component of the planned economy. Under the socialist system, since prices are not formed spontaneously but are set by the state, do they have an objective basis?

Price is the monetary expression of value. Under capitalist conditions, the concrete form of commodity value is transformed into production prices (that is, average production costs by sector plus the average social profit formed according to the rate of profit on capital). Marx pointed out: "**Commodities are not exchanged simply as *commodities*, but as *products of capitals*, which claim participation in the total amount of surplus-value, proportional to**

**their magnitude, or equal if they are of equal magnitude.**"[1] Therefore, production prices are the basis of prices in a capitalist economy, the product of capitalist relations of production, and the fullest expression of bourgeois right.

Under socialist conditions, price is likewise the monetary expression of value. The most fundamental factor determining the level of prices remains the value of commodities, that is, the socially necessary labor embodied in them. The value of all products consists of the following three parts: materialized labor consumed in production (raw materials, fuel, auxiliary materials, and depreciation of machinery, factory buildings, etc.), remuneration for labor, and profit. Materialized labor and remuneration for labor together make up the production costs of a product. Since value is based on socially necessary labor, production costs as a component of value are, of course, not the production costs of an individual enterprise, but the average costs of the sector. The question is how to calculate the amount of profit correctly. According to the Marxist labor theory of value, only productive labor is the sole source of value creation. Under the principle of "to each according to their work," remuneration for labor corresponds to the expenditure of living labor. Under normal circumstances, the more wages are paid, the more living labor is expended in production, and the more profit is created. Therefore, under socialist conditions, the value that serves as the basis for product prices can be determined approximately (since prices and values often do not coincide) by adding to average production costs by sector the profit calculated on the basis of the social average wage-based profit rate (that is, the ratio of total profit throughout society to total wages throughout society).

---

[1] Karl Marx, "Chapter 10. Equalisation of the General Rate of Profit Through Competition. Market-Prices and Market-Values. Surplus-Profit," in *Capital*, Vol. III.

In a socialist economy, prices can accurately account for labor expenditure in production only when they are based on value; this also helps conserve social labor and facilitate the formulation of the national economic plan. If prices are not based on value, but instead on production prices, as some people advocate, this would not only be theoretically untenable but would also have negative consequences for the development of the national economy and relations across all sectors of society.

## Characteristics of Price Formation Under the Socialist System

Although socialist states set prices on the basis of the value of products, price is not a simple monetary expression of value; therefore, this does not mean that price and value are absolutely identical. In a socialist economy, not only are there cases in which price and value are basically consistent, but there are also cases in which price deviates from value.

Setting reasonable prices is an important aspect of correctly handling contradictions among the people; from the standpoint of economic interests, prices reflect relationships among various parties. Viewed overall, prices involve relationships among the state, the collective, and the individual. For example, the levels of purchase prices for agricultural products and supply prices for industrial products directly affect the state's accumulation and peasants' incomes. Likewise, given a fixed wage level, the prices of everyday consumer goods directly affect the state's accumulation and wage earners' actual incomes, reflecting the relationship between accumulation and consumption. Therefore, overall planning and appropriate arrangements are essential. In setting prices, due consideration must be given to value as the foundation; at the

same time, decisions must be made in the political interests of the proletariat, with a view to the larger goal of consolidating the dictatorship of the proletariat. Prices must serve the Party's political and economic tasks for the given period, embody the requirements of the Party's line, principles, and policies, and take market supply and demand into account as appropriate. They should help consolidate the worker-peasant alliance, strengthen economic accounting, develop production, stabilize the market and improve people's living standards, and strengthen the all-round dictatorship of the proletariat over the bourgeoisie.

The socialist planned economy objectively requires relatively stable prices. Stabilizing prices and the market has consistently been the guiding principle of our country's price policy. In old China, the Kuomintang reactionaries recklessly issued paper money, prices rose several times a day, production languished, and people could not make a living. After liberation, the Party and the state took a series of measures to stabilize prices and waged a resolute struggle against capitalist forces. For more than twenty years, prices nationwide have remained basically stable. This has provided extremely favorable conditions for the planned development of production in industry and agriculture, for the gradual improvement of living standards among people in urban and rural areas, and for restricting and combating the speculative activities of capitalist forces.

Stabilizing prices does not mean freezing them and keeping the prices of all commodities fixed. On the basis of national economic development, and while maintaining the overall price level, unreasonable prices inherited from the past or arising from economic development should be adjusted in a phased manner. For example, before liberation, imperialism, feudalism, and bureaucratic capitalism routinely expanded the terms of trade between industrial and agricultural products—commonly known as the "scissors gap"—by buying agricultural products cheaply and

selling industrial goods at high prices, ruthlessly exploiting and plundering the broad masses of peasants and creating sharp antagonism between urban and rural areas. After liberation, the Party and the government repeatedly adjusted the unreasonable terms of trade between industrial and agricultural products inherited from before liberation. In a planned, phased manner, they raised the purchase prices of agricultural products such as grain, cotton, oil crops, sugarcane, hemp, silkworm cocoons, tea, live pigs, poultry, and eggs, and lowered the prices of many industrial goods, especially those intended to support agriculture. This gradually narrowed the "scissors gap" in prices between industrial and agricultural products, increased peasants' incomes, promoted the development of agricultural production, and consolidated the worker-peasant alliance. In short, gradually narrowing the terms of trade between industrial and agricultural products is an important price policy of our country.

The low-profit, high-volume sales policy for industrial goods is also an important price policy in our country. It helps develop production and expand sales, strengthen economic accounting and improve business management, and improve the lives of people in urban and rural areas. Low-profit, high-volume sales does not mean that this approach applies to every industrial good. Rather, it follows the principle of treating different goods differently, based on their roles in the national economy and their supply, production, and sales conditions.

In addition, various price differentials (such as purchase-sale price differentials, quality-based price differentials, regional price differentials, variety-based price differentials, seasonal price differentials, and wholesale-retail price differentials) and price ratios (such as ratios between different types of industrial goods and between agricultural products) were also implemented. These played a positive role in promoting the development of production in

industry and agriculture, improving product quality, accelerating the turnover of commodities, meeting the people's needs, and accumulating funds for the state.

# Section Three: Correctly Understanding Money and Currency Circulation Under the Socialist System

## The Existence of Money and Exchange Through Money is the Soil From Which Capitalism and the Bourgeoisie Arise

Under the socialist system, the existence of money and exchange through money, although necessary and beneficial, is ultimately a vestige of the old society, a "**survival of yesterday's exploitation.**"[1] It is precisely in this sense that it is "**scarcely different from those in the old society**" and remains fertile ground for the emergence of capitalism and bourgeois elements.

The existence of money stimulates in some people a desire to enrich themselves through exploitation. Once money came into being, it became a special commodity: "**The commodity of commodities had been discovered, that which holds all other commodities hidden in itself, the magic power which can change at will into everything desirable and desired.**"[2] In capitalist society, money is the "**absolutely social form of wealth ever ready for use**"[3]; its magic permeates every sphere of social life. With money, one has everything, giving rise in people's minds to the money-fetishist notion that "money can do anything."

Under the socialist system, the establishment of public ownership of the means of production has placed certain limits on the scope of money's functions. Consequently, money no longer has the power to control people's destinies as it did in the old society. Nevertheless, it can

---

[1] Vladimir Ilyich Lenin, "First All-Russia Congress on Adult Education."

[2] Frederick Engels, "IX. Barbarism and Civilization."

[3] Karl Marx, "Chapter Three: Money, Or the Circulation of Commodities."

still buy a very wide range of consumer goods and certain means of production. In this sense, money remains the general social form of wealth, and thus the basis for the continued existence and growth of money fetishism. "**Money therefore appears both as the object and the source of the desire for riches.**"[1] Some people deeply influenced by bourgeois ideas, seeking to satisfy their desire for personal comforts, become eager to pursue money as a social power; some even try to "**[obtain] otherwise than by the individual's own labor,**"[2] and go so far as to engage in such illegal activities as enriching themselves at public expense, embezzlement and theft, speculation and profiteering, and bribery, thereby undermining the socialist economy. The traitor Lin Biao clique saw the "magic power" of money and trumpeted the claim that "if you want to ward off the disasters fate may bring, there is only one thing in this world you can rely on: money." In a nutshell, this revealed the sentiments of their bourgeois philistine hearts and exposed the true face of this ilk of money fetishists.

Because money exists, actual inequality among members of society is inevitable. Under conditions of "to each according to their work" and money wages, since "**the wage system is unequal too**," people in fact have different amounts of money in their hands. Under the commodity system, the more money one has, the greater one's purchasing power; conversely, one can buy fewer commodities. The so-called "equality of all before money" is precisely premised on actual inequality. Moreover, exchange through money also conceals inequality in the sources of money. Engels once pointed out that money itself "***Non olet***"[3]; that is to say,

---

[1] Karl Marx, "3. Money, Chapter 2: Money or Simple Circulation," in *A Contribution to the Critique of Political Economy*.

[2] Frederick Engels, "IV. Distribution, Part III: Socialism."

[3] Ibid.

money in people's hands, however different its origins—whether earned by selling flowers or collected as toilet tax; whether the legitimate income from the labor of working people or obtained through exploitation by old and new bourgeois elements—can all be used to buy commodities "equally" in the market. As Marx said, "**money, … like the radical leveller that it is, does away with all distinctions.**"[1] This formal equality in fact conceals the class antagonism between the working people and a small number of exploiters. Lenin pointed out incisively: "**Before we can abolish money; and until then we must put up with equality in words, in the constitution.**"[2] These characteristics of exchange through money clearly demonstrate the essence of bourgeois right.

The existence of money also makes other forms of exploitation possible. In socialist society, banks are controlled by the state under the dictatorship of the proletariat, which holds centralized authority over money issuance and management. However, when the state's currency is issued into the circulation sphere, a considerable portion of it inevitably passes into the hands of individuals. Once money passes into private hands, the state effectively loses control over it: "**Everybody who possesses money practically has the right to exploit.**"[3] Facts show that not only do old bourgeois elements still possess money, but new bourgeois elements also accumulate large amounts through various illegal means. Their class nature determines that they will always do everything possible to restore money's exploitative function: either by exploiting needs in certain areas or the temporary needs of a few people to engage in disguised usurious exploitation, turning money into loan capital; or by taking advantage of changes in commodity supply and

---

[1] Karl Marx, "Chapter Three: Money, Or the Circulation of Commodities."

[2] Vladimir Ilyich Lenin, "First All-Russia Congress on Adult Education."

[3] Ibid.

demand in certain regions and at certain times to engage in long-distance trafficking and speculation and profiteering, reap exorbitant profits, and turn money into commercial capital; or by exploiting weak links and loopholes in certain areas to defraud the state of means of production, setting up underground factories under various pretexts and organizing underground labor-contracting gangs to carry out disguised exploitation through hired labor, turning money into industrial capital. As Lenin pointed out: "**The bourgeois elements of the population continue to use privately-owned currency notes—these tokens by which the exploiters obtain the right to receive public wealth—for the purpose of speculation, profit-making and robbing the working population.**"[1]

The existence of money makes it possible to expand the range of commodities. In socialist society, changes in ownership have, in accordance with the objective requirements of public ownership of the means of production, placed certain limits on the range of commodities. However, the existence of money inevitably gives rise to the spontaneous tendency toward the "**the generalization of the commodity form,**" whereby "**money forces the commodity form even on**" things that are no longer commodities, and "**drags them into exchange.**"[2] For example, some people put goods that are not permitted to enter market trade up for sale there; even things that are not commodities at all, such as ration coupons used by the state for planned distribution, are turned into objects of buying and selling, from which people seek to make illicit profits.

---

[1] Vladimir Ilyich Lenin, "Draft Programme of the R.C.P.(B.)."

[2] Frederick Engels, "IV. Distribution, Part III: Socialism."

In summary, under socialism, the continued existence of money and exchange through money remains fertile ground for the emergence of capitalism and new bourgeois elements. All class enemies understand the role of money very well; they all seek to use it as a tool for the restoration of capitalism. "**Thus it would be quite easy for people like Lin Biao to push the capitalist system if they come to power.**"[1] The fact that capitalism has completely restored in the Soviet Union is an extremely profound historical lesson.

[1] Quote from Mao Zedong. "Marx, Engels, and Lenin on the Dictatorship of the Proletariat," 5.

## Restricting Bourgeois Right in the Monetary Sphere

Historically, money, as a social force, has had a destructive effect of blind compulsion, just like the forces of nature. The actual class struggle also shows that the existence of money provides the soil for the development of urban and rural capitalism and a breeding ground for bourgeois elements. Whether this possibility becomes reality, however, depends on what line is followed. Once we have a correct understanding of money and restrict it under the dictatorship of the proletariat, we can change the direction of its effects and make it serve the socialist revolution and socialist construction.

To properly limit bourgeois right in the monetary sphere, we must conscientiously implement the Party's relevant principles and policies and the financial and economic system. Over the more than twenty years since the founding of the People's Republic, our Party and the state have formulated and implemented a series of policies, decrees, financial and economic systems, and related regulations on cash management, wage fund management, and credit fund management, effectively limiting bourgeois right in the monetary sphere and promoting the consolidation and development of the socialist economic base. For example, in the early days of liberation, in accordance with the policy of independence and self-reliance, we lost no time in establishing a unified, nationwide financial and monetary system and issuing a single national currency—the Renminbi . We swiftly eliminated the counterfeit currency of the Kuomintang reactionaries, prohibited the circulation of foreign currency within the country, instituted unified foreign exchange administration, strictly prohibited the free buying and selling of gold and silver, suppressed silver dollar speculation, and used the Renminbi to take over the entire domestic

market. We quickly ended the hyperinflation caused over many years by the Kuomintang reactionaries, thereby creating the conditions for restoring the national economy, stabilizing people's living standards, and consolidating the dictatorship of the proletariat. During the socialist transformation of ownership of the means of production, the state used its control over money and currency circulation to implement a policy of utilization, restriction, and transformation toward private capitalist industry and commerce, prompting them to accept socialist transformation. After socialist transformation was basically completed, changes in ownership made it possible to further restrict the free buying and selling of the means of production, thereby limiting the scope of money's role. In addition, through the banks, credit and cash settlement were used to centralize credit and cash receipts and payments; in accordance with the Party's policies, funds were provided for the development of production in industry and agriculture and for the planned expansion of commodity circulation, while all unplanned expenditures that did not conform to policy were strictly controlled, the scope of cash use was restricted, and illegal activities involving money were firmly suppressed. The Party's various principles and policies concerning money, as well as the financial and economic system, were formulated in accordance with the Party's basic line and in light of the specific circumstances of different periods. These principles, policies, and systems both recognize the inevitability of money's existence at the present stage and bring its positive role into play, while also addressing its shortcomings through necessary restrictions. The aim is to develop the socialist economic base, consolidate the dictatorship of the proletariat, prevent the restoration of capitalism, and ensure that socialism triumphs over capitalism.

To properly limit bourgeois right in the monetary sphere, we must stay closely connected with practical realities and strengthen investigation and research. As the socialist cause develops, we must analyze bourgeois right in the monetary sphere concretely and "**make a close study of their dimensions and devise suitable methods (not restrictive, or rather, not prohibitive) of state control and accountancy.**"[1] Only in this way can we better uphold the Party's basic line and its various principles and policies, and gradually weaken and ultimately eliminate the soil in which capitalism and the bourgeoisie take root.

To correctly limit bourgeois right in the monetary sphere, we must uphold the socialist revolution in the ideological sphere, earnestly study the theory of the dictatorship of the proletariat, criticize the theory of the omnipotence of money and bourgeois right concepts, and distinguish right from wrong in the line through the integration of theory and practice. Every one of us uses money and deals with it every day. Therefore, how we understand and approach money and exchange through money reflects the struggle between two kinds of thinking and two worldviews. Only when the broad masses have mastered the theory of the dictatorship of the proletariat and consciously limit bourgeois right can they strike more forcefully at the bourgeoisie's destructive activities, and only then can the dictatorship of the proletariat be further consolidated.

To correctly restrict bourgeois right in the monetary sphere, it is also necessary to give full play to the role of the socialist state bank. The socialist state bank is the organ that issues and manages money, and one of the instruments of the dictatorship of the proletariat. Lenin said:

---

[1] Vladimir Ilyich Lenin, "Instructions of the Council of Labour and Defence To Local Soviet Bodies," in *Lenin's Collected Works*, Vol. 32.

"**The big banks are the 'state apparatus' which we need to bring about socialism.**"[1] Banks have always been a frontline position in the class struggle in the economic sphere. The struggle between restriction and counter-restriction inevitably finds its way into banking work. This is because credit, settlements, and monetary receipts and expenditures in the national economy must all be centralized in banks. We must recognize that the class struggle is waged across the counter, and that questions of orientation and line arise in the business of receiving and paying out funds. We must analyze receipts and expenditures from the standpoint of class struggle, identify problems, provide leads, and assist the organs of dictatorship in exposing and suppressing the criminal activities of new and old bourgeois elements who use exchange through money to carry out capitalist exploitation.

Money and exchange through money are products of specific historical conditions, and will inevitably enter the museum of history as those conditions change. Lenin once solemnly declared, with the pride of a communist, that after the victory of the proletarian revolutionary cause throughout the world, "**we shall use gold for the purpose of building public lavatories in the streets of some of the largest cities of the world,**"[2] pronouncing the eventual disappearance of money and pointing to the bright future in which communism would inevitably triumph throughout the world. However, before money disappears, restricting the bourgeois right associated with it is a long and arduous task in the struggle of the dictatorship of the proletariat.

---

[1] Vladimir Ilyich Lenin, "Can the Bolsheviks Retain State Power?," in *Lenin's Collected Works*, Vol. 26.

[2] Vladimir Ilyich Lenin, "The Importance Of Gold Now And After The Complete Victory Of Socialism," in *Lenin's Collected Works*, Vol. 33.

# Part Four: The Process of Distribution Under Socialism

## Chapter Nine: Distribution of Individual Consumer Goods in Socialist Society

### Section One: Basic Principles for the Distribution of Individual Consumer Goods

#### Advocating From Each According to Their Ability and Promote the Communist Spirit of Labor.

What we discuss in this section on the process of distribution under socialism is not the entirety of the social product and the distribution of national income, but only the distribution of personal consumer goods as one part of distribution under socialism. Relations of consumer-goods distribution are an important aspect of socialist relations of production. As for the distribution and redistribution of national income, we will discuss them in the next section, when analyzing the reproduction process in socialist society.

In socialist society, not all of the social product can be distributed directly to individual workers. Before the social product enters personal consumption, deductions must first be made for "**replacement of the means of production used up**," "**additional portion for expansion of production**," and "**reserve or insurance funds to provide against accidents, dislocations**

**caused by natural calamities, etc.**"[1] These deductions are economically necessary, and "**destined for productive consumption from the very first, this portion exists, for the most part, in the shape of articles totally unfitted for individual consumption.**"[2] After these portions have been deducted from the social product, what remains is means of consumption. But before this portion is distributed to individuals, further deductions must be made from it for "**the general costs of administration not belonging to production**," "**that which is intended for the common satisfaction of needs, such as schools, health services, etc,**" and "**funds for those unable to work, etc.**"[3] In addition to the six deductions listed above, the socialist state must also establish a foreign aid fund to support the revolutionary struggles of the people of the world. Thus, only after all the social deductions have been made from the social product does what remains consist of consumer goods available for the personal consumption of the producers.

How are personal consumer goods allocated?

In socialist society, the basic principle for distributing personal consumer goods is "from each according to their ability, to each according to their work." This means that every worker should contribute to social labor to the best of their ability, while society distributes consumer goods according to the amount of labor contributed by each worker. "From each according to their ability" indicates how workers should labor for society, while "to each according to their work" indicates the standard society should use to distribute goods to workers. The two are interconnected and inseparable, together constituting a complete socialist distribution formula, of which "from each according to his ability" is the primary aspect.

---

[1] Karl Marx, "I."

[2] Karl Marx, "Chapter Twenty-Three: Simple Reproduction," in *Capital*, Vol. I.

[3] Karl Marx, "I."

From each according to their ability is the principle common to the modes of distribution in both stages of communist society. Its basic spirit is to require an attitude toward labor befitting communism in social labor.

What is the communist attitude toward labor? Lenin said: "**Communist labor in the narrower and stricter sense of the term is labor performed gratis for the benefit of society, labor performed not as a definite duty, not for the purpose of obtaining a right to certain products, not according to previously established and legally fixed quotas, but voluntary labor, irrespective of quotas; it is labor performed without expectation of reward, without reward as a condition.**"[1] Lenin's words describe both the nature of communist labor and the communist attitude toward labor. After the victory of the October Revolution in the Soviet Union, the "Subbotnik" initiated by workers on the Kazan Railway became a shining example of the working class fostering the communist labor spirit and a vivid embodiment of "from each according to their ability." Lenin called it "**a great beginning**" and "**one of the most important aspects of communist construction.**"[2]

Why must the principle of socialist distribution first emphasize "from each according to their ability"? This is mainly because: First, promoting "from each according to their ability" is a necessary condition for consolidating and developing socialist public ownership. Socialist public ownership is fundamentally different in nature from private ownership by the exploiting class. Under conditions of socialist public ownership, "**no individual can throw on the shoulders of**

[1] Vladimir Ilyich Lenin, "From the Destruction of the Old Social System To the Creation of the New," in *Lenin's Collected Works*, Vol. 30.

[2] Vladimir Ilyich Lenin, "A Great Beginning."

**others his share in productive labor, this natural condition of human existence.**"[1] In other words, the consolidation and development of socialist public ownership cannot be separated from every worker contributing to social labor according to their ability. The consolidation and development of socialist public ownership are also where the fundamental economic interests of working people lie, and constitute the fundamental economic condition for implementing "to each according to their work" and transitioning to to each according to their needs.

Second, promoting "from each according to their ability" means persevering in putting proletarian politics in command, criticizing the bourgeoisie, revisionism, and the ideology of the exploiting classes, and liberating people from the spiritual shackles of old ideas, old habits, and old traditions. Only in this way can the ideological awareness of the masses be raised, "to each according to their work" be approached correctly, and labor gradually become people's primary need in life, thereby creating the ideological conditions for the transition from "to each according to their work" to to each according to their needs.

Third, promoting "from each according to their ability" is the fundamental way to mobilize workers' socialist and communist enthusiasm to the greatest extent. Only in this way can socialist production be developed rapidly, providing a solid material foundation for the distribution of products and creating the material conditions for the transition from "to each according to their work" to "to each according to their needs."

This shows that advocating From each according to their ability and fostering the communist spirit of labor are objective requirements for the development of socialist society. They are of great significance and importance for consolidating the socialist system of the

[1] Frederick Engels, "III. Production, Part III: Socialism," in *Anti-Dühring. Herr Eugen Dühring's Revolution in Science*.

dictatorship of the proletariat, accelerating socialist construction, and creating the conditions for the transition to communism.

A socialist society already has the conditions for the emergence of the principle “from each according to their ability.” We know that in a private-ownership society, the means of production are the private property of the exploiting classes, and working people occupy the miserable position of being politically oppressed and economically exploited. In order to survive, they are forced to toil for the exploiting classes. Under these conditions, the workers’ production initiative is stifled, and their abilities are severely damaged, suppressed, and stifled; “From each according to their ability” is simply impossible. Only in socialist and communist societies, because working people have become the masters of the means of production and of society, and labor not for the exploiting classes but for their own society, can immense socialist and communist initiative necessarily be found among the workers, thus providing the objective economic base for the emergence and development of the communist work ethic. At the same time, the new social system also opens up broad scope for the workers to give full rein to their socialist and communist initiative and put their abilities to use.

Of course, the socialist society has the objective conditions for people to contribute according to their ability, but this does not mean that this can be achieved spontaneously. Only under the Party’s leadership and guided by Chairman Mao’s proletarian revolutionary line, with class struggle as the key link, by carrying out socialist revolution in depth in both the superstructure and the economic base, and by upholding proletarian politics in command, can the workers’ socialist and communist initiative be fully brought into play, allowing the communist spirit of labor to flourish throughout the country.

## Distribution of Individual Consumer Goods According to Work

In socialist society, on the one hand, we should "**spread communist ideas more widely**" and encourage the communist spirit of labor; on the other hand, the principle of distribution according to work must be correctly implemented in the distribution of work.

What is distribution according to work? When discussing its content, Marx pointed out: "**Accordingly, the individual producer receives back from society – after the deductions have been made – exactly what he gives to it.**" What they receive back from society is "**means of consumption as much as the same amount of labor cost**"; thus, "**the same amount of labor which he has given to society in one form, he receives back in another.**"[1] Clearly, distribution according to work, in brief, means distributing according to the amount of labor each worker contributes to society.

Implementing "to each according to their work" is a historical necessity in socialist society.

Socialist public ownership of the means of production is the fundamental economic condition for implementing "to each according to their work." In a private-ownership society, the means of consumption are distributed according to who owns the means of production: the exploiting classes, who own the means of production, exploit the workers, who have no means of production other than their own labor power. Only in a society with public ownership does a mode of distribution necessarily arise that does not use ownership of the means of production as its criterion, involves no exploitative relations, and benefits working people. Throughout human

[1] Karl Marx, "I."

history, all modes of distribution that arose on the basis of public ownership of the means of production—from equal per capita distribution in primitive society to "to each according to their work" in socialist society and to each according to their needs in communist society—have shared the characteristics described above. But why, if these modes of distribution all arose on the basis of public ownership, do they have different standards of distribution? The reason clearly does not arise from public ownership itself, but from other conditions. The necessity of implementing "to each according to their work" in socialist society is determined by the following conditions:

First, in socialist society, mutual relations are marked by differences between workers and peasants, differences between town and country, and differences between mental and manual labor; the old division of labor also persists. Workers engaged in different kinds of work on a relatively fixed basis have different abilities, and therefore the amount of labor they can provide to society in the same period of time also differs. For example, in the same period, heavy labor involves a greater amount of labor than light labor, and skilled labor creates more value than unskilled labor, and so on. Under socialism, differences in labor resulting from the old division of labor inevitably find expression in relations of distribution. Distribution according to work is precisely a mode of distribution that reflects and recognizes these differences.

Second, in socialist society, there are still old and new bourgeois elements and other members of the exploiting classes, as well as the rogues, the idlers and the rowdies, and others whom Lenin denounced as remnants of capitalist society.[1] The socialist principle of "he who does not work, neither shall he eat" must be applied to them. This is an important form and

[1] Vladimir Ilyich Lenin, "How to Organise Competition?"

means of the proletariat's struggle against the bourgeoisie in the field of distribution, and is of great significance for consolidating the socialist system of the dictatorship of the proletariat. In addition, because bourgeois ideas continue to exert influence among the workers, the amount of labor and the amount of consumption must also be strictly calculated and supervised. Since "to each according to their work" in practice includes the principle "he who does not work, neither shall he eat," it is a mode of distribution suited to the needs described above. At the same time, among the workers, generally speaking, labor has not yet become the primary need of life, but is regarded merely as a means of obtaining consumer goods; they believe that all labor should be remunerated and demand an "equivalent" relationship between labor and remuneration, which is an old way of thinking and old habit that has not yet been eliminated. Therefore, "to each according to their work" is also a method of distribution that the workers can relatively easily understand and accept.

Third, in socialist society, the level of development of the social productive forces is not yet sufficient to provide the vast abundance of social products required for to each according to their needs. Engels once pointed out: "**The method of distribution essentially depends on how much there is to distribute, and that this must surely change with the progress of production and social organization, so that the method of distribution may also change.**"[1] In other words, "to each according to their work" is a mode of distribution suited to the level of development of the productive forces in socialist society, and it should move toward "from each according to their ability, to each according to their needs" as social production develops and social organization advances.

---

[1] Friedrich Engels, "Engels to Conrad Schmidt in Berlin, London, August 5, 1890," in *Marx-Engels Correspondence 1890*.

In short, in socialist society, the distribution of individual consumer goods according to labor is an objective necessity independent of people's will. "Any premature attempt to negate the principle of 'to each according to his work' and replace it with the principle of 'to each according to his needs,' that is, any attempt to enter communism by over-reaching ourselves when conditions are not mature--is undoubtedly a Utopian concept that cannot possibly succeed."[1] However, "to each according to their work" also has shortcomings; it is not the proletariat's ideal mode of distribution. It is also a serious mistake to overlook the historical limitations of "to each according to their work" and to idealize and ossify it.

## Bourgeois Right Under the Principle of Distribution According to Work

As mentioned earlier, "to each according to their work" arose after the proletariat seized political power, on the basis of public ownership of the means of production. It eliminated exploitative relations and the extremely unreasonable situation in which "those who work do not receive, while those who receive do not work," and therefore represented historical progress over the distribution systems of capitalist society and all societies based on private ownership. However, "to each according to their work" arose under social conditions that retained old traces of capitalism, and so it necessarily also contains capitalist elements.

The principle commonly applied in "to each according to their work"—that a given quantity of labor in one form can be exchanged for an equal quantity of labor in another form—remains the principle of equivalence governing commodity exchange in capitalist society.

[1] "Resolution on Some Questions Concerning the People's Communes," 13.

According to the principle of "equivalent exchange" commonly applied in "to each according to their work," every worker has the equal right to "**an equal amount of products for an equal amount of labor.**"[1] However, "***equal right* here is still in principle – *bourgeois right***" and "**this equal right is still constantly stigmatized by a bourgeois limitation.**"[2] In other words, the equal rights associated with the principle of "to each according to their work", like bourgeois right, remain formally equal but actually unequal.

In form, "to each according to their work' means that "**the equality consists in the fact that measurement is made with an *equal standard*, labor.**"[3] Since the workers differ in their working abilities, the amount of labor they can provide to society is also unequal; when measured by the same standard—labor, the shares of consumer goods they can receive must therefore also be unequal. The workers' living needs also differ: some are married, others unmarried; some have many children, others few, and so on. Thus, even when different workers contribute equal amounts of labor and receive equal shares of consumer goods, their actual living standards will still differ to some extent because of their different family burdens. It is clear, then, that applying the same standard to workers in different circumstances will in practice produce differences in their degree of material well-being. Therefore, in practice, "**this *equal* right is an unequal right for unequal labor.**"[4] This is one "drawback" of "to each according to their work."

---

[1] Vladimir Ilyich Lenin, "The Economic Basis of the Withering Away of the State."

[2] Karl Marx, "I."

[3] Ibid.

[4] Ibid.

The inequality resulting from “to each according to their work” differs from the class inequality of the old-society distribution system. Although “to each according to their work” still follows the capitalist society’s principle of “equivalent exchange” of commodities, the content of the exchange and the relations of production it embodies have changed. In capitalist society, what participates in commodity exchange is not only commodities in general, but also labor power, a special commodity. The exchange of the commodity labor power embodies the relations of production whereby capitalists exploit the surplus value of workers: “**The ever repeated purchase and sale of labor-power is now the mere form; what really takes place is this — the capitalist again and again appropriates, without equivalent, a portion of the previously materialized labor of others, and exchanges it for a greater quantity of living labor.**”[1] But under conditions of socialist public ownership of the means of production, “**no one can give anything except his labor, and because, on the other hand, nothing can pass to the ownership of individuals, except individual means of consumption.**”[2] Socialist "to each according to their work" is simply an exchange of individual labor for society’s means of consumption. It embodies the alignment of fundamental interests between individuals and the state and the collective, fundamentally unlike the exploitative relations of capitalism between exploiters and the exploited.

Although “to each according to their work” is a historical advance over the capitalist distribution system, bourgeois right still holds a dominant position. Therefore, when “to each according to their work” is compared with the distribution system of capitalist society in light of

---

[1] Karl Marx, “Chapter Twenty-Four: Conversion of Surplus-Value into Capital,” in *Capital*, Vol. I.

[2] Karl Marx, “I.”

its nature, it is "**scarcely different from those in the old society.**" This is manifested specifically as follows:

1. Bourgeois right under the principle of "to each according to their work" is concentrated in an unequal distribution system. Under the conditions in which commodity-money relations still exist in socialist society, this unequal distribution system takes the old form of the unequal wage-grade system of capitalist society (in our country's rural collectively owned economy, the unequal distribution system takes the form of the labor work-point system). As we know, the wage-grade system in capitalist society divides workers into different wage grades according to the value of their labor power, sets different wage standards for each grade, and pays remuneration by pricing according to quality. In socialist society, although the relations of production embodied in wages have changed, "to each according to their work" likewise takes the form of a wage-grade system, dividing the workers into different wage grades according to their work capacity and, consequently, how much labor they can provide to society, thereby institutionalizing and fixing the workers' actual inequality. In this respect, "to each according to their work" is "**scarcely different from those in the old society.**"

2. In socialist society, the existence of the old division of labor and the three major differences is an important reason for implementing "to each according to their work." In turn, the implementation of "to each according to their work" has, in practice, upheld the old division of labor and the three major differences. Because "to each according to their work" treats individuals only as workers, focusing solely on how much labor they can provide to society and disregarding the reasons why they provide differing amounts of labor, it inevitably results in unequal living conditions among workers with different abilities, between workers and peasants,

and between those engaged in mental and manual labor. Insofar as “to each according to their work” acknowledges and upholds the old division of labor, it is “**scarcely different from those in the old society.**”

3. In capitalist society, skilled wage workers can receive higher wages. “**In a society of private producers, private individuals or their families pay the costs of training the qualified worker; hence the higher price paid for qualified labor-power accrues first of all to private individuals.**”[1] The socialist principle of “to each according to their work” “**recognizes no class differences, because everyone is only a worker like everyone else; but it tacitly recognizes unequal individual endowment, and thus productive capacity, as a natural privilege.**”[2] In other words, in practice it recognizes that workers’ culture, skills, knowledge, abilities, and so on as their personal property, and therefore also recognizes that skilled workers should receive greater remuneration. This in effect acknowledges certain principles prevalent in capitalist society. From this perspective, “to each according to their work” is “**scarcely different from those in the old society.**”

The “defects” of "to each according to their work" are unavoidable in socialist society. “**Right can never be higher than the economic structure of society and its cultural development conditioned thereby.**”[3] “**To avoid all these defects, right, instead of being equal, would have to be unequal.**”[4] That is to say, rights should not be the formal equality of “to each according to their work,” but the actual equality of to each according to their needs.

---

[1] Frederick Engels, “VI. Simple and Compound Labour, Part II: Political Economy,” in *Anti-Dühring. Herr Eugen Dühring's Revolution in Science.*

[2] Karl Marx, “I.”

[3] Ibid.

[4] Ibid.

In our society today, elements of to each according to their needs have already emerged in the distribution of the consumption fund (for example, state-funded medical care provided by the state to wage earners). Although these elements of to each according to their needs currently account for only a small proportion of the distribution of the consumption fund, they will inevitably increase gradually as socialist society develops, until they ultimately completely replace "to each according to their work," enabling people to "**advancing further from formal equality to actual equality.**"[1]

[1] Vladimir Ilyich Lenin, "The Economic Basis of the Withering Away of the State."

# Section Two: Basic forms of distribution of individual consumer goods

## Forms of Distribution in the Socialist Economy Under Ownership by the Whole People

In the economy under ownership by the whole people, wages are the specific form in which personal consumer goods are distributed according to the principle "from each according to their ability, to each according to their work." After the workers have performed social labor, the state pays them a certain amount of money as remuneration for labor, based on the labor they have provided. This monetary income received by the workers is wages.

As mentioned earlier, wages as a form already existed in capitalist society. There, wages are the monetary expression of the value of labor power, reflecting the class-antagonistic relations of employment and being employed, exploitation and being exploited, between capitalists and workers. Under the socialist system, because ownership has changed, the relations of production reflected in wages also differ from those in capitalist society. Here, wages are the monetary expression of the value of personal consumer goods distributed by the state to workers, reflecting the relationship of shared fundamental interests between the state and individual workers, as well as among the workers themselves.

Under the socialist system, the conditions for determining wage levels have also changed from those in capitalist society. In capitalist society, the value of labor power sets the upper limit on workers' wages. No matter how much production develops or how greatly labor productivity increases, workers' wages will never exceed this limit. Under the socialist system, however,

wage levels for wage earners in different periods are determined by such conditions as the level of development of the social productive forces, the proportional relationship between the accumulation fund and consumption fund within national income, and the political and economic tasks of the Party and the state. A socialist state sets wage levels not only to ensure the basic living needs of wage earners and their families, but also to enable wage earners' wage income to increase gradually on the basis of production growth. Since the founding of the People's Republic, our country has adjusted wages several times, increasing wage earners' incomes, especially those of low-wage earners. At the same time, under the socialist system, wage earners' living standards are not determined entirely by their individual wages. In our country, owing to the continued expansion of employment, the gradual growth of collective welfare services, and the long-term stability of prices, among other factors, wage earners' actual living standards have risen even more than their wage levels.

However, under the socialist system, the consistency between the development of production and the growth of wages does not mean that wages may increase by as much as production grows or labor productivity rises. Properly handling the relationship between the two is an important issue. The income and benefits of wage earners should increase appropriately and gradually on the basis of continuously developing production and improving labor productivity, but they must not increase excessively: they should neither remain unchanged nor rise too much. The emphasis should be placed on long-term interests. Wage growth must not exceed the growth of social labor productivity; this is a basic principle. This is because the continuous improvement of labor productivity is an important factor in increasing socialist accumulation, while internal accumulation in the socialist economy is the main source of socialist extended reproduction.

Therefore, only when the growth of social labor productivity exceeds wage growth can production be expanded and the social product allocated to the workers' personal consumption be gradually increased.

What the state distributes to wage earners in the form of wages is, in fact, consumer goods. Therefore, the extent to which the wage level can actually rise depends directly on the rate of growth in consumer goods production. Wage growth must be commensurate with the production of consumer goods. If wages grow faster than consumer goods production, wage earners' monetary income will exceed the quantity of consumer goods the market can supply. In such circumstances, wage growth will not only fail to raise wage earners' real income and living standards, but will instead create difficulties for the national economy. Moreover, because the number of wage earners continues to increase and the state needs to build up reserves of consumer goods and increase exports, among other reasons, wage growth generally must be somewhat slower than the growth in consumer goods production.

Among the consumer goods supplied to our country's market, a large proportion consists of agricultural products and industrial goods made from agricultural products. Therefore, improvements in agricultural labor productivity and increases in output have a major bearing on the rate of growth in consumer goods production. Although labor productivity in industry has risen faster than agricultural labor productivity, gains in labor productivity in heavy industry generally cannot directly increase the quantity of consumer goods. While gains in labor productivity in light industry largely reflect an increase in consumer goods output, agricultural labor productivity has risen more slowly; consequently, the growth rate of total consumer goods production in society remains slower than that of light industry. It is clear, then, that when

understanding and managing the relationship between growth in labor productivity and wage growth, we should not determine the wage growth rate directly on the basis of the growth rate of labor productivity in industry. In our country, consumer goods production has grown considerably with the rapid development of industry and agriculture. However, because our country's economy is relatively underdeveloped and its population large, the increase in consumer goods per capita is still very small; accordingly, there are significant limits to increases in wages and benefits and improvements in people's living standards.

Wages are a component of the consumption fund. On the basis of a given level of productive forces, the wage level depends on how the accumulation fund and consumption fund are apportioned. In view of the political and economic tasks facing our country at present, substantial construction funds are needed. To ensure that the state maintains the necessary level of accumulation, national income should neither be used excessively for personal consumption nor be allowed to fuel excessive and rapid wage growth. Only by accelerating socialist construction can we create the material conditions for further raising people's living standards; this serves the fundamental interests of the proletariat and the working people. Of course, while taking into account the long-term interests of developing socialist production and accelerating socialist construction, we must also consider the immediate interests of gradually improving people's living standards on the basis of increased production.

The question of wages concerns not only relations between the state and the individual, but also relations among different groups within the people, mainly between workers and peasants, between workers, peasants, and intellectuals, between cadres and the masses, and between one group of workers and another. These various relations should be handled properly in

accordance with the policy of "**over-all consideration and proper arrangement**" and the principle of restricting bourgeois right.

At the present stage in our country, because workers' labor productivity is higher than that of peasants, while peasants' living expenses are lower than those of urban workers, workers' wage level should generally be appropriately higher than peasants' actual income. This difference is an inevitable manifestation of the differences between workers and peasants and between town and country, and cannot yet be completely eliminated in the short term. To narrow this gap, in addition to such measures as making efforts to develop agricultural production and gradually increasing peasants' income, correctly setting workers' wage standards and wage growth rates is an important factor. That is, when setting wage standards and wage growth rates, peasants' actual income and improvements in their living conditions must also be taken into account, so that the income levels of workers and peasants do not diverge too greatly. Only in this way can we consolidate the worker-peasant alliance and gradually narrow the differences between workers and peasants and between urban and rural areas.

With regard to wage relations within the workers and between workers, peasants, and intellectuals, we must still recognize differences in the work performed and wages received by people with different levels of ability. However, wage differences among the various groups must not be too great. Under the socialist system, since skilled workers, technical personnel, and intellectuals are trained by the state, their incomes should not differ too greatly from those of ordinary workers.

"**All our cadres, whatever their rank, are servants of the people.**"[1] We should uphold the Paris Commune's principle of wages, and gradually narrow, rather than widen, the difference in personal income between cadres and the masses. This is an important aspect of restricting bourgeois right in distribution.

Under the socialist system, wages also take, in their specific forms, the same two main forms as under capitalism: time wages and piece wages. Time wages use labor time as the unit for calculating remuneration for labor: a fixed wage is paid for a given period according to the wage standard set for each wage grade. Under our country's current wage-grade system, direct production personnel are generally divided into eight wage grades; although some systems have a different number of grades, they are all collectively called the eight-grade wage system. Piece wages use the products of labor as the unit for calculating remuneration for labor: wages are paid according to the number of products completed by the workers, at the unit price specified for each product. This form of wages has a more harmful effect than time wages. It can easily lead to the expansion of bourgeois right, the spread of bourgeois ideas, and the undermining of revolutionary unity among wage earners, among other undesirable consequences. Therefore, it is generally no longer used in our country. The basic form of wages currently used in our country is time wages.

[1] Mao Zedong, "17. Serving the People," in *Quotations from Mao Zedong* (Peking Foreign Languages Press, 1966).

## Forms of Distribution in the Collective Economy of People's Communes

In the collectively owned economy of rural people's communes, the distribution of personal consumer goods likewise follows the socialist principle of "from each according to their ability, to each according to their work." However, because the degree of public ownership under collective ownership differs from that under ownership by the whole people, the specific forms of distribution also have their own characteristics.

In the economy under ownership by the whole people, the means of production and products are owned by the state and allocated and distributed uniformly by the state; personal consumer goods are also distributed throughout society according to a uniform wage standard. In the economy under the collective ownership of the people's commune, the system of "ownership at three levels, with the production team as the basic unit" is currently in effect. The basic means of production and products are owned respectively by the various collective units, which distribute them independently. The production team is the basic accounting unit of the people's commune. From the production team's total annual income, after deducting production expenses and administrative expenses, state taxes, the accumulation fund, funds set aside for the following year's production, reserve grain, the public welfare fund, and other such items, the remainder is distributed among individual members of cooperatives according to the principle "from each according to their ability, to each according to their work."

When consumer goods are distributed to individual members of cooperatives, apart from the commune members' grain ration allocated according to population, distribution is based on work points—the amount of labor each individual member of a cooperative provides to the

production team's collective economy. Work points are the form of "to each according to their work" in the economy under the collective ownership of the people's commune.

Work points are linked to the workdays of individual cooperative members, becoming a measure of the amount of labor each member provides on each workday. At the same time, this measure is directly converted into a value for distributing the amount of labor provided by each member on each workday according to work. This process is carried out through the collective's labor assessment and point recording. At year's end, remuneration for labor is paid based on the total work points earned by each individual member during the year.

Work points are linked to the annual net income of each production team and serve as a measure of the team's annual income level. This figure also directly affects the quantity of consumer goods allocated to each individual member of a cooperative. Therefore, the value of each work point—that is, the amount of money represented by each point—is not set in advance, but is determined by the annual income of each production team and the amount deducted for accumulation. Generally speaking, the higher a production team's annual income, the higher the value of its work points; the lower its annual income, the lower the value. The value of work points determines the quantity of consumer goods distributed to individual members of cooperatives according to work.

The work-point system of distribution directly links the income levels of individual cooperative members to the production and income levels of the collective production team. Since production teams differ in their conditions of management, means of production and technical equipment, the size and fertility of their farmland, transportation, and other aspects, their production and income levels also differ. At the same time, the amount each production

team deducts for accumulation varies, so the income and living standards of members also necessarily differ from one production team to another. At the present stage, appropriately recognizing these differences is conducive to the development of agricultural production and the consolidation of the collective economy.

In determining remuneration for labor for members of cooperatives, it is essential to uphold proletarian politics in command, oppose the principle of "putting work points in command," and correctly implement the principle of "from each according to their ability, to each according to their work." Equal pay for equal work for men and women must be implemented. This is of great significance for achieving economic equality between men and women, mobilizing the enthusiasm of the broad masses of women to participate in collective productive labor, and consolidating and developing the collective economy.

Within the economy under the collective ownership of the people's commune, communes and brigades can draw part of the accumulation from production teams to develop the collective economy at the commune and brigade levels. However, the amount has to be appropriate and must not affect the production teams' extended reproduction or distribution to their members. "**Accumulation is essential for both the state and the co-operative, but in neither case should it be excessive. We should do everything possible to enable the peasants in normal years to raise their personal incomes annually through increased production.**"[1]

Within the people's commune collective economy, in addition to "to each according to their work," members of cooperatives who were family members of martyrs or servicemen and lacked labor power, as well as elderly, weak, orphaned, widowed, or disabled members without

[1] Mao Zedong, "On the Correct Handling of Contradictions Among the People," 401.

support who belonged to “five-guarantee” households, are provided with commune members’ grain rations and appropriate living subsidies and care. This reflects the superiority of the people’s commune system.

# Section Three: Restricting Bourgeois Right in Distribution According to Labor

## The Necessity of Restriction

In socialist society, restricting bourgeois right in distribution is an important task of the dictatorship of the proletariat and has always been given great attention by proletarian revolutionary leaders.

In summarizing the historical experience of the Paris Commune, Marx and Engels fully endorsed the Commune's wage principle: the salaries of all officials "must not exceed the average wages of skilled workers." They regarded this as an important measure under the dictatorship of the proletariat to prevent state personnel from scheming for positions and privileges and becoming corrupt. Later, when discussing the distribution to workers in socialist society, Engels further emphasized: "**In a socialistically organised society, these costs** (Editor's note: the expenses of training workers) **are borne by society, and to it therefore belong the fruits, the greater values produced by compound labor. The worker himself has no claim to extra pay.**" The teachings of Marx and Engels fully embody the revolutionary spirit of restricting bourgeois right.

After the victory of the October Revolution, Lenin consistently emphasized that wage policy must adhere to the principles of the Paris Commune and narrow wage differentials, viewing this as essential to consolidating and strengthening the dictatorship of the proletariat and preventing the restoration of capitalism. Under Lenin's leadership, it was stipulated that Soviet representatives and Party members holding leadership positions could not receive monthly

salaries exceeding the average wage level of workers; the maximum salary for people's commissars was set at 500 rubles, roughly equal to the highest wages earned by workers at the time. Lenin considered the implementation of the principles of the Paris Commune to be one of the "**fundamental characteristics**"[1] of a state of the dictatorship of the proletariat. He also pointed out that, with regard to wage differentials, "**we shall introduce complete wage equality only gradually,**"[2] and stressed the need to guard against the corrupting effects of a high-wage system for retained bourgeois specialists. Lenin consistently educated the masses to wage an uncompromising struggle against the old ideas, habits, and traditions of the bourgeoisie and petty bourgeoisie, advocated a communist work ethic, and fostered communist ideas.

In the course of leading our country's socialist revolution and socialist construction, the great leader Chairman Mao put forward the theory of the basic contradictions in socialist society, formulated the Party's basic line for the entire socialist historical stage, and set the task of continuing the revolution under the dictatorship of the proletariat. Chairman Mao's important instruction that the portion of bourgeois right still existing in socialist society could only be restricted under the dictatorship of the proletariat is a profound exposition of the Marxist-Leninist theory of the dictatorship of the proletariat and a scientific summation of the historical experience of the struggle between the two lines—Marxism and revisionism—in the international communist movement and within our Party. Chairman Mao's important instruction tells us that the existence of bourgeois right is an important economic base for the emergence of new bourgeois elements.

---

[1] Vladimir Ilyich Lenin, "The Dual Power," in *Lenin's Collected Works*, Vol. 24.

[2] Vladimir Ilyich Lenin, "Can the Bolsheviks Retain State Power?"

From the perspective of distribution, why is the existence of bourgeois right an important economic base for the emergence of new bourgeois elements?

First, the existence and expansion of bourgeois right in "to each according to their work" inevitably lead to the widening of class distinctions in the distribution of consumer goods and to intensifying inequality, giving rise to wealth disparity and class differentiation.

When Engels used the disintegration of the primitive commune as an example to explain the intrinsic connection between differences in distribution and class differences, he pointed out: "**With the differences in distribution, class differences emerge.**"[1] The same principle applies to socialist society. In socialist society, if the "inevitability" and "reasonableness" of bourgeois right in distribution—that is, inequality—are one-sidedly emphasized and made absolute and immutable, rather than being appropriately restricted while the material and ideological conditions for its gradual elimination are created, and if it is instead consolidated, expanded, and strengthened, the following social phenomena will inevitably arise: at one extreme, a small number of people, relying on certain advantages in the social division of labor, production technology, and work capacity, will acquire ever more commodities and money through legal and illegal means, appropriating large quantities of the fruits of working people's labor and coming into sharp conflict of interests with them; at the other extreme, the wages earned by the majority will be sufficient only to maintain, or insufficient to maintain, the lives of individuals and their families. Lenin said: "**What are classes in general? Classes are that which permits one section of society to appropriate the labor of another section.**"[2] New bourgeois elements are

---

[1] Frederick Engels, "I. Subject Matter and Method, Part II: Political Economy," in *Anti-Dühring. Herr Eugen Dühring's Revolution in Science.*

[2] Vladimir Ilyich Lenin, "The Tasks of the Youth Leagues," in *Lenin's Collected Works*, Vol. 31.

exploiters who appropriate the labor of others and emerge on the economic basis of bourgeois right.

Second, the existence and expansion of bourgeois right in "to each according to their work" will inevitably, in turn, affect the socialist mode of production and mode of exchange, causing socialist ownership to degenerate into capitalist ownership.

Marxism teaches us that a given mode of distribution is always subordinate to a given mode of production and mode of exchange. "**Distribution, however, is not a merely passive result of production and exchange; it in its turn reacts upon both of these.**"[1] Since bourgeois right exists in "to each according to their work," its effects cannot be confined to the field of distribution; on the contrary, it will affect the socialist mode of production and mode of exchange. Lenin said: "**No laws on earth can abolish inequality and exploitation so long as production for the market continues, and so long as there is the rule of money and the power of capital.**"[2] Some people, by virtue of bourgeois right in distribution, acquire large quantities of commodities and money, and then proceed to seek personal gain and amass wealth in the field of exchange and even in production, through both legal and illegal means, causing capitalist activity to run rampant. "**The first and most essential effect is the generalization of the commodity form.**"[3] The capitalist activities of enriching oneself at public expense, through so-called "bartering" or "pulling strings" for example, would undermine the socialist system of product exchange, disrupt commodity-money circulation under the socialist system, and

---

[1] Frederick Engels, "I. Subject Matter and Method, Part II: Political Economy."

[2] Vladimir Ilyich Lenin, "The Land Question and the Fight for Freedom," in *Lenin's Collected Works*, Vol. 10 (Progress Publishers, Moscow, 1965).

[3] Frederick Engels, "IV. Distribution, Part III: Socialism."

dismantle the planned economy. At the same time, the remnants of capitalist society, such as bourgeois parasites, speculators, rogues, idlers, rowdies, bribe-takers, and embezzlers of state funds, would seize the opportunity to "show off their skills"; speculation and profiteering, corruption, theft, bribery, and similar phenomena would also become widespread. Ultimately, this would lead to the degeneration of socialist ownership, breaking up the socialist state-owned economy and collective economy "**into a mass of private producers,**"[1] and turning certain sectors and units into socialist enterprises in name but capitalist enterprises in reality. In this way, the historical phenomena of the transformation of money into capital and the transformation of labor power into a commodity in capitalist society would recur, and a small number of Party members, Workers, wealthy peasants, and government office workers would degenerate into rich peasants, moneylenders, commercial capitalists, and factory owners—in other words, new bourgeois elements.

Third, the existence and expansion of bourgeois right in "to each according to their work" will inevitably cause bourgeois right ideology and bourgeois ideas of selfishness to run rampant, turning some workers, Party members, and government office workers into bourgeois elements.

Chairman Mao pointed out: "**Lenin said, 'Small production engenders capitalism and the bourgeoisie continuously, daily, hourly, spontaneously, and on a mass scale.' This also occurs among a section of the workers and a section of the Party members. Both within the ranks of the proletariat and among the personnel of state organs, there are people who follow the bourgeois style of life.**"[2] One important reason why a small number of people in the

---

[1] Frederick Engels, "IV. Distribution, Part III: Socialism."

[2] Quote from Mao Zedong. "Marx, Engels and Lenin on the Dictatorship of the Proletariat," 5

revolutionary ranks become bourgeois is precisely that this is rooted in bourgeois right and bourgeois right ideology. Since bourgeois right exists in distribution in socialist society, it inevitably "retains '**the narrow horizon of bourgeois law.**'"[1] They view revolutionary work through the lens of money relations and a wage-labor mentality, "**calculate with the heartlessness of a Shylock whether one has not worked half an hour more than anybody else.**"[2] If bourgeois right in distribution is not restricted but strengthened, then the various bourgeois right ideology that constitute its ideological form—such as selfishness, hierarchical ideas, ideas of fame and gain, and privilege-seeking ideas—will run rampant, corroding the will of those with weak resolve in the proletarian ranks. As a result, among Workers there will appear "**the few, the groups and sections of workers who stubbornly cling to capitalist traditions and continue to regard the Soviet state in the old way: work as little and as badly as they can and grab as much money as possible from the state.**"[3] Among Party members, there will be some "**fictitious Party members**" and members who are "**only 'out for' the benefits accruing to membership of a government party and do not want to bear the burden of devoted work on behalf of communism.**"[4] Among government office workers, there will be people who detach themselves from the masses, look down on labor, act like officials and overlords, and seek special treatment. A tiny minority of these people will become completely bourgeois in their way of life and political thinking, degenerating into new bourgeois elements who betray the proletariat and working people.

---

[1] Vladimir Ilyich Lenin, "The Economic Basis of the Withering Away of the State."

[2] Ibid.

[3] Vladimir Ilyich Lenin, "The Character Of Our Newspapers," in *Lenin's Collected Works*, Vol. 28.

[4] Vladimir Ilyich Lenin, "The Workers' State and Party Week," in *Lenin's Collected Works*, Vol. 30.

The historical lesson of the complete restoration of capitalism in the Soviet Union clearly tells us that unless bourgeois right in distribution is restricted, wealth disparity and polarization will inevitably arise, producing large numbers of new bourgeois elements. Socialist public ownership will degenerate into the private ownership of the bureaucratic monopoly bourgeoisie, and capitalism will be completely restored.

The renegade clique of Khrushchev and Brezhnev are the bourgeoisie within the Party, which arose from the old soil of bourgeois right. It is the general representative of the landlord and bourgeois classes and the new bourgeois elements overthrown in the Soviet Union. After usurping Party and state power in the Soviet Union, they wave the socialist banner and vigorously expand bourgeois right, thereby comprehensively restoring capitalism.

In the field of distribution, under the pretext of "to each according to their work," they vigorously promoted material incentives and did their utmost to widen the income gap between the bourgeois privileged stratum and workers, peasants, and ordinary intellectuals. This greatly intensified class differentiation in Soviet society, causing new bourgeois elements to emerge more rapidly and in greater numbers.

The so-called material incentives of the Soviet revisionist renegade clique are, in reality, the high incomes of the bourgeois privileged stratum. Under the so-called system of distributing material incentives, they use high wages, large bonuses, high writing fees, large allowances, and various privileges to appropriate vast amounts of the fruits of labor of the working people, leading corrupt lives of luxury and debauchery. Their high salaries are dozens to more than a hundred times greater than the lowest incomes of workers, far exceeding the wage gap between bourgeois specialists and unskilled laborers in tsarist Russia before the World War I (at the time,

bourgeois specialists earned 500 rubles a month, while unskilled laborers earned 25 rubles, a twentyfold difference).[1] Because they plunder vast amounts of social wealth by obtaining large bonuses, purchasing special commodities, opening unrestricted withdrawal accounts at banks, and other means, their disparity in actual income compared to the working people is far greater than the disparity in wages.

The Soviet revisionist renegade clique, in order to manufacture a theoretical justification for their plunder, falsely claim that the works they perform are "complex labor" and that they therefore deserve to receive generous remuneration through "to each according to their work." In fact, their high income is not distribution according to work at all, but distribution according to capital and privilege. It is distribution based on exploitative relations founded on the seizure of the fruits of the labor of workers and peasants, and is no different in essence from distribution according to capital in capitalist society, which is based on the exploitation of surplus value. Their ability to seize high incomes is absolutely not—and could not have been—because they have performed "complex labor"; it is entirely because they held the power to distribute products.

The Soviet revisionist renegade clique also uses material incentives to corrupt people's souls and intensify its exploitation of the working people. Under the slogan of material incentives, it has introduced a bewildering array of bonuses and wage grades, using petty favors to drive workers to intensify their labor in order to earn a little more in piece wages and excess bonuses, thereby extracting more surplus value from them. According to a survey, for every ruble the Soviet revisionists hand out to workers as so-called material incentives, they can recoup 16.6

[1] Vladimir Ilyich Lenin, "Report On The Party Programme," in *Eighth Congress of the R.C.P.(B.) March 18-23, 1919*, *Lenin's Collected Works*, Vol. 29.

rubles. The new tsars of Soviet revisionism exploit Workers far more severely than the old tsars did. In 1972, the rate of exploitation in Soviet Union industry was 203%; that is, for every ruble in wages workers received, they produced 2.03 rubles in profit for the Soviet revisionist bureaucratic monopoly bourgeoisie. By contrast, in 1908, the rate of exploitation in industry in tsarist Russia was 102%. In today's Soviet Union, the broad masses of workers have once again been shackled by wage labor and occupy the class position of exploited wage laborers. The bureaucratic monopoly bourgeoisie's distribution to workers is in no way ""to each according to their work"; rather, just as in capitalist society, it is distribution according to the value of labor power.

As a result of the Soviet revisionist renegade clique's promotion of material incentives and expansion of bourgeois right, a small handful of the bourgeoisie comes to possess an ever greater share of social wealth, while the broad masses of working people grow increasingly impoverished, with the income of one quarter of the Soviet Union's population falls below the minimum standard of living.

The fact that the Soviet revisionist renegade clique expanded bourgeois right, leading to the complete restoration of capitalism, fully demonstrates the necessity of restricting bourgeois right under the dictatorship of the proletariat.

## Struggle Between Restriction and Counter-Restriction

Under the conditions of the dictatorship of the proletariat, the struggle between restriction and counter-restriction over bourgeois right is an important component of the struggle between

the proletariat and the bourgeoisie as two classes, and between Marxism and revisionism as two lines; it is also a historical phenomenon that persists for a long time in socialist society. The great leader Chairman Mao recently pointed out: "**After the democratic revolution the workers and the poor and lower-middle peasants did not stand still, they want revolution. On the other hand, a number of Party members do not want to go forward; some have moved backward and opposed the revolution. Why? Because they have become high officials and want to protect the interests of the high officials.**" "**Will there be need for revolution a hundred years from now? Will there still be need for revolution a thousand years from now? There is always need for revolution. There are always sections of the people who feel themselves oppressed; junior officials, students, workers, peasants and soldiers don't like bigshots oppressing them. That's why they want revolution. Will contradictions no longer be seen ten thousand years from now? Why not? They will still be seen.**"[1] Chairman Mao's important instructions profoundly pointed out the fundamentally opposed positions and attitudes of the proletariat and the bourgeoisie toward bourgeois right, identified the economic roots of the struggle between restriction and counter-restriction waged by the proletariat and the bourgeoisie over bourgeois right, and also pointed out the protracted nature of this struggle.

Throughout the entire socialist historical stage, the proletariat and the revolutionary people, in order to advance the revolutionary cause and realize the lofty ideal of communism, must gradually narrow and ultimately completely eliminate bourgeois right as an economic foundation. "**The greater the extremes of the exploiters' resistance, the more vigorously, firmly, ruthlessly and successfully will they be suppressed by the exploited. The more**

[1] Quote from Mao Zedong. Editorial Departments of *Renmin Ribao*, *Hongqi* and *Jiefangjun Bao*, "The Great Cultural Revolution Will Shine For Ever," *Peking Review*, No. 21 (1976), 9.

**varied the exploiters' attempts to uphold the old, the sooner will the proletariat learn to ferret out its enemies from their last nook and corner, to pull up the roots of their domination, and cut the very ground which could (and had to) breed wage-slavery, mass poverty and the profiteering and effrontery of the money-bags.**"[1] To protect their vested interests and the economic foundation on which they depend for their existence and reproduction, the bourgeoisie will inevitably resist to the death any restriction of bourgeois right. This is an objective law of class struggle, independent of people's will. In the matter of bourgeois right, the struggle between restriction and counter-restriction waged by the proletariat and the bourgeoisie is inevitable and will persist for a considerable period.

For many years, under the wise leadership of our great leader Chairman Mao, our Party has upheld the correct line of Marxism-Leninism and waged a long and fierce struggle against the revisionist line of Liu Shaoqi, Lin Biao, and Deng Xiaoping, which sought to consolidate, expand, and strengthen bourgeois right. Through the socialist revolution, our Party launched a critique of bourgeois right ideology and adopted a number of measures to impose certain restrictions on bourgeois right in distribution—for example, gradually narrowing the wage gap between staff of state organs and workers and peasants, providing state-funded medical care and cooperative medical care, and developing other collective welfare services. Under the guidance of Chairman Mao's revolutionary line, new socialist things are continually emerging: cadres take part in collective productive labor; workers, peasants, soldiers, students, and merchants[2] follow the "May Seventh" road; educated youth are sent to the countryside; and workers, peasants, and

[1] Vladimir Ilyich Lenin, "Fear Of The Collapse Of Tile Old And The Fight For Tile New."

[2] Note from translator: "Merchants" here means workers in the circulation sphere, rather than merchants or capitalists in the conventional sense.

soldiers have joined the Marxist theoretical ranks, among other developments. All this help to eliminate bourgeois right ideology, narrow the three major differences, and restrict bourgeois right in distribution, thereby powerfully consolidating and strengthening the dictatorship of the proletariat.

Liu Shaoqi, Lin Biao, and Deng Xiaoping were terrified of and bitterly opposed to the proletariat's revolutionary measures to restrict bourgeois right. "**When it comes to criticizing bourgeois right, they resent it.**"[1] They first directed their attacks at Chairman Mao's revolutionary line, maliciously slandering the Marxist critique of bourgeois right ideology as an attempt to discredit the principle of distribution according to work, and as "petty-bourgeois fanaticism." They said "restricting bourgeois right requires a material basis; without one, how can it be restricted?" They even forbade mentioning the concept of "bourgeois right," fully exposing their counterrevolutionary nature and opposition to restricting bourgeois right. They treasured the revisionist trash of material incentives promoted by the renegade clique of Khrushchev and Brezhnev, trumpeting such notions as "material incentives are still necessary," "material incentives are materialist," and "induce people with official positions, emoluments, and virtue." They sought to use high office and generous pay, or a few paltry coins, to spur people to chase fame and profit and to develop "enthusiasm" for capitalism, cultivating and buying off a small section of Party members, workers, and state-organ employees as the social support for their restoration of capitalism. The reactionary actions of Liu Shaoqi, Lin Biao, and Deng Xiaoping prove, from the opposite angle, the necessity and importance of restricting bourgeois right and criticizing bourgeois right ideology under the dictatorship of the proletariat; they have

[1] Quote from Mao Zedong. Fang Kang, "Capitalist-Roaders Are the Bourgeoisie Inside the Party," 7.

also further strengthened the revolutionary people's resolve to carry this great struggle through to the end.

To restrict bourgeois right in distribution under the dictatorship of the proletariat, we must insist on narrowing rather than widening wage differences. Continuously raising the living standards of the broad masses while developing production is determined by the nature and purpose of socialist production and expresses the superiority of the socialist system. Our country's Constitution stipulates: "Improves the people's material and cultural life step by step on the basis of the constant growth of social production."[1] This is beyond question. At the same time, however, we must start from the overarching goal of strengthening the dictatorship of the proletariat over the bourgeoisie and restrict bourgeois right in distribution, along with the inequalities it entails. "**The gap between the incomes of the working personnel of the Party, the government, the enterprises and the people's communes, on the one hand, and the incomes of the mass of the people, on the other, should be rationally and gradually narrowed and not widened. All working personnel must be prevented from abusing their power and enjoying special privileges.**"[2] This is a valuable historical lesson of the dictatorship of the proletariat, and we must continue to uphold it. The vibrant new socialist things created by the masses help narrow the three major differences and restrict bourgeois right in distribution. We must wholeheartedly support and foster them, thereby weakening the economic base that gives rise to capitalism.

---

[1] "The Constitution of the People's Republic of China," *Peking Review*, No. 4 (1975), 14.

[2] Editorial Department of *Renmin Ribao* and *Hongqi*, *On Khrushchov's Phoney Communism and Its Historical Lessons for the World*, 102.

We must launch a critique of bourgeois right ideology. Throughout the entire socialist historical period, because bourgeois right still exists, the so-called "equivalent exchange"—that is, the principle of equivalence between "labor" and "remuneration"—can all too easily take hold in some people's minds. If we are not vigilant against these bourgeois right ideology and allow them to spread unchecked, some people will get caught up in the principle of so-called "equivalent exchange," haggle over individual interests, and foster bourgeois individualist ideas and a wage-labor mentality. They will adopt the mistaken attitude of "labor according to remuneration," or "the more money you pay, the more work you do," and ultimately go down the capitalist road. Liu Shaoqi, Lin Biao, and Deng Xiaoping spread so many reactionary fallacies on the questions of "to each according to their work" and wages precisely to exploit bourgeois right and incite those with deeply entrenched bourgeois right ideology to oppose the socialist revolution and the dictatorship of the proletariat. This serious lesson is worth remembering.

To thoroughly criticize bourgeois right ideology and prevent people like Deng Xiaoping from exploiting bourgeois right to serve their ulterior purposes, we must, at the most fundamental level, earnestly study the theories of the dictatorship of the proletariat in Marxism-Leninism and Mao Zedong Thought, and correctly understand and approach "to each according to their work," as well as the question of recognizing, restricting, and gradually eliminating bourgeois right. Revisionists always portray socialism "**not as something undergoing continuous change and progress but as a stable affair fixed once for all, which must, therefore, have a method of distribution fixed once for all.**"[1] This must be thoroughly criticized and its pernicious influence eradicated. Like other socialist economic categories, "to

[1] Friedrich Engels, "Engels to Conrad Schmidt in Berlin, London, August 5, 1890."

each according to their work" arises and operates on the basis of socialist public ownership. As the socialist revolution deepens and productive forces develop and change, "to each according to their work" must likewise develop and change accordingly, gradually transitioning toward "from each according to their ability, to each according to their needs." Therefore, it is wrong to absolutize and ossify "to each according to their work," just as it is wrong to set the recognition of bourgeois right in opposition to restricting and gradually eliminating it. Only by gaining a true theoretical understanding of the Marxist theory of "to each according to their work" can we distinguish socialism from capitalism and make a complete break with bourgeois right ideology.

We must carry forward the Party's glorious tradition of hard work and perseverance. During the years of revolutionary war, the people's army led by Chairman Mao lived a hard life of a military-communist nature: each day, five qian of oil and three qian of salt. There was no "to each according to their work," no "eight-grade wage system." In this way, after more than twenty years of hardship, they finally smashed the Kuomintang reactionaries' five counterrevolutionary "encirclement and suppression" campaigns, wiped out the Japanese invaders, defeated Chiang Kai-shek's eight-million-strong army that was supported by American imperialism, and liberated the whole country. How were these great victories achieved? Not through "material incentives," but through the leadership of Chairman Mao's revolutionary line and the inspiration of the revolutionary spirit. On the eve of liberation of the whole country, Chairman Mao earnestly admonished us: "**The comrades must be taught to remain modest, prudent and free from arrogance and rashness in their style of work. The comrades must be taught to preserve the style of plain living and hard struggle.**"[1] Today, shouldering the historic task of continuing the

[1] Mao Zedong, "Report to the Second Plenary Session of the Seventh Central Committee of the Communist Party of China," 374.

revolution under the dictatorship of the proletariat, we are all the more urgently called upon to inherit and carry forward this glorious tradition of the Party under the new historical conditions. All revolutionary comrades, regardless of rank or occupation, must follow Chairman Mao's teachings, diligently study books, strive to remold their worldview, consciously resist the material temptations of the bourgeoisie and the corrosion of bourgeois right and bourgeois right ideology, and establish lofty communist ideals. They must foster the communist spirit of labor, advocate hard work and perseverance, serving the people, accelerating socialist construction, and the future prospects of communism, rather than talking about "material incentives." In short, "**We should maintain the same vigor, the same revolutionary enthusiasm and the same death-defying spirit we displayed in the years of the revolutionary wars and carry our revolutionary work through to the end.**"[1]

[1] Mao Zedong, "Persevere in Plain Living and Hard Struggle, Maintain Close Ties with the Masses," in *Selected Works of Mao Zedong*, Vol. V, 437.

# Part Five: The Overall Process of Socialist Production

# Chapter Ten: Socialist Reproduction and the Planned, Proportionate Development of the National Economy

## Section One: Socialist Reproduction

### Characteristics of Socialist Reproduction

The preceding chapters examined socialist production, exchange, and distribution respectively. However, production, exchange, distribution, and consumption, as the various links in social reproduction, are not isolated from one another; rather, they are interconnected and mutually constrain one another, forming a unified organic whole. This part will bring socialist production, exchange, distribution, and consumption together from the perspective of social reproduction, treating them as a single, unified overall process for comprehensive analysis. Chapters 10 and 11 of this part mainly examine the production of the social product from the perspective of social reproduction, while Chapter 12 mainly examines the distribution of the social product from the same perspective.

Production in socialist society, like production in any society, is continuous. Marx said: "**Whatever the form of the process of production in a society, it must be a continuous process, must continue to go periodically through the same phases. A society can no more cease to produce than it can cease to consume.**"[1] Production, viewed as a process that is constantly repeated and renewed, is the reproduction process.

Like capitalist reproduction, socialist reproduction is also extended reproduction and a unified process involving the reproduction of social products, the reproduction of labor power, and the reproduction of relations of production. However, because their socioeconomic systems differ, they also have different natures and characteristics.

From the perspective of the reproduction of social products: the purpose of the production and reproduction of social products in capitalist society is to obtain high profits. Because capitalist society is characterized by the inherent contradiction between private capitalist ownership of the means of production and the social character of production, production and reproduction both take place under conditions of anarchy and are accompanied by periodic economic crises; reproduction therefore also develops cyclically. Socialist reproduction aims to meet social needs and proceeds at a high rate, on a planned, proportionate basis. In socialist society, relations of production are basically compatible with the development of the productive forces, thereby fundamentally eliminating the causes of economic crises and opening up broad prospects for the rapid and uninterrupted extended reproduction of social products.

---

[1] Karl Marx, "Chapter Twenty-Three: Simple Reproduction."

From the perspective of the reproduction of labor power: alongside the extended reproduction of the social product, extended reproduction of labor power also takes place, compensating for the physical and mental exhaustion of the workers in the reproduction process and continually replenishing the new labor power required for extended reproduction. The reproduction of labor power in capitalist society is governed by the capitalists' need to extract surplus value. Alongside capital accumulation, surplus labor is continually produced, creating a vast, impoverished army of the unemployed. This is an inherent feature of the reproduction of labor power in capitalist society. In socialist society, the reproduction of labor power, like the reproduction of the social product, is also carried out according to plan. Socialist society has eliminated unemployment; the ranks of the workers continue to grow, and the lives of working people are gradually improved and raised. To meet the needs of social production for labor power, the state vigorously develops educational undertakings according to plan, makes primary and secondary education universal, and creates conditions for the younger generation to be tempered in the three great revolutionary movements—class struggle, production struggle, and scientific experimentation—thereby raising their ideological awareness and production skills and ensuring a continual supply of large numbers of workers with socialist consciousness and culture to the production sectors. Family planning is an important prerequisite for the planned reproduction of labor power in socialist society. In capitalist society, the production of human beings, like the production of material goods, is anarchic. Only in socialist society does it become possible to begin regulating not only the production of material goods but also the production of human beings according to plan.

From the perspective of the reproduction of relations of production: in capitalist society, as capitalist reproduction expands, exploitation of the workers also intensifies. At one pole, the means of production become increasingly concentrated in the hands of a small number of capitalists; at the other, this leads to the growing impoverishment of the broad proletariat and working people. Socialist relations of production have a dual character, comprising both communist elements and capitalist elements. In the process of socialist reproduction, both aspects of socialist relations of production will be reproduced simultaneously. Therefore, the existence of bourgeois right as an economic base will also be a long-term historical phenomenon. However, the overall trend of the extended reproduction of socialist relations of production will inevitably be the continual expansion of communist elements and the continual contraction of bourgeois right. This process is also the process by which socialist relations of production are continually perfected and gradually transition to communist relations of production.

Socialist extended reproduction takes place amid the movement of the basic contradictions of socialist society, and in the course of class struggle and line struggle. Only by upholding class struggle as the key link, thoroughly carrying out the socialist revolution in both the superstructure and the economic base, continually resolving the contradictions between relations of production and the productive forces, and between the superstructure and the economic base, and waging the class struggle of the proletariat against the bourgeoisie, can we ensure that socialist extended reproduction proceeds smoothly in the correct direction.

# Proportional Relationship Between the Two Departments in Socialist Reproduction

When Marx analyzed reproduction in capitalist society, he considered the question to be studied the compensation in value and material compensation of the social product: whether the social product produced by the material production sectors within a year could be compensated in value, whether it could materially replace the material means consumed, and whether it could provide additional material means for extended reproduction—in other words, the conditions for the realization of reproduction. By analyzing the conditions for the realization of reproduction, Marx exposed the profound contradictions of capitalist reproduction. To explain the compensation in value and material compensation of the social product, Marx first analyzed the composition of the social product. He divided the social product according to its material form into means of production and means of consumption, and accordingly divided all social production into Department I, which produces means of production, and Department II, which produces means of consumption. He then divided the social product according to its value form into three components: constant capital (c), variable capital (v), and surplus value (s).

Marx's principle that social production is divided into two major departments and that social product is divided into three parts in terms of value is an important component of Marx's theory of reproduction, as well as one of its two basic premises. The establishment of these two basic premises "**enabled Marx to build up his brilliant theory of the realisation of the social**

**product in capitalist society.**"[1] The same principle applies to the analysis of socialist reproduction.

In socialist society, commodity-money relations still exist, and the social product takes both a material form and a value form. The entire production of socialist society is divided into two major departments: the production of means of production (Department I) and the production of means of consumption (Department II). In material form, the social product is divided into means of production and means of consumption (in practice, the social product as a whole is usually divided into means of production and means of consumption according to the actual uses of the products. Department I comprises all products used for productive consumption, including heavy industrial products consisting of means of production, some light industrial products used for productive consumption, buildings for production, and agricultural products used for productive consumption, such as seeds, livestock, fodder, and agricultural raw materials for industrial processing. Department II comprises all products used directly to meet people's consumption needs). In value form, the social product is also divided into three components corresponding to c+v+s, except that they no longer reflect the original capitalist relations of production: c represents the value of the means of production consumed in the previous production process that must be replaced—that is, the replacement fund for means of production; the value of these means of production has been transferred to the new product. v represents the individual consumption fund, consisting of the newly created value placed at the disposal of individual producers. s represents the portion of newly created value placed at the disposal of society or the collective, namely, net social income.

---

[1] Vladimir Ilyich Lenin, "Chapter I. The Theoretical Mistakes of the Narodnik Economists."

The basic problem encountered in socialist reproduction is likewise this: Can the social product produced in a year compensate, in both material and value terms, for the material means consumed in the previous production process, and can it supply the additional material means required for extended reproduction? In other words, what proportional relations should be maintained between the two major divisions of social production to ensure the smooth progress of extended reproduction?

Exchange is a necessary stage of extended reproduction. Marx states that exchange is "**a moment mediating between production with its production-determined distribution on one side and consumption on the other.**"[1]

In the process of socialist reproduction, exchange takes place between Department I and Department II, as well as within each department, according to the principle of equivalent exchange.

How to exchange?

1. Products of Department I are exchanged among the various sectors of Department I. Some of these products can enter the reproduction process of production units directly, without exchange (for example, coal used by the coal mine itself), but the vast majority must be exchanged among the various sectors and enterprises within the department (for example, the coal industry supplies fuel to the machine-building sector, while the machine-building sector supplies machinery to the coal sector, and so on).

2. Products of Department II are exchanged among the various departments within Department II. Some of the consumer goods produced by Department II are used for personal

[1] Karl Marx, "Introduction."

consumption within the department and are exchanged through socialist commerce for the wages of wage earners and the money income of members of rural people's communes. Some of the consumer goods produced by the rural collectively owned economy are distributed and consumed within collective units (such as production teams) and do not enter market circulation.

3. The products of Departments I and II are exchanged between the two departments. Some of the means of production produced by Department I are used by various sectors of Department II to replace what has been consumed and for extended reproduction. Some of the consumer goods produced by Department II are exchanged through commercial exchange for the wages of wage earners in Department I.

Through the three forms of exchange described above, the conditions for simple reproduction are met if the means of production produced by Department I are just sufficient to replace the means of production consumed by the two departments, and the means of consumption produced by Department II are just sufficient to replace those consumed by the producers in both departments. The conditions for extended reproduction are met only when the social product can not only replace the material means already consumed but also provide surplus means of production and means of consumption. In practical work, this requires us to handle the relationship between simple reproduction and extended reproduction properly. Simple reproduction is the starting point and foundation of extended reproduction. Therefore, extended reproduction can be planned only after simple reproduction has been properly arranged; the scale of extended reproduction, in turn, depends on how much additional means of production and means of consumption remain from the social product after meeting the needs of simple reproduction.

The proportions between the two major divisions of social production are the most important proportions in socialist reproduction. In this respect, Department I, which produces means of production, plays a major role in the national economy as a whole. Within Department I, the production of means of production required by Department I and the production of means of production required by Department II play different roles in the reproduction process; the former plays the leading role.

With continuous technological progress and rising labor productivity, the amount of living labor and total labor consumed in producing each unit of a product continually decreases, while the proportion of means of production in the materialized labor consumed continually increases. Thus, extended reproduction requires a greater proportion of additional means of production, and society's demand for means of production is therefore bound to grow faster than its demand for means of consumption. Accordingly, production of means of production must grow faster than production of means of consumption, and production of means of production for Department I must grow faster than production of means of production for Department II. Lenin pointed out: "**To expand production (to "accumulate" in the categorical meaning of the term) it is first of all necessary to produce means of production, and for this it is consequently necessary to expand that department of social production which manufactures means of production.**"[1] Lenin also noted: "**Growth in the production of means of production as means of production is the most rapid, then comes the production of means of production as means of consumption, and the slowest rate of growth is in the**

[1] Vladimir Ilyich Lenin, "V. Accumulation in Capitalist Society, Chapter I. The Economic Theories of Romanticism," in *A Characterisation of Economic Romanticism*, *Lenin's Collected Works*, Vol. 2.

**production of means of consumption.**"[1] Therefore, only by vigorously developing the production of means of production, especially by "**intense development of the production of coal and iron, those real 'means of production as means of production.'**"[2] can we ensure that the two major departments obtain the technical equipment needed for extended reproduction and continually raise labor productivity.

The priority growth of means of production production is a basic principle of Marxism-Leninism's theory of reproduction. It reflects the law governing the development of extended social reproduction under conditions of technological progress. Therefore, this general law operates in both capitalist and socialist societies. However, under the capitalist system, the law of priority growth of means of production production is constrained by the basic economic law of capitalism. Since the process of extended reproduction under capitalism proceeds spontaneously and is frequently interrupted by periodic economic crises, the law of priority growth of means of production production cannot operate under conditions that allow it to be fully realized, and therefore cannot ensure the uninterrupted and balanced growth of social production. It manifests only as the priority growth of certain means of production production sectors that can ensure capitalists earn high profits.

Under the socialist system, the law of priority growth of means of production production conforms to the requirements of the basic economic law of socialism and operates through the law of planned, proportionate development of the national economy. A socialist state can consciously make use of objective economic laws, formulate the national economic plan

---

[1] Vladimir Ilyich Lenin, "III," in *On the So-Called Market Question*, *Lenin's Collected Works*, Vol. 1.

[2] Vladimir Ilyich Lenin, "VI," in *On the So-Called Market Question*, *Lenin's Collected Works*, Vol. 1.

correctly, and properly manage the proportional relations between the two major divisions of social production and among the various production sectors, thereby ensuring the uninterrupted and rapid development of extended social reproduction.

The priority development of the production of means of production does not take place in isolation. Alongside this priority development, the production of means of consumption must also be developed accordingly. This is because, ultimately, the production of means of production still depends on personal consumption and on the development of the production of means of consumption. Without corresponding development in the production of means of consumption, the products of Department I would have no market, and production in Department I could not expand further. Likewise, extended reproduction cannot be carried out without a supply of means of consumption commensurate with the additional labor power. Lenin pointed out: "**The department of social production which produces means of production has, consequently, to grow faster than that producing articles of consumption. … The growth of the home market is to a certain extent 'independent' of the growth of personal consumption, and takes place mostly on account of productive consumption. But it would be a mistake to understand this 'independence' as meaning that productive consumption is entirely divorced from personal consumption. … In the last analysis, productive consumption is always bound up with personal consumption.**"[1]

In other words, the two major departments are mutually dependent on and constrain each other in extended reproduction. Only under the guidance of the national economic plan, by prioritizing the development of the production of means of production, fully bringing into play

[1] Vladimir Ilyich Lenin, "VI. Marx's Theory of Realisation, Chapter I," in *The Theoretical Mistakes of the Narodnik Economists*, *The Development of Capitalism in Russia*, *Lenin's Collected Works*, Vol. 3.

the active role of Department II, and rationally arranging the proportional relations between the two major departments, can the rapid development of socialist production be promoted.

In short, the normal functioning of social reproduction presupposes the maintenance of certain proportional relations between the two major departments and the various production sectors within them. In capitalist society, however, because these proportional relations are frequently disrupted, social reproduction cannot proceed smoothly. As Lenin put it, "**The abstract theory of realisation assumes and must assume the proportional distribution of the product between the various branches of capitalist production. But, in assuming this, the theory of realisation does not, by any means, assert that in a capitalist society products are always distributed or could be distributed proportionally.**"[1] The planned, proportional development of social production and the national economy as a whole becomes possible only under the socialist system.

[1] Vladimir Ilyich Lenin, "Once More on the Theory of Realisation," in *Lenin's Collected Works*, Vol. 4.

# Section Two: Planned, Proportionate Development of the National Economy

## The Objective Necessity of Planned, Proportionate Development of the National Economy

In socialized large-scale production, no department can produce independently without other related departments. As production develops, the number of social production departments increases, and the division of labor across industries becomes increasingly fine-grained. For example, viewed from the perspective of the national economy as a whole, there are departments such as agriculture, industry, the transportation industry, and the posts and telecommunications industry; within each department, in turn, there are several smaller departments or industries. With the development of the social division of labor, not only do the number of departments and industries increase, but the connections and mutual dependence among them also grow ever closer. For instance, producing tractors requires steel; steel comes from the iron and steel industry, which depends on extractive industries such as iron ore and coal mining. The development of the mining industry, in turn, requires the machinery industry to provide mechanical equipment, and so on. It is clear, therefore, that the development of every department or industry directly or indirectly affects the development of many others, while also being directly or indirectly constrained by them.

Socialized production objectively requires social labor to be allocated among the various production departments and industries in certain proportions. Since each department and industry objectively needs to develop in certain proportions relative to the others, the existing means of

production and labor power in society must also be allocated among them in certain proportions. Otherwise, social production cannot proceed smoothly. Marx once pointed out: "**Every child knows, too, that the masses of products corresponding to the different needs required different and quantitatively determined masses of the total labor of society. That this *necessity* of the *distribution* of social labor in definite proportions cannot possibly be done away with by a *particular form* of social production but can only change the *mode* of its *appearance* , is self-evident.**"[1]

In capitalist society, proportional development cannot be achieved consciously; adaptation to the objective requirements of proportionality can occur only through the destructive effects of economic crises. Since the means of production belong to capitalists, what is produced and how much is produced are matters for individual capitalists alone. Thus, within the bounds of a single factory or a monopoly capital, capitalist production can be organized. But across society as a whole, the capitalist system is fundamentally incapable of distributing social labor according to an objective plan based on the proportions required by the development of production. This is because each enterprise belongs separately to a different capitalist or capitalist group, and each capitalist, guided by the level of profit, shifts capital at one time into certain sectors and at another time into others. Thus, social production as a whole is not organized, but anarchic. As Engels pointed out: "**The contradiction between socialized production and capitalistic appropriation now presents itself as *an antagonism between the organization of production in the individual workshop and the anarchy of production in***

[1] Karl Marx, "Marx to Kugelmann In Hanover, London, July 11, 1868," in *Marx-Engels Correspondence 1868*.

***society generally.***"[1] Therefore, the proportional relations required among the various sectors and branches of industry cannot be consciously and systematically brought about by people; they can be imposed only amid blind competition and anarchy of production, through economic turmoil and economic crises, at the cost of massive destruction of the productive forces. Lenin pointed out: "**For capital to abandon one sphere of industry and pass into another there must be a crisis in that sphere.**"[2]

In socialist society, the objective need for planned, proportionate development arising from the further socialization of production becomes more pronounced. At the same time, under conditions in which the means of production are publicly owned, social production and reproduction cannot proceed, nor can the purpose of socialist production be achieved, without planned regulation of the national economy as a whole. As Lenin said: "**It is inconceivable without planned state organization, which keeps tens of millions of people to the strictest observance of a unified standard in production and distribution.**"[3] Therefore, the immense organizational task of socialism is "**the transformation of the whole of the state economic mechanism into a single huge machine, into an economic organism that will work in such a way as to enable hundreds of millions of people to be guided by a single plan.**"[4]

Socialist public ownership of the means of production also makes it fully possible for the national economy to develop in a planned, proportionate manner. Engels pointed out: "**With the**

---

[1] Frederick Engels, "Part III: [Historical Materialism]," in *Socialism: Utopian and Scientific* (Progress Publishers, 1970).

[2] Vladimir Ilyich Lenin, "VIII. Why Does the Capitalist Nation Need a Foreign Market?, Chapter I. The Theoretical Mistakes of the Narodnik Economists."

[3] Vladimir Ilyich Lenin, "'Left-Wing' Childishness," in *Lenin's Collected Works*, Vol. 27.

[4] Vladimir Ilyich Lenin, "Political Report Of The Central Committee, March 7, Extraordinary Seventh Congress of the R.C.P.(B.)," in *Lenin's Collected Works*, Vol. 27.

**seizing of the means of production by society… Anarchy in social production is replaced by systematic, definite organization.**"[1] This is because socialist public ownership of the means of production accords with the social nature of modern productive forces. It eliminates the contradiction between capitalist private ownership and the social character of production, and removes the conflicts of interest among individual units that capitalism cannot overcome, thereby making it possible to carry out social production according to a predetermined plan.

Therefore, the planned, proportionate development of the national economy is determined by the conditions of the socialist economy and is an objective economic law independent of people's will. The planned, proportionate development of the national economy is a basic feature of the socialist economy and an important indicator of the superiority of the socialist system.

The law of planned, proportionate development of the national economy makes it possible for a socialist state to plan production correctly and regulate the entire national economy in a planned manner. But to turn this possibility into reality, it is necessary to study this economic law seriously, understand and apply it correctly, and draw up plans that meet its requirements. Practice shows that ever since the law of planned, proportionate development of the national economy came into being, an intense struggle between two classes, two roads, and two lines has persisted. Revisionists preach "spontaneism" and the "laissez-faire doctrine" in economic development, advocate economic liberalization, and do everything possible to undermine the operation of the law of planned, proportionate development of the national economy. They oppose the socialist planned economy and seek to exploit this as a breach through which to dismantle the socialist economic base and restore capitalism. Therefore, only by upholding the

[1] Frederick Engels, "II. Theoretical, Part III: Socialism."

leadership of the proletarian party and, under the guidance of the Marxist-Leninist line, continually overcoming the disruption and sabotage caused by all kinds of opportunist lines can broad scope be created for the law of planned, proportionate development of the national economy to operate.

## Several Major Proportional Relationships in the National Economy

To make use of the law of planned, proportionate development of the national economy, we must understand what proportional relations exist within the national economy.

Complex proportional relations exist within the national economy. The national economy is an organic whole encompassing social production, distribution, exchange, and consumption—that is, all processes of social reproduction and all sectors of the material and non-material production spheres. The various processes and sectors are closely interconnected, interdependent, and mutually constraining; the quantitative expression of these connections is proportional relations. Each process and sector comprises a number of enterprises and economic units. The interwoven connections among enterprises and economic units give rise to specific proportional relations between and within sectors. Enterprises and economic units are distributed across all regions of the country, thereby also forming connections and proportional relations among regions.

The Marxist theory of reproduction is the theoretical foundation for revealing the main proportional relations in the national economy. Proportional relations within the national economy are numerous and complex. Only by applying the law of the unity of opposites to

analyze the national economy as an organic whole can we reveal which main proportional relations objectively exist. In this regard, Marx's theory of reproduction points us in the right direction. The division into two major departments encompasses all sectors of social production, and the proportional relations between and within the various sectors are all contained within the proportional relations between the two major departments. Therefore, the proportional relations between the two major departments are the basic proportions of social production and one of the basic proportions of the socialist national economy.

Second, after deducting c from the value of the gross product of socialist society, what remains is newly created value, namely the national income of socialist society. Through distribution and redistribution, it is divided into two parts: the accumulation fund and the consumption fund. On this basis, distribution takes place among members of society and among regions and sectors. Thus, dividing the value of the gross product into c+v+s is an objective requirement of social reproduction and the basic proportion of social distribution.

In addition, the proportions of production and distribution also determine the content and channels of the exchange process, as well as the volume and direction of consumption. The proportions of the exchange and consumption processes are likewise inherent in the basic proportions of production and distribution. Therefore, the proportions between the two major departments and the proportions governing the distribution of the value of the gross product are the two basic proportions in the national economy. They are a concise summary of the complex proportional relations in the national economy and a key to understanding them. By grasping these proportions, we can further reveal the principal proportional relations inherent in the basic

proportions—that is, the principal proportional relations objectively present in the national economy.

1. The main proportional relations inherent in the two major departments:

(1) The proportional relations between industry and agriculture. The two major departments comprise many production sectors, the most important of which are industry and agriculture. Therefore, the proportional relations between industry and agriculture are the most important proportional relations in the national economy. Agriculture is the foundation of the national economy, and industry is the leading factor of the national economy. The development of industry and agriculture must proceed simultaneously. However, given certain limits on manpower, material resources, and financial resources, the development of industry and the development of agriculture also conflict with each other. In light of the differing economic conditions of each country, studying the patterns of change in the proportional relations between industry and agriculture during the process of achieving socialist industrialization and agricultural mechanization, and correctly determining the proportional relations between the development of industry and agriculture, is a key issue in the planned, proportionate development of the national economy. We will discuss this issue again in the next chapter.

(2) Proportional relations within agriculture. The agricultural economy includes agriculture, forestry, animal husbandry, sideline production, and fisheries; within agriculture there are also grain crops and cash crops, including twelve major categories: grain, cotton, oil, hemp, silk, tea, sugar, vegetables, tobacco, fruit, medicinal crops, and miscellaneous crops. Within the agricultural economy, grain production occupies the primary and decisive position. Agriculture is the foundation of the national economy, and grain is the foundation of that

foundation. With grain, there is the initiative to develop diversified operations, as well as the fundamental conditions for the comprehensive development of the agricultural economy. At the same time, the development of diversified operations can strongly support the state's economic development, invigorate the market, meet the people's diverse living needs, and better enable agriculture to play its foundational role. It can also provide funds, animal power, fertilizer, and other conditions of production for developing grain production with greater, faster, better, and more economical results, and can also help transform natural conditions. Diversified operations are also an indispensable and important sector for strengthening the collective economy and increasing the income of members of cooperatives. The agricultural production policy of "**taking grain as the key link and ensuring an all-round development**"[1] reflects the intrinsic connections among the various specialized sectors within the socialist agricultural economy, as well as the objective law of planned, proportionate development in the socialist agricultural economy. In developing grain production and diversified operations, certain conflicts arise with respect to labor power, farmland, funds, and other resources. Resolving these conflicts requires a comprehensive perspective, adapting measures to local conditions, coordinating arrangements, and making an overall plan, so as truly to achieve mutual reinforcement and comprehensive development.

(3) Proportional relationships within industry. Within industry, which comprises numerous closely interconnected and mutually influential sectors, the metallurgical industry, machinery manufacturing industry, chemical industry, and others are means of production production sectors that manufacture means of production. The products of the metallurgical

[1] Quote from Mao Zedong. "Relationship Between Agriculture, Light Industry and Heavy Industry," *Peking Review*, No. 34 (1972), 8.

industry, especially iron and steel, are the "grain" of the machinery manufacturing industry and important raw materials for other heavy-industry sectors. Therefore, the iron and steel industry is a basic industry and the central force driving the development of industry as a whole. In terms of industry itself, the pace and level of industrial development ultimately depend on the pace and level of development of the iron and steel industry. The development of the iron and steel industry can promote the development of the machinery manufacturing industry, ensure that other industrial sectors have what they need to expand production, and accelerate agricultural mechanization and national defense modernization. At the same time, the development of other industrial sectors also places higher demands on the iron and steel industry and equips it with advanced technical equipment, which in turn promotes its faster development. The policy of developing industry by "**taking steel as the key link**"[1] correctly reflects the dialectical relationship between the iron and steel industry and other industrial sectors within socialist industry, and correctly reflects the objective law governing the construction of socialist industry. Developing industry by "**taking steel as the key link**" means grasping the principal contradiction in industrial production sectors; it enables the relationship between the iron and steel industry and other industries, and between basic industries and processing industries, to be handled correctly, bringing about the excellent situation of "one horse taking the lead, with ten thousand horses galloping forward" across the industrial front. To develop the iron and steel industry, mining must come first. Within the iron and steel industry, there are three main stages of production: mining, smelting, and rolling. Only with ore can iron and steel be smelted, and

[1] Quote from Mao Zedong. Chi Wei, "Overall Progress in Industry," *Peking Review*, No. 41 (1971), 8.

only with steel can finished products be made. Therefore, to develop the iron and steel industry, the first priority is mine construction and "**developing the mining industry.**"[1]

Within the industrial sector, there are two categories: heavy industry and light industry. Heavy industry produces means of production and provides the technical equipment needed for the development of the national economy. Light industry mainly produces consumer goods and meets people's everyday needs. Neither can be dispensed with, and they must be mutually adapted. The relationship between developing heavy industry and developing light industry fundamentally reflects the unity of meeting people's current and long-term needs. However, given limited human, material, and financial resources, developing heavy industry and developing light industry also involve certain conflicts, so both the people's immediate and long-term interests must be taken into account. Therefore, in the course of national economic development and at every stage of industrialization, correctly determining the proportional relations between heavy industry and light industry in light of each country's specific circumstances is an extremely important issue.

(4) The proportional relations between industry and agriculture and the transportation industry. The transportation industry is a basic condition for production in industry and agriculture. It links numerous enterprises and units spatially into a whole, enabling social production to proceed smoothly. Without the support of the transportation industry, the means of production required for production in industry and agriculture could not be delivered in time, nor could their products be shipped out in time; this would greatly hinder the development of

[1] Quote from Mao Zedong. "All-Out Efforts in Mine Development," *Peking Review*, No. 19 (1971), 25.

industry and agriculture. Therefore, the development of the transportation industry must be kept in appropriate proportion to the development of production in industry and agriculture.

(5) The proportional relations between current production and capital construction. People cannot stop consuming, and therefore cannot stop producing. Socialist society not only cannot stop production, but must continually expand it. Maintaining the existing scale of production requires replacing productive forces that have become obsolete; expanding the scale of production requires increasing production capacity. It is clear that capital construction is an important means of ensuring the volume and proportions of production in industry and agriculture. However, an excessively large scale of capital construction will also affect current production. Marx pointed out: "**On the basis of socialized production the scale must be ascertained on which those operations — which withdraw labor-power and means of production for a long time without supplying any product as a useful effect in the interim — can be carried on without injuring branches of production which not only withdraw labor-power and means of production continually, or several times a year, but also supply means of subsistence and of production.**"[1] If the scale of capital construction is too large, it will affect the proportional relations in the allocation of labor power and means of production among agriculture, light industry, and heavy industry. Therefore, capital construction and current production must maintain appropriate proportional relations.

2. The main proportional relations inherent in the distribution of the value of the gross product:

[1] Karl Marx, "Chapter 18: Introduction."

(1) The proportional relations between accumulation and consumption. The means of production consumption deducted from the value of the social product is a constant, equal to the amount already consumed. Meanwhile, national income is a variable. Therefore, the central issue in distribution is the proportion between accumulation and consumption. This proportion reflects the relationship between extended reproduction and people's living standards, and is expressed in the relationship among the state, the collective, and the individual. Balancing accumulation and consumption reflects the necessity, under the socialist system, of properly combining long-term interests with current interests, and collective interests with individual interests. Properly handling the proportion between accumulation and consumption is an important measure for achieving balance between social production and social needs, and an important issue in developing the socialist national economy.

(2) Proportional relations in the distribution of the accumulation fund. The accumulation fund is divided by use into three categories: productive accumulation, non-productive accumulation, and reserves. Productive accumulation is used directly for extended reproduction; non-productive accumulation and reserves are also necessary, and appropriate proportions must be maintained in their distribution. Only when the accumulation fund is distributed in appropriate proportions can infrastructure investment and increases in working capital be aligned with the pace and proportions of extended reproduction. The accumulation fund is distributed through national budget revenue and expenditure and therefore also involves a series of proportional relations in national budget revenue and expenditure.

(3) Proportional relations between the growth of the consumption fund, the increase in the number of wage earners, and the rise in the wage level. As production develops, the total

consumption fund continues to grow. At the same time, the wage level continues to rise, and the number of wage earners must increase accordingly. The increase in the number of wage earners is directly linked to production proportions. Increases in the number of wage earners and in the wage level must be commensurate with the growth of the consumption fund; this is a major proportional relation in the national economy that affects a wide range of areas. This, in turn, involves a series of relations, including social purchasing power and the supply of commodity.

3. In the socialist national economy, besides the proportional relations between production and distribution, there are also relations between economic development and national defense construction, and between national economic development and external economic relations, among others. All of these directly or indirectly affect the main proportional relations of the national economy.

The relationship between economic development and national defense construction. As long as imperialism exists, war is inevitable. Therefore, for a socialist state to have a consolidated national defense, it must carry out national defense construction. This gives rise to the question of the relationship between economic development and national defense construction. National defense construction is a condition for economic development, while economic development is the foundation of national defense construction. National defense construction must therefore be continuously strengthened on the basis of economic development. The relationship between national defense construction and economic development is reflected not only in the use of the national budget but also directly affects the proportions of social production and distribution. It must therefore be handled correctly.

The relationship between the development of the national economy and external economic relations. The content and scale of import and export trade and foreign aid have a significant impact on the proportions and pace of national economic development and must be properly planned.

## Rational Distribution of the Productive Forces

Production must occupy a certain amount of space—that is, the layout of productive forces. The law of planned, proportionate development of the national economy requires not only that the interdependent and mutually constraining production sectors develop proportionately in terms of production, but also that they maintain a rational layout in their regional distribution. Properly handling the various relationships involved in the rational layout of productive forces is also an important issue in the planned, proportionate development of the national economy.

After the proletariat seizes power, it is always faced with the historic task of transforming the layout of productive forces. The central issue in transforming the layout of productive forces is to change the pattern of lopsided industrial development inherited from the old society. Large-scale industry arose in the capitalist era. Under competition and anarchy, industrial production developed in a lopsided way, concentrating in a few large cities and giving rise to many irrational features in the spatial distribution of productive forces in capitalist society, wasting human and material resources and causing serious pollution. Only under the socialist system, with public ownership of the means of production established, can people undertake planned economic development nationwide and distribute the productive forces rationally in accordance with the

interests of society as a whole. As Engels pointed out: "**Only a society which makes it possible for its productive forces to dovetail harmoniously into each other on the basis of one single vast plan can allow industry to be distributed over the whole country in the way best adapted to its own development, and to the maintenance and development of the other elements of production.**"[1]

The rational distribution of productive forces in socialist society must serve the political need to consolidate the dictatorship of the proletariat and the need to build socialism with greater, faster, better, and more economical results. First and foremost, it must serve the socialist state's need to strengthen national defense: industry must not be excessively concentrated, each region should be basically self-sufficient in grain, and the distribution should help counter the aggression and threats of imperialism and social-imperialism. In a multiethnic socialist state, it should help strengthen unity among ethnic groups, systematically expand industrial development in border areas and ethnic minority regions, and gradually narrow the differences among ethnic groups in economic and cultural levels. At the same time, the country's human and natural resources should be fully utilized, bringing industry close to sources of raw materials and markets, and establishing a complete industrial system nationwide. Each major economic region should develop an industrial system with its own distinctive features and a degree of independence, and achieve self-sufficiency in agricultural products, industrial goods, and major raw materials as far as possible. Chairman Mao pointed out: "**Various localities should endeavor to build up independent industrial systems. Where conditions permit, co-ordination zones, and then provinces; should establish relatively independent but varied**

[1] Frederick Engels, "III. Production, Part III: Socialism."

**industrial systems.**"[1] This will not only ensure that socialism is built with greater, faster, better, and more economical results, but also help gradually eliminate the differences between town and country.

To rapidly achieve a rational distribution of socialist productive forces, the following relationships must be handled correctly in the course of developing the national economy.

First, the relationship between coastal industry and inland industry—that is, the relationship between existing industrial bases and newly established industrial bases. To ensure a rational distribution of productive forces throughout the country, we must devote our main efforts to developing inland industry and establish new industrial bases in regions that were previously economically backward, achieving relative concentration alongside appropriate dispersal, so that the distribution of industry across the country becomes more balanced year by year. However, if we fail to recognize the role of existing industrial bases and adopt a passive attitude toward coastal industry, this will not only hinder the full utilization of coastal industry, but also impede the rapid development of inland industry. This is because existing industrial bases are the starting point of our country's industrialization. Making full use of the productive forces of existing industrial bases enables us to accumulate more construction funds, provide more equipment and materials, and support the development of inland industry; it enables us to train, from among the workers and technical personnel in coastal areas, the technical cadres needed by newly established industrial bases; and it enables us to use the advantages of existing industrial bases—their advanced technology, low costs, high quality, and wide range of new products—to raise the level of production technology in newly established industrial bases. In

[1] Quote from Mao Zedong. Writing Group of the Peking Municipal Revolutionary Committee, "China's Road of Socialist Industrialization," *Peking Review*, No. 43 (1969), 12.

short, making full use of the equipment capacity and technical strength of coastal industry, and developing it appropriately, can give us the means to develop and support inland industry and to achieve a rational distribution of socialist productive forces more rapidly.

Second, the relationship between large enterprises and small and medium-sized enterprises, and between production using foreign methods and indigenous-method production. Socialist states must build a number of large-scale modernized enterprises as the backbone for the rational distribution of productive forces, but should establish more small and medium-sized enterprises. Technologically, they should adopt advanced technology wherever possible, while also adapting to existing conditions, making do with available resources, starting production by indigenous methods, and combining foreign and indigenous methods. Combining large, medium-sized, and small enterprises, and combining foreign and indigenous methods, is required for the rational distribution of socialist productive forces and for building a local independent industrial system. In industrial production, some enterprises produce main machinery, some auxiliary machinery, some finished products, some components, and others undertake various process-coordination tasks; they divide the work and cooperate with one another. Because production tasks differ, enterprises vary in scale, from large to small and medium-sized. More importantly, developing more small and medium-sized enterprises that combine foreign and indigenous methods helps mobilize local initiative and makes it possible to fully use the resources dispersed across different areas according to local conditions, sourcing materials and producing goods locally. Developing more small and medium-sized enterprises also enables the hundreds of millions of people between urban and rural areas to take part and contribute their strength, facilitating the vigorous promotion of mass movements. In short, by correctly handling the

relationship between the two, socialist construction can be developed with greater, faster, better, and more economical results; a local industrial system can be established rapidly; and the rational distribution of socialist productive forces can be accelerated.

Properly handling the main proportional relations in the national economy is of great importance. Some of the main proportional relations that objectively exist within the national economy are intertwined, forming an organic whole. Any change in one of these proportional relations can have repercussions throughout the entire system, affecting the development of the national economy as a whole in one way or another. Appropriate arrangements promote the development of the national economy; inappropriate arrangements hinder it. Therefore, understanding these proportional relations and grasping the patterns governing their development and change, so as to handle them properly, is a prerequisite for correctly applying the law of planned, proportionate development and the starting point for effective national economic planning.

# Section Three: Planning of the National Economy and Comprehensive Balancing

## Objective Economic Laws and National Economic Planning

The law of planned, proportionate development of the national economy is put into effect through the national economic planning of the socialist state.

Planning of the national economy must follow the Party's line, principles, and policies, and meet the requirements of objective economic laws. The national economic plan should reflect as accurately as possible the requirements of the law of planned, proportionate development of the national economy. Plans are drawn up by people and belong to the realm of ideology, so they cannot easily reflect those requirements with complete accuracy. Nevertheless, within the limits permitted by objective conditions, people should strive as far as possible to meet the requirements of objective laws. To do so, before drawing up a plan, it is essential to conduct careful investigations and studies of actual economic conditions, understand the level of production already attained, the proportional relations already established, and the various technical and economic norms, among other things; make plans based on actual conditions; and continually sum up experience in practice. Only in this way can the requirements of the law of planned, proportionate development of the national economy be reflected with reasonable accuracy.

The national economic plan should conform to the requirements of the basic economic law of socialism. Stalin pointed out: “**The law of balanced development of the national economy can operate to its full scope only if its operation rests on the basic economic law of**

**socialism.**"[1] This is because planned, proportionate development of the national economy can produce the desired results only when it has the tasks that the planned development of the national economy is meant to accomplish. The law of planned, proportionate development of the national economy cannot itself provide these tasks. They are embodied in the basic economic law of socialism. Stalin therefore also said: "**As to economic planning, it can achieve positive results only if two conditions are observed : a) it correctly reflects e requirements of the law of balanced development of the national economy, and b) if it conforms in every way to the requirements of the basic economic law of socialism.**"[2]

Planning of the national economy must consciously grasp and apply the laws governing the contradictory movement of balance and imbalance in the development of the national economy. This plays an extremely important role in the planned, proportionate, high-speed development of the socialist national economy.

In the development of the socialist national economy, the balance among its various proportional relations—that is, the unity of opposites—is temporary and relative, while imbalance—that is, the struggle of opposites—is constant and absolute. The socialist state draws up plans in order to ensure coordinated development among the various sectors of the national economy according to certain reasonable proportional relations. In practice, however, these proportions and this balance are constantly being disrupted. For example, in a particular sector, the continual improvement of relations of production or the superstructure may promote the development of productive forces, thereby bringing about changes in the proportional relations

[1] Joseph Stalin, "7. The Basic Economic Laws of Modern Capitalism and of Socialism," in *Economic Problems of the USSR* (Foreign Languages Press, Peking, 1972).

[2] Ibid.

among other sectors. Technological innovation in a particular sector may raise labor productivity, resulting in more products being produced in the same amount of time, which to some extent also disrupts the original balance. The discovery of new industrial raw materials may provide the relevant sectors with abundant objects of labor and spur their development, thereby requiring other sectors to supply more means of production and labor power, which also gives rise to new imbalances. Agriculture has a major constraining effect on other sectors of the national economy; to a great extent it is subject to natural conditions, and its harvests remain unstable, while the quality of its harvests in turn has a significant impact on the development of all sectors of the national economy. When people's plans fail to accord with objective realities, contradictions gradually become apparent over time, resulting in imbalances; and the obstruction and sabotage by reactionary forces at home and abroad also disrupt balance and proportional relations, and so on. In short, the development of the socialist national economy, like the movement of all other things, is characterized by constant and absolute imbalance, while balance is only a temporary and relative phenomenon within the movement of imbalance.

However, alongside the uneven development of things, an objective need for relative balance also arises. Under capitalist conditions, capitalist production also requires balance and proportion, but these can only be achieved through the spontaneous regulation of the law of value and through economic crises that wreak enormous destruction on the productive forces. Under socialism, people must—and are fully capable of—consciously grasping and applying the objective law of unevenness, thereby bringing about many temporary, relative balances. Lenin said, "**Constant, deliberately maintained proportion would, indeed, signify the existence of**

**planning.**"[1] Chairman Mao pointed out: "**Equilibrium is nothing but a temporary, relative, unity of opposites. By the end of each year, this equilibrium, taken as a whole, is upset by the struggle of opposites; the unity undergoes a change, equilibrium becomes disequilibrium, unity becomes disunity, and once again it is necessary to work out an equilibrium and unity for the next year. Herein lies the superiority of our planned economy. As a matter of fact, this equilibrium, this unity, is partially upset every month or every quarter, and partial readjustments are called for.**"[2] The old balance is broken, giving rise to new imbalances; through conscious adjustment, a new balance is reached, and in this way the socialist national economy is driven forward.

## Comprehensive Balancing is the Basic Method of National Economic Planning

The process by which the socialist national economy moves from imbalance to balance does not arise spontaneously; it is achieved through the conscious organization of comprehensive balancing in the national economy. The purpose of comprehensive balancing is to ensure that the national economic plan conforms to the Party's line, principles, and policies and to objective economic laws, and to guarantee the planned, proportionate, high-speed development of the national economy. The task of comprehensive balancing is to correctly arrange the proportional relations within the national economy and, in accordance with the state's principal political and economic tasks during the planning period, appropriately allocate human, material, and financial

[1] Vladimir Ilyich Lenin, "Uncritical Criticism," in *Lenin's Collected Works*, Vol. 3.

[2] Mao Zedong, "On the Correct Handling of Contradictions Among the People," 395.

resources among the various sectors of the national economy; to achieve a balance between social production and social needs; to ensure that the growth of production of means of production meets the needs of the increasingly developing socialist production, and that the growth of means of consumption meets the needs of the gradual improvement of people's living standards; and to maintain relative balance among the various sectors of the national economy.

The specific content of comprehensive balancing in the national economy is the planned targets for the various areas of national economic development. However, "**It would be foolish to think that the production plan is a mere enumeration of figures and assignments. Actually, the production plan is the living and practical activity of millions of people. The reality of our production plan lies in the millions of working people who are creating a new life. The reality of our programme lies in living people, you and I, our will to work, our readiness to work in the new way, our determination to fulfill the plan. Have we that determination? Yes, we have. Well then, our production programme can and must be fulfilled.**"[1] Therefore, comprehensive balancing in the national economy addresses proportional relations in the national economy, including relations between things, between people and things, and among people. To scientifically resolve the quantitative proportions between things, it is necessary to uphold proletarian politics in command and correctly handle relations between people and things, and among people.

To achieve comprehensive balancing of the national economy, it is necessary to implement the policy of "**over-all consideration and proper arrangement**." Comprehensive balancing of the national economy does not mean balancing from the standpoint of individual

[1] Joseph Stalin, "New Conditions — New Tasks in Economic Construction," in *Works*, Vol. 13 (Foreign Languages Publishing House, Moscow, 1954).

production sectors or individual economic units; rather, it means balancing from the perspective of the national economy as a whole. The various proportional relations within the national economy as a whole are intricately and organically interconnected. Therefore, when arranging the proportional relations in each area, one must take the overall picture into account, plan comprehensively, and consider the proportional relations among all levels and areas; they must never be arranged in isolation. Only through comprehensive balancing, by coordinating the various proportional relations that are interdependent and mutually constraining, can the smooth development of the national economy be ensured. However, the various proportional relations within the national economy should not be treated equally, without distinguishing primary from secondary; instead, distinctions should be made between what is primary and secondary, and between key areas and general ones, so that key areas are safeguarded while general needs are also taken into account. In comprehensive balancing of the national economy, balance within agriculture, balance within industry, and balance between industry and agriculture are key proportional relations that play a crucial role in the development of the national economy as a whole. Only by accomplishing these three most fundamental balancing tasks can the proportional relations of the national economy as a whole be handled correctly.

To ensure comprehensive balancing of the national economy, an attitude of active balancing should be adopted. Comprehensive balancing is a process of exposing, analyzing, and resolving contradictions. There are two diametrically opposed approaches to dealing with these contradictions. One is passive balancing: cutting down the high to match the low, bringing fast-growing sectors to a halt in order to achieve balance. The other is active balancing: making use of every favorable condition to accelerate the development of temporarily weak sectors that are

crucial to the national economy, enabling them to catch up with the advanced sectors and thereby establishing a new balance at a higher level. The continual negation of the old balance by the new is also the process by which the national economy makes the leap from quantitative change to qualitative change. Active balancing embodies the law governing the national economy's development from lower to higher levels, reflects people's capacity to act upon their understanding of this law, and also accords with the requirements of the general line: "**Go all out, aim high, and achieve greater, faster, better and more economical results to build socialism.**" However, in order to oppose the general line for socialist construction, Liu Shaoqi and his ilk put forward such notions as "short-line balancing" and "mechanical balancing." These are forms of passive balancing that see things but not people; they are typical right opportunism, an attempt to slow the pace of socialist construction and undermine the socialist planned economy.

Active balancing requires scientific strategic planning. Attempting active balancing without scientific strategic planning not only does no good for the work, but instead harms the rapid development of the national economy. For example, using comprehensive balancing of the national economy to achieve appropriate proportions in the national economy and build society-wide comprehensive productive capacity is a matter of strategic planning. How should individual sectors or enterprises whose output is below or above society-wide comprehensive productive capacity be adjusted? How should a given amount of capital construction investment be used to increase society-wide comprehensive productive capacity to the greatest possible extent? How should large, medium, and small projects in capital construction be combined, and long-term projects correctly coordinated with short-term ones? These, and so on, are all matters of

scientific strategic planning. In short, scientific strategic planning for the development of the national economy means expanding the scale of social reproduction to the greatest possible extent. With proper planning, the national economy can develop more rapidly; with improper planning, its development will be delayed.

## Basic Principles of National Economic Planning

To ensure that the national economy develops both rapidly and proportionally, national economic planning must, in addition to correctly applying comprehensive balancing as its basic method, also adhere to the following basic principles:

In national economic planning, the principle of combining centralized and unified leadership of the center with the initiative of localities must be upheld. Centralized and unified leadership of the center arose to meet the needs of socialized large-scale production and public ownership of the means of production. It is a product of the socialist system, and something that other social formations throughout history could not achieve. Chairman Mao pointed out: "**Without a high degree of democracy it is impossible to have a high degree of centralism, and without a high degree of centralism it is impossible to establish a socialist economy.**"[1] Therefore, in national economic planning, centralized and unified leadership of the center must be upheld, and a unified national economic plan must be formulated. The plans of all localities and departments must comply with the unified state plan. However, centralized leadership under socialism is also founded on broad democracy. In formulating the unified state plan, the socialist

[1] Quote from Mao Zedong. Writing Group of the Kirin Provincial Revolutionary Committee, "Socialist Construction and Class Struggle In the Field of Economics," *Peking Review*, No. 16 (1970), 9.

enthusiasm of all localities and departments must be taken into account, the reasonable demands of all sides reflected, and arrangements made on a unified basis. The unified state plan and the plans of individual localities and departments stand in the relationship of whole to parts. The unified state plan is based on the plans of individual localities and departments, while those plans must take the unified state plan as their premise. Only in this way can the plans of the nation as a whole and of individual localities and departments be closely coordinated; can the relationship between the center and localities be handled correctly and the initiative of both fully mobilized; and can the priorities and urgency of various socialist construction endeavors be properly distinguished, human, material, and financial resources be used in the most rational and effective way, and the national economy develop rapidly and in proportion.

When formulating plans, it is also essential to adhere to the principles of proceeding from actual conditions, being advanced yet reliable, and leaving room for flexibility. A socialist plan is a blueprint for developing the national economy; it must reflect the requirements of the general line for socialist construction and embody the revolutionary spirit of the proletariat in transforming the objective world. Therefore, planned targets should be advanced. Only an advanced plan can point the people throughout the country toward a magnificent future and serve to boost morale. An advanced plan must also be based on sound scientific evidence—in other words, it must be both advanced and reliable. To make it advanced and reliable, we must fully assess all favorable conditions and oppose rightist conservative thinking that fails to recognize latent strength and underestimates the socialist enthusiasm of the masses; at the same time, we must fully assess all unfavorable factors and difficulties that may arise, and oppose the blindly rash tendency that lacks a practical basis, disregards possible conditions, and fails to pay

attention to planned, proportionate development. Planned targets must be neither set too low nor set too high in disregard of actual conditions; rather, they should be set at a level that can be reached through people's own efforts. Chairman Mao taught: "I**n making plans, it is essential to the masses and see to it that there is enough leeway.**"[1] Therefore, in formulating plans, we must assign tasks and explain the difficulties to the masses, and mobilize them to discuss the plans fully. This process is both one of mobilizing the masses to uncover contradictions, identify gaps, promote change, and tap potential, and one of mobilizing them in an ideological struggle against rightist conservatism and blind rashness. On the basis of fully mobilizing the masses to tap potential, planned targets should not be set too tightly; instead, room should be left for the masses to exceed them through their efforts. Only in this way can plans become the masses' own actions and the enthusiasm of the broad masses be fully mobilized.

The national economic plan must follow the principle of combining long-term plans with short-term plans. A plan includes both long-term and short-term plans. Generally speaking, a long-term plan refers to a five-year plan or a longer-range plan, while a short-term plan refers to annual, quarterly, or monthly plans. A long-term plan is the strategic deployment of the national economy, enabling people to take a high-level view and look far ahead, rather than limiting their vision to the first step taken at present. A short-term plan is an action program for carrying out strategic tasks. With a long-term plan, short-term plans have a basis; with short-term plans, the realization of the long-term plan is assured. Thus, by combining long-term and short-term plans, the national economy can develop continuously and in stages toward its predetermined goals.

---

[1] "Chairman Mao Tse-Tung's Latest Directives," *Peking Review*, No. 9 (1969), 2.

# Section Four: Criticizing Revisionist "Economic Liberalization"

Under the dictatorship of the proletariat, whether to uphold the planned economy is an important aspect of the distinction between Marxism and revisionism. Throughout the entire socialist historical stage, the struggle between two classes, two roads, and two lines has persisted. One important tactic by which the enemies of the proletariat seek to restore capitalism is to advocate and implement "economic liberalization," thereby causing the socialist economy to degenerate.

In our country, Liu Shaoqi, Lin Biao, Deng Xiaoping, and their ilk acted in just this way. As soon as our country's socialist transformation had won its first victory, Liu Shaoqi and his ilk could hardly wait to leap out and launch a frenzied counterattack against the proletariat, raising the banner of capitalism from the dead. They directed their attacks straight at the socialist planned economy, claiming: "The characteristic of our socialist economy is that it is planned, … but planning has eliminated diversity and flexibility"; "we should make use of the free market, … which can 'guide' us in achieving diversity and flexibility." How could the capitalist market "guide" the socialist planned economy? Liu Shaoqi and his ilk prescribed: "Whatever merchants do, whatever private individuals do, whatever the free market does, our socialism should follow suit and do the same." He also shamelessly called on people to learn from private merchants' knack for "finding loopholes," saying: "It is precisely because there are loopholes to exploit in our socialist economy that he exploits them"; "let him exploit them—as he exploits hundreds, thousands, tens of thousands, even hundreds of thousands of things, we can then fill in hundreds,

thousands, tens of thousands, even hundreds of thousands of gaps."[1] Liu Shaoqi and his ilk brazenly wanted socialism to turn in step with capitalism's "baton." In essence, this meant making the pursuit of profit the supreme principle governing all economic activity. "Flexibility" and "diversity" amounted to nothing more than "doing a lot when profits are high, doing a little when profits are low, and doing nothing when there is no profit"; allowing private merchants to exploit our "loopholes" meant letting capitalism launch an all-out attack on socialism and turning the proletariat's positions into bourgeois positions. Their aim was to use the capitalist profit principle to govern the socialist planned economy, and to replace the socialist planned economy with capitalist economic liberalization.

The Great Proletarian Cultural Revolution completely smashed the bourgeois headquarters headed by Liu Shaoqi and exposed their long-standing criminal activities of using various methods to interfere with and sabotage Chairman Mao's revolutionary line. However, class struggle is independent of people's will. To achieve their criminal aim of restoring capitalism, the Lin Biao anti-Party clique once again changed tactics to sabotage the socialist planned economy. They clamored: "Why have a plan? What I say is the plan," and "What do you mean by proportions? Waging war is proportion." In the regions and departments under their control, they indiscriminately seized materials, funds, and projects, interfered with the state's unified arrangements for construction, undermined the planned, proportionate development of the national economy, and sought to disintegrate the socialist economic base and overthrow the dictatorship of the proletariat.

---

[1] Liu Shaoqi, "Speech at a Meeting of Party Members and Cadres in Shanghai (April 27, 1957)," in *A Collection of Materials for Criticizing Liu Shaoqi, China's Khrushchev, and His Counterrevolutionary Revisionist Statements* (1967), Chinese Marxists Internet Archive.

The struggle between us and Liu Shaoqi, Lin Biao, Deng Xiaoping and their ilk over whether to uphold or oppose the socialist planned economy is a struggle between bourgeois restoration and proletarian opposition to restoration. It is a matter of great importance, affecting the future and destiny of our Party and the state. If we continue to follow their revisionist line, the socialist economic base of our country will be utterly destroyed, and proletarian state power will be fundamentally transformed. The great leader Chairman Mao incisively pointed out: **"What will happen to our country if we fail to establish a socialist economy? It will turn into a country like Yugoslavia, in fact a bourgeois state, and the dictatorship of the proletariat will turn into a dictatorship of the bourgeoisie and, for that matter, into a reactionary, fascist dictatorship.**"[1] The bitter historical lessons of the international communist movement have already proved this point. The Soviet Union under the rule of the Soviet revisionist renegade clique is now an appalling example of this.

After the Soviet revisionist renegade clique usurped Party and state power in the Soviet Union, the bourgeois privileged stratum there has greatly expanded its political power, establishing dominance in the Party, government, military, and the fields of economic affairs and culture. From within this stratum has emerged a bureaucratic monopoly bourgeoisie that controls the entire state apparatus and commanded all social wealth—in other words, a new type of big bourgeoisie. This new bureaucratic monopoly bourgeoisie uses the state power it controlled to transform socialist state ownership into ownership by the bureaucratic monopoly bourgeoisie, and to turn the proletarian state's centralized and unified management of the economy into a capitalist, liberalized economy under the control of the bureaucratic monopoly bourgeoisie.

---

[1] Quote from Mao Zedong. Chung Yen-ping, "The Banner of the October Revolution is Invincible," *Peking Review*, No. 13 (1968), 33.

The socialist planned economy is inseparable from socialist public ownership; without socialist public ownership, it would be impossible to establish a planned economy. To change the economic system of the Soviet Union, the Soviet revisionist renegade clique spouts such nonsense as: "A serious shortcoming of industrial management is that administrative methods have superseded economic necessity," and centralized management "restrict the independence and initiative of the personnel of enterprises."[1] In 1965, following the Soviet revisionist Central Committee September Plenum and the Supreme Soviet's October session, a so-called Statute on the Socialist State Production Enterprise was promulgated. The Statue made the measures for restoring capitalism concrete, systematic, and institutionalized. Under the pretext of "improving planning," they concocted the so-called "new economic system." The Regulations stipulated that, in order to expand "economic independence and initiative of the enterprise," enterprises had the right to draw up their own production and financial plans; to possess and buy and sell means of production; to hire and dismiss workers and determine their own staffing; to deal directly with consumers, produce and sell their own goods, set prices independently or negotiate them; to invest freely; and so on.[2] What trace of socialism remained in such an economic system? Lenin once pointed out: "**Without comprehensive state accounting and control of the production and distribution of goods, the power of the working people, the freedom of the working people, *cannot* be maintained, and that a return to the yoke of capitalism is *inevitable.***"[3] As a result of the Soviet revisionist renegade clique's reactionary actions, enterprises go their own

---

[1] "On Improving Management of Industry, Perfecting Planning and Enhancing Economic Incentives in Industrial Production," in *The Soviet Economic Reform: Main Features and Objectives* (Novosti Press Agency Publishing House, Moscow, 1967), 147.

[2] John N. Hazard, Isaac Shapiro, and Peter B. Maggs, *The Soviet Legal System: Contemporary Documentation and Historical Commentary*, rev. ed. (Dobbs Ferry, NY: Oceana Publications, 1969), 235-246.

[3] Vladimir Ilyich Lenin, "The Immediate Tasks of the Soviet Government."

way, production falls into chaos, proportional relations in the national economy becomes seriously unbalanced, industry declines, agriculture contracts, livestock numbers falls, inflation sets in, supplies grow tight, commodities are in extremely short supply in the state market, working people become increasingly impoverished, public resentment boils over, and crises loom on every side. It can be stated with certainty that the reactionary rule of the Soviet revisionist renegade clique will not last long; it will inevitably face the harsh judgment of history.

Soviet revisionist social-imperialism, in pursuit of maximum profit, carries out frenzied aggression and expansion abroad while exploiting and oppressing its own people. It controls and plunders certain countries, forcibly imposing "international division of labor," "specialization of production," and "economic integration" so that their national economies serve the needs of Soviet revisionism and become its sales markets, subsidiary processing plants, orchards and vegetable gardens, and livestock farms, subjecting them to appalling economic exploitation. To justify this banditry, Soviet revisionism's pet scholars claim that the "proportions of these countries are, in principle, a new type of proportions formed in the course of the socialist international division of labor," and portray their exploitation of other countries as "an expansion in the scope of operation of the law of planned development." These fallacies, however, are nothing new. Western colonialists and imperialists long ago proclaimed that "the types of production should be determined according to the natural conditions of each country," in an attempt to keep certain countries permanently backward and turn them into sources of raw materials for plunder by capitalist industrial countries. Soviet revisionist social-imperialism is merely parroting others and inheriting the mantle of capitalist imperialism.

# Chapter Eleven: Socialist Agriculture, Light Industry, and Heavy Industry

## Section One: The Place and Role of Socialist Agriculture and Industry in the National Economy

### Agriculture is the Foundation of the National Economy

Industry and agriculture are the two most important material production sectors in the national economy. Heavy industry mainly provides means of production, while light industry and agriculture mainly provide means of consumption. Therefore, the relationship among heavy industry, light industry, and agriculture is essentially the relationship between the two major divisions of social production. In socialist construction, a profound understanding of the objective laws governing the development of industry and agriculture, and the proper handling of their relationship, are important conditions for ensuring the smooth progress of socialist extended reproduction. They are also major issues in strengthening the worker-peasant alliance and consolidating the dictatorship of the proletariat. The general policy for developing the national economy—"**take agriculture as the foundation and industry as the leading factor**"[1]—put forward by the great leader Chairman Mao correctly reflects the objective laws governing the development of industry and agriculture and profoundly reveals the dialectical relationship between developing industry and developing agriculture. It points the way for the people

[1] Quote from Mao Zedong. "Relationship Between Agriculture, Light Industry and Heavy Industry," *Peking Review*, No. 32 (1972), 8.

throughout the country, under the leadership of the Party, to develop the national economy in a planned, proportionate, and rapid manner.

Agriculture is one of the oldest and earliest material production sectors in human society. It uses farmland as its primary means of labor and living plants and animals as its objects of labor, thereby providing people with the material necessities of life. It includes crop farming, as well as livestock raising, fishing, hunting, and simple gathering. The main characteristic of agricultural production, therefore, is its inseparability from natural conditions, including farmland, climate, and the growth and development of plants and animals. In agriculture, the economic reproduction process and the natural reproduction process are combined.

Agriculture is the foundation of human society's survival. After human society emerged, people initially relied on gathering, fishing, and hunting to obtain the consumer goods necessary for survival; later, they developed primitive crop farming and livestock raising. Agriculture was then the only material production sector, providing the food, clothing, and other consumer goods needed to sustain human life. As Marx pointed out, "**All labor is primarily and initially directed toward the appropriation and production of food.**" "**The production of means of subsistence is the very first condition of [direct producers'] existence and of all production in general.**"[1]

Agriculture is the basis for the independence of industry and other sectors of the national economy. This is not only because agriculture provides the necessities of life, such as food and clothing, but also because "**in agriculture, from the very beginning there is a large measure of co-operation of the forces of nature — the increase of human labor-power through the**

[1] Karl Marx, "Chapter 37. Introduction," in *Capital*, Vol. III.

**use and exploitation of the forces of nature working automatically.**"[1] Agricultural production was therefore the first to generate surplus labor and surplus product. This meant that people no longer had to devote all their labor time to obtaining the necessities of life required to sustain them; it enabled some people to engage in activities other than agriculture; and it made possible the social division of labor between industry and agriculture, as well as the major division of labor between agriculture producing means of subsistence and agriculture producing raw materials. Thus, for society as a whole, this agriculture that provides consumer goods constitutes necessary labor. Historically, handicrafts separated from agriculture during the transition from primitive society to slave society. Marx points out: "**As agricultural labor thus forms the natural basis not only for surplus-labor in its own sphere, but also for the independent existence of all other branches of labor, and therefore also for the surplus-value created in them.**"[2]

The development of agricultural production is also the foundation for the further development of industry and the national economy as a whole. As agricultural labor productivity rises, the proportion of surplus labor and surplus product in agriculture increases accordingly. The quantities of grain and other agricultural products supplied to society also grow, and the number of people able to leave agricultural work and engage in other pursuits can likewise expand, providing a basis for the further development of industry and the national economy as a whole. This is what Marx meant when he said: "**The less time the society requires to produce wheat, cattle etc., the more time it wins for other production, material or mental.**"[3]

---

[1] Karl Marx, "Chapter II. The Physiocrats," in *Theories of Surplus-Value* (Progress Publishers).

[2] Ibid.

[3] Karl Marx, "The Chapter on Money."

The characteristics of agricultural production and agricultural labor productivity determine that agriculture is the foundation of human society's survival and the material basis for the existence and development of every sector of the national economy. Agriculture supplies industry and other sectors of the national economy with food, raw materials, funds, and labor power, all of which are concrete forms of agricultural surplus labor and surplus product, or forms into which they are transformed. "**An agricultural labor productivity exceeding the individual requirements of the laborer is the basis of all societies.**"[1] This is the fundamental reason why agriculture is the foundation of national economic development.

It is clear from this that, as agricultural labor productivity increased and the social division of labor between agriculture and industry emerged, agriculture was no longer the only material production sector in human society. However, agriculture is the foundation of the national economy as a whole; this is a universal law.

Because socio-economic conditions differ among socio-economic formations, the law that agriculture is the foundation of the national economy takes different forms and has different consequences.

In slave society and feudal society, agriculture was the principal and decisive sector of production. Although handicrafts had separated from agriculture, most remained integrated with agricultural production as a sideline. The vast majority of their products did not enter the circulation process, and their production constituted a self-sufficient natural economy. At the time, agricultural development brought about the development of handicrafts and other undertakings in slave society and feudal society. However, agricultural labor produced most

[1] Karl Marx, "Chapter 47. Genesis of Capitalist Ground-Rent," in *Capital, Vol.* III.

social wealth, and agriculture held a dominant position in its opposition to handicrafts. The cruel exploitation and oppression by slave owners and feudal landlords made agricultural labor productivity extremely low. This restricted the development of handicrafts and other economic and cultural undertakings, and the economy of society as a whole developed extremely slowly.

Only with the development of capitalist society and the emergence of modern machine industry was finally separated from agriculture, making industry and agriculture the two most important independent material production sectors. Modern machine industry under capitalism occupies a dominant position in the national economy. The development of capitalist industrialization is always based on a certain level of agricultural development. As Marx pointed out: "**A definite stage in the development of agriculture, whether in the country concerned or in other countries, forms the basis for the development of capital.**"[1] However, under capitalist conditions, the relationship between them is one in which capitalists ruthlessly exploit workers and peasants, cities exploit the countryside, and developed capitalist countries savagely plunder the agriculture of colonies and dependent countries. The process of capitalist industrialization is also a process in which capitalists exploit peasants, cities exploit the countryside, and suzerain countries plunder colonies and dependent countries. This has therefore created sharp antagonisms between industry and agriculture, and between suzerain countries and colonies. Moreover, the plunder of farmland resulting from private ownership of land and capitalist business practices in agriculture, together with the feudal relations and slave labor preserved in colonies and dependent countries, has seriously hindered the development of agricultural production, causing agriculture to lag behind industry. Thus, the contradictions

[1] Karl Marx, "Chapter II: The Physiocrats."

inherent in the capitalist system undermine the basis for the development of the capitalist economy itself. Lenin pointed out: "**Agriculture lags behind industry in development; this is a feature of all capitalist countries constituting one of the most profound causes of disproportion between the various branches of the economy, of crises and soaring prices.**"[1]

In socialist society, public ownership of the means of production has been established and the antagonistic contradiction between industry and agriculture eliminated; the historical era of planned, proportionate development of the national economy has begun. Consequently, the foundational role of agriculture in the development of the national economy has become more evident.

Under socialism, the foundational role of agriculture in the development of the national economy is manifested mainly as follows:

(1) Agriculture provides grain and other basic consumer goods to industry and all sectors of the national economy. People need to eat every day; whether running industry or transportation, carrying out capital construction, or even conducting cultural and educational undertakings, no undertaking can do without grain. Grain and other supplementary food products are the most basic consumer goods needed to sustain people's lives, and are essential to the reproduction of labor power. Only when agriculture can provide more grain and supplementary food products can industry and all sectors of the national economy develop more rapidly. At present, most of the basic consumer goods consumed by the people of our country are

[1] Vladimir Ilyich Lenin, "15. A Comparative Picture of Evolution in Industry and Agriculture," in *New Data on the Laws Governing the Development of Capitalism in Agriculture*, *Lenin's Collected Works*, Vol. 22 (Progress Publishers, Moscow, 1964).

agricultural products and processed agricultural products, making the development of agricultural production all the more important.

(2) Agriculture provides industrial raw materials. Agricultural products are important raw materials for light industry, while heavy industry and capital construction also require some agricultural products as means of production. Although, with the development of industry and technology, industry itself can provide more raw materials for light industry, such as plastics, synthetic fibers, and synthetic rubber, agricultural products such as cotton, hemp, silk, tobacco leaves, and sugar crops remain the main raw materials for light industry. Chairman Mao pointed out: "**Light industry is closely tied up with agriculture. Without agriculture there can be no light industry.**"[1] At present, because our country's basic industries are weak and its production technology is generally still at a relatively low level, about 70% of the raw materials used in light industry come from agriculture.

(3) Agriculture is also an important source of the labor power needed to develop industry and other economic undertakings. The rapid development of socialist industry and other sectors of the national economy inevitably requires an increase in the supply of labor power. In addition to relying on measures such as tapping the potential within enterprises, increasing labor productivity, and reallocating labor power from the existing workforce, this also requires the agricultural sector to supply a certain amount of labor power.

(4) Agriculture is an important source of state capital accumulation. Accumulation is the source of extended reproduction. Modernizing agriculture, industry, national defense, and science and technology requires the accumulation of substantial funds for construction. A

[1] Mao Zedong, "On the Correct Handling of Contradictions Among the People," 419.

socialist state must never accumulate funds by plundering colonies and underdeveloped countries, as capitalist imperialism and social-imperialism do; instead, accumulation can only be provided from within the national economy by developing the country's own national economy. Agriculture is one of the most important material production sectors. It is closely connected with every sector of the national economy and is an important source of accumulation. The main forms in which agriculture provides accumulation (excluding accumulation by the agricultural collective economy itself) are taxation and the exchange of industrial and agricultural products. Chairman Mao pointed out: "**Large funds are needed to accomplish both national industrialization and the technical transformation of agriculture, and that a considerable part of these funds has to be accumulated through agriculture. Apart from the direct agricultural tax, this is done by developing light industry to produce the great quantities of consumer goods needed by the peasants and exchanging them for the peasants' commodity grain and the raw materials for light industry, so that the material requirements of both the peasants and the state are met and funds are accumulated for the state.**"[1]

(5) Agriculture is an important market for industrial goods. The vast rural areas of our country provide a broad domestic market for the sale of our industrial goods. Chairman Mao pointed out long ago: "**It is the peasants who constitute the main market for China's industry.**"[2] After the basic victory of socialist transformation in our country, Chairman Mao further pointed out: "**Agriculture provides heavy industry with an important market.**"[3] Under conditions of socialized large-scale production, the material conditions for realizing

---

[1] Mao Zedong, "On the Co-Operative Transformation of Agriculture," 197.

[2] Mao Zedong, "On Coalition Government," 300.

[3] Mao Zedong, "On the Correct Handling of Contradictions Among the People," 419.

socialist reproduction must be achieved through exchange between the two major departments; where commodity production exists, this must be done through the market. Therefore, the market is crucial to the smooth progress of socialist reproduction. A socialist state should rely mainly on its domestic market, of which the countryside is an important part. The countryside is the main market for light industrial products and an important market for heavy industrial products. Tractors, other agricultural machinery, chemical fertilizers, and other products of heavy industry are supplied to the countryside; a large proportion of products such as motor vehicles and other means of transportation, electricity, petroleum, coal, and building materials are also sold there. As agricultural mechanization is gradually achieved, the countryside, an important market for heavy industrial products, will inevitably continue to expand. Most of our country's light industrial consumer goods are sold in the countryside, and as peasants' living standards continue to rise, the market for light industrial products will continue to expand as well. Thus, the development of agriculture is an important condition for market prosperity, price stability, and vigorous buying and selling.

In summary, from the perspective of the national economy as a whole, the development of sectors such as industry and the transportation industry, along with mineral resources, equipment and materials, and technical expertise, are all indispensable conditions. However, it is agriculture that ultimately determines their scale and pace of development, through factors such as the marketable grain, industrial raw materials, labor power, and funds that higher agricultural labor productivity can provide, as well as the capacity of the rural market created by the development of agricultural production. Thus, agriculture's role as the foundation of national

economic development lies in providing food, raw materials, funds, labor power, and markets for the development of socialist industry and all sectors of the national economy.

The operation of the objective economic law that agriculture is the foundation is clearly evident in our country's socialist economic construction. Facts show that in any year when agricultural growth is rapid, industrial development in that year or the following year is also rapid; fiscal revenue grows quickly, investment in capital construction rises rapidly, and the national economy as a whole develops rapidly, giving us greater initiative in economic work. For example, during the First Five-Year Plan, agriculture yielded bumper harvests in 1952 and 1955, with gross agricultural output value increasing by 15.3% and 7.7%, respectively, over the previous year. Consequently, in 1953 and 1956, the output value of light industry increased by 26.7% and 19.8%, respectively, over the previous year; gross industrial output value increased by 30.2% and 28.2%; state fiscal revenue increased by 23.9% and 5.7%; and investment in capital construction increased by 84% and 59%, respectively. Conversely, when agricultural output declines or its growth is slow, industrial and national economic development in the following year is also slower. In 1954, a poor harvest meant that gross output value increased by only 3.3% over the previous year. Consequently, in 1955 the output value of light industry fell by 0.03%, gross industrial output value increased by only 5.6%, state fiscal revenue by only 3.7%, and investment in capital construction by 3%. The Great Leap Forward in agricultural production in 1958 brought about a Great Leap Forward in industry and the national economy. The successive bumper harvests in agriculture over the past decade and more have also ensured the rapid development of industry and the national economy in our country.

Under socialism, whether or not one recognizes agriculture as the foundation of the national economy is a question of whether one respects objective economic laws; whether or not one believes in the socialist enthusiasm of the broad masses of peasants; and whether or not one believes that, under the socialist system, agriculture can break free from the phenomenon of lagging behind industrial development for a long time under capitalist conditions and develop rapidly.

## Industry is the Leading Factor of the National Economy

Industry, a sector of material production, did not exist from the very beginning of human society. As social production developed, agriculture and handicrafts emerged through the social division of labor. It was not until the advent of capitalist society, with the emergence of modern large industry using machinery systems for production, that industry finally separated from agriculture and became an independent sector of social material production. Marx pointed out: "**Modern industry had therefore itself to take in hand the machine, its characteristic instrument of production, and to construct machines by machines. It was not till it did this, that it built up for itself a fitting technical foundation, and stood on its own feet.**"[1]

Modern machine industry is an integrated whole made up of many sectors. According to the economic uses and technical characteristics of their products, these sectors can be divided into two major branches: heavy industry and light industry. Heavy industry mainly produces

[1] Karl Marx, "Chapter Fifteen: Machinery and Modern Industry."

means of production, providing the sectors of the national economy with material and technical equipment. Light industry mainly produces consumer goods to meet people's daily needs.

Heavy industry comprises extractive and processing industries that produce means of production. It supplies agriculture, industry, and all sectors of the national economy with means of production, as well as various raw materials, fuel, and power. People are the most active factor in the productive forces, but the state of the means of production is an indicator of the level of development of the productive forces. Marx pointed out: "**It is not the articles made, but how they are made, and by what instruments, that enables us to distinguish different economic epochs.**"[1] Therefore, among the products of heavy industry, the production of means of labor—that is, means of production—has greater significance than the production of other means of production. The most fundamental basis of industry's leading role is that the means of production produced by heavy industry, especially means of labor, constitute an important material prerequisite for extended reproduction and a powerful material and technical foundation for the development of productive forces in agriculture and all sectors of the national economy. Industry's leading role is an objective economic law.

Under capitalist conditions, the advanced technical equipment used in agriculture and in the various sectors of the national economy is also supplied mainly by heavy industry. However, capitalists adopt advanced technical equipment in order to intensify the exploitation of the working class and extract greater profits. The capitalist social system therefore also constrains the widespread use of advanced technical equipment, creating an artificial limit: "**The limit to his using a machine is fixed by the difference between the value of the machine and the**

[1] Karl Marx, "Chapter Seven: The Labour-Process and the Process of Producing Surplus-Value."

**value of the labor-power replaced by it.**"[1] Thus, under the capitalist system, the leading role of industry is inevitably constrained by social conditions.

Under socialism, the private ownership of the means of production by capitalists is abolished, economic crises are eliminated, and the capitalist constraints on the widespread use of advanced technology and equipment are removed, allowing industry to fully exercise its leading role in the national economy.

In socialist states, socialist construction is carried out with "**heavy industry is the core.**"[2] With support from agriculture and light industry, heavy industry is given priority in development. While equipping and transforming heavy industry itself with new technologies, new equipment, and new materials, it also uses the large quantities of agricultural machinery and modern means of transport, electric power equipment, chemical fertilizers, pesticides, and other products it produces to support the technological transformation of agriculture, gradually achieve agricultural mechanization, and continuously raise agricultural labor productivity. It uses the light industry machinery it produces and the raw materials supplied for light industry to promote the development of light industry production technology and increase labor productivity, while reducing light industry's dependence on agricultural raw materials and promoting its faster development, thereby providing society with more consumer industrial goods. Its products also provide modern technical equipment for the transportation industry, construction industry, and other sectors of the national economy, promoting their technological transformation. In short, the

[1] Karl Marx, "Chapter Fifteen: Machinery and Modern Industry."

[2] Mao Zedong, "On the Correct Handling of Contradictions Among the People," 419.

means of production supplied by heavy industry play a decisive role in ensuring the continued development of the socialist national economy on the basis of advanced technology.

Light industry is basically a processing industry sector. It uses machinery to process agricultural and sideline products and industrial raw materials, producing various foods, textiles, and other daily necessities for people's consumption. Therefore, on the one hand, light industry is an industrial sector that uses machinery in production; on the other hand, like agricultural products, its products are used mainly to meet people's living needs in the process of social reproduction, thereby sustaining the reproduction of labor power. Thus, light industry occupies an important position in the national economy. Its development is closely related to the development of the national economy as a whole, especially the development of agriculture and heavy industry.

In capitalist countries, capitalists exploit the fact that light industry investment is low, turnover is fast, and profits are high, and that light industry products are closely connected with the lives of the broad working people. Through unequal exchange, they exploit and plunder the working people of their own country and of the colonies. They use part of the profits from light industry to develop heavy industry, thereby acquiring more powerful means of exploiting workers and working people.

In socialist society, light industry, agriculture, and heavy industry support and promote one another. Their development is aimed at meeting society's ever-growing needs.

In a socialist society, the role of light industry is mainly to:

The vast majority of light industry products are used for people's clothing, food, housing, daily necessities, and transportation. Light industry supplies the people with products in large

quantities, of good quality, in a full range of varieties, and at low cost. In particular, by exchanging them for agricultural and sideline products, it can both meet the state's demand for agricultural and sideline products and, as socialist construction develops rapidly, gradually improve the lives of people between urban and rural areas.

Light industry is characterized by low investment, relatively easy construction, rapid turnover, and high profits, and can provide accumulation for socialist construction in greater quantities and more quickly. Agriculture is an important source of accumulation; however, in our country, the agricultural tax directly provided by agriculture accounts for only a small proportion of state fiscal revenue. A large part of light industry uses agricultural products as raw materials. The development of light industry depends on agriculture supplying an adequate amount of raw materials, while much of agriculture's fundamental role in providing accumulation must also be realized through the processing and production of light industry.

The development of light industry can promote the development of agriculture. On the one hand, the development of light industry production requires a wide variety of agricultural and sideline products as raw materials, while advances in light industry production technology have also expanded the range of uses for agricultural and sideline products. This, in turn, promotes the development of diversified agricultural operations, enriches the content of agricultural production, increases the economic value of some agricultural and sideline products, and raises the income of the rural collective economy and the individual incomes of cooperative members. On the other hand, by-products and waste from processing agricultural and sideline products can be used as feed and fertilizer, thereby promoting agricultural development. The continued expansion by light industry of its use of industrial raw materials, replacing some

agricultural raw materials, also provides strong support for the development of agricultural production.

Light industry is also an important market for heavy industry products. The development of light industry inevitably requires heavy industry to provide large quantities of advanced technological equipment and industrial raw materials; at the same time, it can continuously supply some of the raw materials and auxiliary materials needed for heavy industry production, thereby promoting the faster development of heavy industry.

# Section Two: The Development Relations Between Socialist Agriculture, Light Industry, and Heavy Industry

## The Fundamental Way Out for Agriculture Lies in Mechanization

The foregoing analysis shows that the development of agriculture, light industry, and heavy industry is mutually conditional and mutually reinforcing. Agriculture is the foundation of the national economy; only when agriculture develops can heavy industry develop. Therefore, in developing the socialist national economy, priority must be given to the development of agriculture. Industry is the leading factor of the national economy; only when industry develops, especially heavy industry, can it promote the development of agriculture. Therefore, socialist economic construction must also center on heavy industry. The great leader Chairman Mao summed up our Party's experience in building revolutionary base areas, as well as the experience of the international communist movement and our country's socialist economic construction. He systematically expounded the theory concerning the relationship between the development of socialist agriculture, light industry, and heavy industry, put forward the general policy for developing the national economy—"**Taking agriculture as the foundation and industry as the leading factor**"—and pointed out the path to achieving agricultural mechanization and socialist industrialization.

How should socialist agriculture be developed? Chairman Mao scientifically analyzed the fundamental contradictions in socialist society and laid down the fundamental line for our Party to develop agriculture. Chairman Mao pointed out: "**In agriculture, with conditions as they are in our country, co-operation must precede the use of big machinery (in capitalist countries**

**agriculture develops capitalistically).**"[1] After cooperative transformation of agriculture in our country achieved a great victory and the people's commune movement was realized, Chairman Mao promptly put forward the programmatic directive that "**the fundamental way out for agriculture lies in mechanization.**"[2] In accordance with Chairman Mao's directive, the fundamental line for developing agriculture is as follows: first, achieve cooperative transformation of agriculture; second, on the basis of cooperative transformation of agriculture, achieve agricultural mechanization. After the victory of the democratic revolution in our country, Chairman Mao led the entire Party and people throughout the country in criticizing and resisting Liu Shaoqi's revisionist line, which advocated mechanization before cooperation, and guided hundreds of millions of peasants onto the bright road of socialism. To guide the masses of peasants to continue advancing along the socialist road, we must also strive to achieve agricultural mechanization on the basis of cooperative transformation of agriculture. This is both an inevitable trend in the development of the socialist revolution and socialist construction and an important condition for their further development.

Only by achieving agricultural mechanization can we further promote the development of agricultural productive forces. After our country achieved cooperative transformation of agriculture, agricultural production developed considerably; however, its current level remains low. It has not yet fundamentally overcome its technological backwardness and still cannot meet the needs of socialist industry and the development of the national economy. To substantially raise agricultural labor productivity, rapidly develop agricultural production, and "**agricultural**

---

[1] Mao Zedong, "On the Co-Operative Transformation of Agriculture," 197.

[2] Quote from Mao Zedong. Tan Chen-lin, "Strive for the Fulfillment, Ahead of Schedule, Of the National Programme for Agricultural Development," *Peking Review*, No. 15 (1960), 15.

**output will rise several times, a dozen times, perhaps scores of times, above the present level,**"[1] agriculture must be established on a modern material and technological foundation and equipped with modern large-scale machinery and modern agricultural science and technology. Replacing manual work with machinery can multiply labor productivity; greatly strengthen the ability to withstand natural disasters; free up large numbers of workers to advance the depth and breadth of agricultural production and promote the comprehensive development of agriculture, forestry, animal husbandry, sideline production, and fisheries; and promote the development of commune-run industry and brigade-run industry, among other things. In short, achieving agricultural mechanization on the basis of cooperative transformation of agriculture is the fundamental way forward for further developing agricultural production.

By achieving agricultural mechanization and greatly developing agricultural productive forces, we can continually strengthen the socialist collective economy and increase collective economic income, consolidate the socialist position in the countryside, and better demonstrate the superiority of the people's commune, characterized by its large scale and public ownership; we can also accumulate funds for the development of industry, national defense, and science and technology, provide grain, raw materials, and labor power, expand the domestic market for industry, and promote the development of the entire national economy. In this way, we can better implement the policies of "**be prepared against war, be prepared against natural disasters, and do everything for the people**" and "**dig tunnels deep, store grain everywhere, and never**

[1] Mao Zedong, "Editor's Notes from Socialist Upsurge in China's Countryside," 269.

**seek hegemony,**"[1] strengthen the dictatorship of the proletariat over the bourgeoisie, and further consolidate the worker-peasant alliance.

Only by achieving agricultural mechanization, on the basis of the rapid development of agricultural productive forces, can the socialist collective economy develop further—from a lower to a higher level of collective ownership, and from collective ownership to socialist ownership by the whole people. At the same time, agricultural mechanization is also the material foundation for raising the ideological consciousness of the peasants and transforming their private-property mentality and habits. Lenin pointed out: "**It will take generations to remold the small farmer, and recast his mentality and habits. The only way to solve this problem of the small farmer—to improve, so to speak, his mentality—is through the material basis, technical equipment, the extensive use of tractors and other farm machinery and electrification on a mass scale.**"[2] The new outlook brought about by agricultural mechanization will enable the broad masses of peasants to see more clearly the superiority of socialist large-scale agriculture, and thus to break more consciously with old traditional ideas, free themselves from the constraints and influence of the force of small-producer habits, and follow the socialist road with greater resolve. Modernized socialist large-scale agriculture will also help greatly improve peasants' working conditions and raise their levels of culture and science and technology, creating the material and spiritual conditions for gradually narrowing the gap in bourgeois rights and the three major differences.

---

[1] Quote from Mao Zedong. "New Year Message," *Peking Review*, No. 1 (1973), 10.

[2] Vladimir Ilyich Lenin, "Report On The Substitution Of A Tax In Kind For The Surplus Grain Appropriation System."

In short, the socialist economy can be established neither on the basis of two different forms of ownership—socialist public ownership and private ownership in the individual economy—nor by allowing the two different technological foundations of modern large-scale machine production in industry and manual labor in agriculture to coexist indefinitely. Lenin pointed out: To uproot the old roots of capitalism and destroy the domestic enemies' foundation, it is necessary to "**place the economy of the country, including agriculture, on a new technical basis, that of modern large-scale production.**"[1] Chairman Mao also pointed out: "**The social and economic features of China will not be completely changed until the socialist transformation of the social and economic system is completely accomplished and, in the technical field, machinery is used in all possible branches and places.**"[2] On the basis of cooperative transformation of agriculture, achieving agricultural mechanization is the fundamental course for liberating the productive forces and thoroughly changing the backward state of agricultural production; it is also the fundamental course for upholding socialism and defeating capitalism in the struggle between the two classes and the two roads in the countryside. Therefore, the question of whether to mechanize agriculture is a question of whether to uphold the fundamental course for developing agriculture, and whether to uphold continuing revolution.

How can agricultural mechanization be achieved? There are two entirely different paths: one is the path of socialism, and the other is the path of capitalism.

The path of agricultural mechanization in capitalist countries is one of further capitalist development in agriculture. It brings wealth and prosperity to a handful of landlord-capitalists,

---

[1] Vladimir Ilyich Lenin, "Part II. Report On The Work Of The Council Of People's Commissars December 22," in *Eighth All-Russia Congress of Soviets*, *Lenin's Collected Works*, Vol. 31.

[2] Mao Zedong, "On the Co-Operative Transformation of Agriculture," 203.

while condemning millions of peasants to bankruptcy and poverty. Agricultural mechanization displaces large numbers of small and medium-sized peasants, creating a large workforce of hired agricultural laborers and a vast population of rural unemployed in the most desperate circumstances. "**The spread of agricultural machinery and improved implements and the expropriation of the peasantry are inseparably connected.**"[1] Agricultural mechanization in capitalist countries is nothing but "**a means of imposing new fetters on the peasants, a new means of enslaving the peasants to the 'financial oligarchy' which is robbing them today.**"[2]

The path our country must take to achieve agricultural mechanization is one of overcoming capitalism through socialism and completely liberating the broad masses of peasants from poverty and backwardness. This path means achieving agricultural mechanization on the basis of cooperative transformation of agriculture and using revolutionary leadership to guide mechanization; relying on the masses, practicing self-reliance and hard struggle, and launching mass movements on a large scale; and adapting to the fine tradition of intensive and meticulous cultivation in our country's agricultural production, implementing the "**Eight-Character Constitution**,"[3] and promoting the all-round development of agriculture, forestry, animal husbandry, sideline production, and fisheries. To achieve agricultural mechanization, we must adhere to the correct policy of giving priority to local production in agricultural machinery manufacturing, to small and medium-sized products in agricultural machinery, and to the

---

[1] Vladimir Ilyich Lenin, "VIII. The Significance of Machinery in Agriculture, Chapter III. The Landowners' Transition from Corvée to Capitalist Economy," in *The Development of Capitalism in Russia*, *Lenin's Collected Works*, Vol. 3.

[2] Vladimir Ilyich Lenin, "The Theses On The Agrarian Question," in *Lenin's Collected Works*, Vol. 33.

[3] Note from translator: The agricultural "**Eight-Character Constitution**" refers to eight yield-increasing measures: soil improvement, fertilizer, water conservancy, seed improvement, rational close planting, plant protection, field management, and tool reform.

collective economy in purchasing agricultural machinery; fully mobilize the initiative of all sectors; and achieve agricultural mechanization with greater, faster, better, and more economical results.

(1) Agricultural machinery manufacturing should be primarily local. The central government should engage in agricultural machinery manufacturing, but it should be primarily the responsibility of localities. This is because agricultural production is greatly affected by local natural conditions (terrain, climate, soil, etc.) and farming systems, while crop varieties are extremely diverse. This requires agricultural machinery to be highly varied. Only by making local industry the mainstay can agricultural machinery suited to local needs be produced according to the specific conditions of each locality, thereby better serving agricultural production. Making local industry the mainstay and establishing a county-, commune-, and brigade-level agricultural machinery repair and manufacturing network also facilitates the coordination, timely repair, and comprehensive utilization of agricultural machinery, so that it can be put to full use. Making local industry the mainstay helps make full use of local human resources, materials, and other resources, enabling the broad masses of peasants to take part, allowing initiatives to flourish everywhere, and accelerating the development of the agricultural machinery industry. Therefore, making localities the mainstay of agricultural machinery manufacturing means bringing into play the initiative of both the central and local authorities and fully mobilizing the enthusiasm of hundreds of millions of peasants to develop agricultural mechanization. Self-reliance and hard struggle, together with the vigorous development of local

"five small" industries,[1] provide an important material foundation for accelerating agricultural mechanization. To this end, agriculture and industry must be advanced simultaneously, as must light industry and heavy industry; the raw materials needed for agricultural machinery manufacturing must be actively secured, using light industry to support heavy industry, and heavy industry to support agriculture, so as to better serve agricultural production.

(2) Agricultural machinery should consist mainly of small and medium-sized equipment. Large agricultural machinery is necessary, but the main emphasis should be on small and medium-sized agricultural machinery. This is because such machinery is highly adaptable: it can accommodate our country's vast territory, widely varying natural conditions, and differences in crop varieties and cultivation methods. As a result, it can be more closely integrated with measures to increase agricultural production in different regions, ensuring economical and rational use. At the same time, small and medium-sized agricultural implements are lightweight, compact, require little material, and have simple designs that are easy to repair and manufacture. They can be produced not only by provinces and municipalities, but also by prefectures and counties; some people's communes and production brigades can produce them as well. This can fully mobilize the enthusiasm of all parties for agricultural mechanization. The low price of small and medium-sized agricultural implements also suits the current conditions in our country, where agricultural production is not highly developed and collective economic accumulation is relatively low.

[1] Note from translator: "Five small" industries referred to small coal mines, small iron and steel plants, small cement plants, small machinery plants, and small chemical fertilizer plants that were operated at the county or commune levels. For more information, see "China's Small Local Industries Make Big Progress," *Peking Review*, No. 3 (1971), 9-11.

Agricultural mechanization cannot be achieved overnight. Developing the agricultural machinery industry, training technical personnel, and accumulating construction funds all take time. Therefore, we must both actively promote mechanization under existing conditions and attach importance to the promotion and use of semi-mechanized farm implements and improved farm implements. Semi-mechanized farm implements and improved farm implements are not only forces that must not be overlooked before agricultural mechanization is achieved; they can also develop into mechanized farm implements. Even after agricultural mechanization is achieved, they remain necessary supplements.

(3) Agricultural machinery should be purchased primarily through the collective economy. The state should provide strong support for achieving agricultural mechanization; however, the purchase of agricultural machinery should rely mainly on the collective economy's own resources. In this way, the people's communes, production brigades, and production teams can directly control, manage, and use the agricultural machinery, unifying its ownership and use. This resolves the contradiction of peasants having no machinery to work with, and helps greatly mobilize the enthusiasm of the broad masses of peasants for developing agricultural mechanization. It also helps train an agricultural technical workforce that is both politically committed and professionally skilled, and both worker and peasant; adapt to the characteristics of local agricultural and sideline production; and achieve comprehensive utilization of agricultural machinery, so that a single machine can perform multiple kinds of work and be used throughout the year. It also helps promote mechanization in accordance with the principle of frugality and thrift. In short, this will enable agricultural mechanization to be developed on a larger scale, more quickly, more effectively, and at lower cost. With support from the state and by

relying on the strength of the collective economy, it is entirely possible to achieve agricultural mechanization step by step.

In short, the path of agricultural mechanization in our country is one suited to our country's socialist system, as well as to our complex natural conditions, fine tradition of intensive and meticulous cultivation, abundant resources, and level of development in industry, agriculture, and production. This path has both brought the initiative of the central authorities into play and mobilized local initiative in promoting agricultural mechanization; it has both mobilized the working masses to vigorously support agriculture through industry and mobilized hundreds of millions of peasants to energetically promote agricultural mechanization; and it can both put the state's economic strength at the service of agricultural mechanization and fully mobilize the strength of the collective economy to accelerate its progress. Thus, this is a broad avenue for realizing agricultural mechanization with high morale, striving for the best, and doing so with greater, faster, better, and more economical results.

Through the Great Proletarian Cultural Revolution, the interference of Liu Shaoqi and his ilk was eliminated, and Chairman Mao's theories, line, principles, and policies on achieving agricultural mechanization have become more deeply rooted in people's hearts. Our country's agricultural mechanization undertaking has made great progress. Compared with 1965, the number of tractors nationwide doubled in 1970. Compared with 1966, the range of agricultural machinery products increased by more than 300 types in 1970; production of mechanized agricultural equipment such as tillage machinery, irrigation and drainage machinery, processing machinery, and transport machinery increased severalfold. Chemical fertilizers and pesticides also developed greatly. More than 90% of the counties nationwide now have agricultural

machinery repair and manufacturing plants. As long as we follow Chairman Mao's revolutionary line and further mobilize the socialist enthusiasm of the broad masses of the people through the mass movements of "**In industry, learn from Daqing**" and "**In agriculture, learn from Dazhai**," we will surely be able to fulfill the great call of the Central Committee of the Communist Party to strive to basically achieve agricultural mechanization by 1980.

## Socialist Industrialization

Socialist industrialization means establishing, on the foundation of socialist ownership by the whole people, an independent and complete socialist industrial system centered on heavy industry, with a full range of sectors, enterprises of large, medium, and small sizes, and a reasonably balanced distribution across regions.

After the proletariat seizes power, it faces the arduous task of socialist industrialization. This necessity is especially urgent in countries whose economic affairs were backward before the proletariat came to power; the question of the pace of development becomes more acute, and the task of socialist industrialization more arduous.

Achieving socialist industrialization is the material foundation necessary for establishing a socialist state that is politically independent, economically self-reliant, prosperous, and powerful. Lenin pointed out: "**The victory of socialism over capitalism and the consolidation of socialism may be regarded as ensured only when the proletarian state power, having completely suppressed all resistance by the exploiters and assured itself complete subordination and stability, has reorganized the whole of industry on the lines of large-**

**scale collective production and on a modern technical basis (founded on the electrification of the entire economy).**"[1] Chairman Mao also pointed out: "**Without industry there can be no solid national defense, no well-being for the people, no prosperity or strength for the nation.**"[2]

Only by achieving socialist industrialization can industry, agriculture, and all sectors of the national economy be established on a strong material and technological basis, thereby continuously raising social labor productivity. Lenin pointed out: "**In the last analysis, productivity of labor is the most important, the principal thing for the victory of the new social system. Capitalism created a productivity of labor unknown under serfdom. Capitalism can be utterly vanquished, and will be utterly vanquished by socialism creating a new and much higher productivity of labor.**"[3]

Only through socialist industrialization can the strong material conditions needed for socialist transformation be created. The development of socialist industrialization and the growth and strengthening of the socialist state-owned economy facilitate the transformation of the private capitalist economy and the small commodity economy, and strengthen and consolidate socialist economic relations. The development of socialist industrialization also creates the material conditions for the transition from the two forms of socialist ownership to a single form of ownership by the whole people.

Only by achieving socialist industrialization can a solid material foundation be provided for consolidating the worker-peasant alliance and strengthening the dictatorship of the

---

[1] Vladimir Ilyich Lenin, "Preliminary Draft Theses On The Agrarian Question."

[2] Mao Zedong, "On Coalition Government," 302.

[3] Vladimir Ilyich Lenin, "A Great Beginning."

proletariat. The development of socialist industrialization has expanded the ranks of the working class and raised its level of organization and cultural and technical proficiency, thereby strengthening the working class's leading role in the state of the dictatorship of the proletariat. The development of socialist industrialization has strengthened the leadership and support that socialist industry provides to agriculture, while also mobilizing and fostering the socialist enthusiasm of the broad masses of peasants, further establishing the worker-peasant alliance on the basis of the socialist economic system and mechanization. The development of socialist industrialization is conducive to the proletariat exercising comprehensive dictatorship over the bourgeoisie in every sphere of the superstructure.

Only by achieving socialist industrialization can we build a strong modern national defense, adapt the national economy to the needs of combat readiness, and defend against aggression by imperialism and social-imperialism, thereby ensuring the external conditions for the rapid development of the national economy.

Only by achieving socialist industrialization can a solid material foundation be provided for the state of the dictatorship of the proletariat to fulfill its internationalist obligations. As socialist industrialization develops, it will be possible to provide stronger support for the revolutionary struggles of the world proletariat and oppressed nations, and stronger support for the development efforts of socialist fraternal countries and nationally independent countries.

Furthermore, in a multiethnic country, the realization of socialist industrialization enables economically underdeveloped ethnic minority regions to develop more rapidly, gradually eliminating economic and cultural disparities among ethnic groups and helping to strengthen unity among them.

Old China was a semi-colonial, semi-feudal country and, economically, an extremely backward agricultural country, with a particularly weak industrial base. In 1949, modern industry accounted for only about 17% of the national economy; industrial output value (including handicrafts) made up 30.1% of the gross output value of industry and agriculture; production of means of production accounted for 26.6% of all industry; the machinery manufacturing industry accounted for only 2.7% of all industry; annual steel output was only 158,000 tons, while the textile and food industries within light industry accounted for 60.5% of all industry. Most of old China's meager industry was controlled by imperialism and the bureaucratic bourgeoisie, serving as a means for them to plunder and exploit the Chinese people. Consequently, old China's industrial production level was low, its industrial sectors were incomplete and distributed extremely irrationally, and most consisted of raw-material extraction industries that enabled imperialism to plunder China's abundant resources, processing industries for agricultural and sideline products, and some repair-oriented machinery industries. Economically, old China's industry was not independent and could only be an appendage of the imperialist economy. After the founding of the People's Republic of China, the country faced an extremely urgent and arduous task—to achieve socialist industrialization of the state. Chairman Mao pointed out: After the proletariat seizes power, it "**will have to adopt practical measures in order to build heavy and light industry step by step over a number of years and transform China from an agricultural into an industrial country.**"[1] On the eve of the founding of the People's Republic

[1] Mao Zedong, "On Coalition Government," 303.

of China, Chairman Mao also pointed out: "**The state of the people's democratic dictatorship must systematically solve the problems of industrialization.**"[1]

After our country had gone through three years of the economic recovery period, the Party formulated the general line for the transition period and set the task of "**basically accomplish the country's industrialization.**"[2] Economic development under the First Five-Year Plan began in 1953, while socialist transformation of agriculture, handicrafts, and capitalist industry and commerce was also carried out. By the end of the First Five-Year Plan (1957), industrial gross output value (including handicrafts) accounted for 56.5% of the gross output value of industry and agriculture; production of means of production accounted for 48.4% of industrial gross output value; steel output reached 5.35 million tons; and the initial foundations of our country's socialist industrialization had been established.

In 1958, the first year of the Second Five-Year Plan, guided by the general line personally formulated by Chairman Mao—"**Go all out, aim high, and achieve greater, faster, better and more economical results to build socialism**"—and spurred by the mass movement to produce steel, our country's socialist construction endeavors saw the excellent situation of the Great Leap Forward and accelerated the pace of socialist industrialization.

On the road to socialist industrialization in our country, we also encountered difficulties and setbacks. We overcame the difficulties caused by the three years of natural disasters and the treachery of the Soviet revisionist renegade clique, and continually criticized and resisted the sabotage and interference of the revisionist line of Liu Shaoqi and Lin Biao. Guided by

---

[1] Mao Zedong, "On the People's Democratic Dictatorship," 419.

[2] Mao Zedong, "The Party's General Line for the Transition Period," in *Selected Works of Mao Zedong*, Vol. V, 102. Note from translator: The meaning of original Chinese text is closer to "gradually accomplish the country's industrialization."

Chairman Mao's revolutionary line, our country's socialist industrialization achieved tremendous success. Our country has transformed from an economically extremely backward, semi-colonial and semi-feudal agricultural country into an increasingly powerful socialist state with neither domestic nor foreign debt; despite having an incomplete industrial base and an extremely weak foundation, it has initially established an independent, modern industrial system.

Then, by what path can socialist industrialization be achieved with greater, faster, better, and more economical results?

First, the nature of socialist society determines that the path of socialist industrialization is fundamentally opposed to that of capitalist industrialization. The former is a path of "**independence and self-reliance**," while the latter relies on exploiting and plundering foreign countries, selling out national sovereignty, and incurring foreign debt.

The path to industrialization in capitalist countries, apart from exploiting their own working people, involved occupying and plundering colonies abroad, extorting war reparations from defeated countries, or borrowing foreign debt, ceding operating rights, and introducing foreign capital under conditions of subjugation. Thus, they either invade and enslave other countries, or are themselves enslaved and plundered by other countries. The industrialization of capitalist countries is entirely subordinated to the capitalists' pursuit of profit. They always invest first in industrial sectors where high profits are easily obtained, and only after a prolonged period of blind competition, when it becomes profitable, do they develop those production sectors that are decisive for industrialization. Therefore, the path of capitalist industrialization is a long one. Each of the major capitalist countries took roughly 50–100 years to transform from an agricultural country into an industrial country.

The industrialization of a socialist state must absolutely not follow the path of capitalist industrialization. A socialist state must never invade or plunder other countries, nor allow itself to be enslaved or exploited by other countries; instead, it must rely on its own internal strength and follow the path of "**independence and self-reliance**."

Dialectical materialism tells us: "**External causes are the condition of change and internal causes are the basis of change, and that external causes become operative through internal causes.**"[1] A country's revolutionary and construction endeavors need the sincere assistance of socialist fraternal countries. However, such assistance and support are always reciprocal and can only play a supplementary role. We must be even more vigilant against imperialism and social-imperialism, which use the banner of "economic aid" to engage in the despicable practices of interference, control, subversion, plunder, and enslavement. Socialist states should base their revolutionary and construction endeavors on their own strength. To industrialize by following the path of "**independence and self-reliance**," socialist states must generate accumulation from within the national economy and secure the construction funds needed to achieve industrialization. Socialist states must meet the needs of industrial development for resources such as grain, raw materials, and labor power through the development of their own economies. They must rely on the domestic market, which expands steadily as their economies develop. The purpose of socialist industrialization is to achieve political independence and economic autonomy for socialist states, and to meet the growing needs of national construction and the people's living standards. Socialist states must achieve socialist industrialization as quickly as possible and establish an independent and complete

[1] Mao Zedong, "On Contradiction," 314.

industrial system. Therefore, the industrialization of socialist states must center on heavy industry.

There are likewise two different paths to industrialization centered on heavy industry and achieved through accumulation within socialist states. One is the path of doing with greater, faster, better, and more economical results; the other is the path of doing less, more slowly, worse, and at greater expense. The key issue here is to correctly handle the relationship between the two basic material production sectors in the development of the national economy: industry and agriculture, and heavy industry and light industry.

Chairman Mao summarized the experience of socialist industrialization at home and abroad, and clearly pointed out: "**In discussing our path to industrialization, we are here concerned principally with the relationship between the growth of heavy industry, light industry and agriculture. It must be affirmed that heavy industry is the core of China's economic construction. At the same time, full attention must be paid to the development of agriculture and light industry.**"[1] Chairman Mao's brilliant instructions showed us a path to achieving socialist industrialization with greater, faster, better, and more economical results. This means that, while giving priority to the development of heavy industry, industry and agriculture are advanced simultaneously, as are heavy industry and light industry.

Giving priority to the development of heavy industry requires the accumulation of large amounts of construction funds. Where can this accumulation come from? Heavy industry can generate accumulation, as can light industry and agriculture. However, heavy-industry construction proceeds slowly and ties up a great deal of capital, while light industry and

[1] Mao Zedong, "On the Correct Handling of Contradictions Among the People," 419.

agriculture can generate more accumulation, and do so more quickly. This is because light industry investment is small, construction is rapid, and it provides substantial accumulation. The development of light industry is mainly a matter of raw materials and markets, so light industry is closely related to agriculture. Giving priority to the development of heavy industry requires grain and other consumer goods, as well as a large labor force; these must be provided by agriculture and light industry. It also requires a broad domestic market, and agriculture and light industry are the main markets for heavy industry. Therefore, by developing agriculture and light industry somewhat more, we can develop heavy industry more and faster. Developing agriculture and light industry somewhat more will ensure an ample supply of agricultural products and light industrial goods to the market, guarantee market prosperity and price stability, gradually improve the material and cultural life of the people, mobilize the socialist enthusiasm of the working people, and promote the advance of socialist construction with greater, faster, better, and more economical results.

In short, only when there is more agriculture can there be more light industry; only when there is more agriculture and light industry can there be more heavy industry; and more heavy industry, in turn, is transformed into even more agriculture and light industry. This is the dialectical relationship in the development of agriculture, light industry, and heavy industry. By correctly handling the relationship among agriculture, light industry, and heavy industry, they can transform and promote one another, enabling socialist construction to develop comprehensively and rapidly.

Conversely, isolating the priority given to heavy industry and developing it one-sidedly—squeezing funds, labor power, equipment, and materials from agriculture and light industry—

may indeed make heavy industry develop somewhat faster in the short term. However, this will inevitably leave agriculture and light industry underdeveloped, causing severe shortages of agricultural products, light industrial goods, and other consumer goods. The backwardness of agriculture and light industry will, in turn, hold back the development of heavy industry. Thus, less in agriculture and light industry will translate into less in heavy industry; slower growth in agriculture and light industry will translate into slower growth in heavy industry.

Our country's socialist industrialization has advanced along the correct path pointed out by Chairman Mao. However, Liu Shaoqi, Lin Biao, and Deng Xiaoping did everything they could to oppose giving priority to agriculture, light industry, and heavy industry, and to oppose socialist industrialization. Their aim was to sabotage our country's socialist economic construction, so that our country could not achieve economic independence or political autonomy. These agents of the landlord and bourgeois classes had long sought to become "red compradors" for imperialism. They advocated that "in the future, when imperialism comes to China to open mines and factories, profits should be shared equally; under conditions beneficial to both sides, this could also be permitted." They propagated the "philosophy of slavish dependence on foreign countries," urging us to "imitate everything first" and "buy it if we cannot learn to make it." This would turn our country into a venue for imperialism and social-imperialism to export capital and dump commodities. In short, they sought to make our socialist state once again a colony and semi-colony enslaved by imperialism and social-imperialism.

## The Essence is Consolidating the Worker-Peasant Alliance and Gradually Eliminating the Differences Between Workers and Peasants

In socialist society, the relationship between industry and agriculture cannot be viewed merely as a relationship between things, such as the proportional relations in the reproduction process, the distribution of social labor, and the exchange of products. In essence, this relationship between things reflects relations between people and between classes. Socialist industry and agriculture are associated with different forms of socialist ownership. Ownership by the whole people predominates in industry, while collective ownership predominates in agriculture. Therefore, in terms of class relations, the mutual relations between the two sectors of socialist industry and agriculture are essentially the relations between the two laboring classes, workers and peasants—that is, the worker-peasant alliance under the leadership of the working class.

In socialist society, the mutual relations between workers and peasants are an important part of socialist mutual relations. Like socialist relations of production as a whole, they also have a dual character. The relations between workers and peasants are relations of mutual support and mutual advancement based on socialist public ownership, and are characterized by a fundamental unity of interests. In production and exchange, workers use the industrial goods they produce to support the development of agricultural production and improve peasants' lives, while peasants use the agricultural and sideline products they produce to support the development of industrial production and improve the lives of urban wage earners. Under the leadership of the working

class, the mutual support and mutual advancement of workers and peasants are a powerful force for consolidating the worker-peasant alliance and developing the socialist economy.

However, workers and peasants are, after all, distinct working classes associated with two forms of socialist ownership, and class differences exist between them. Under the conditions of the two forms of socialist public ownership, the exchange activities between workers and peasants are carried out mainly through the commodity exchange of industrial and agricultural products, in addition to the direct provision of accumulation to the state by peasants in the form of taxation. Therefore, first, in the course of their mutual exchange activities, workers and peasants still treat one another as distinct commodity owners; the socialist relations of mutual support and mutual promotion between them must also be expressed through the form of commodity exchange relations. This is a vestige of the old society in mutual relations between workers and peasants. Second, in socialist society, the intrinsic links whereby the development of industry and agriculture are mutually conditional and mutually reinforcing must also be realized through the commodity exchange of industrial goods and agricultural products. At the same time, the funds accumulated from agriculture by the state to develop heavy industry and achieve socialist industrialization are realized, apart from through agricultural taxation, mainly through the commodity exchange of industrial and agricultural products. Consequently, contradictions continually arise—in matters such as the tax burden on peasants, the prices of industrial goods and agricultural products, the proportions of agricultural and sideline products retained and procured, and the supply of industrial goods—on the basis of their fundamental common interests. Properly resolving these contradictions is directly related not only to promoting the development of industry and agriculture, but also to the continual improvement of socialist

mutual relations between workers and peasants and the consolidation of the worker-peasant alliance. Chairman Mao pointed out: "**We have a rural population of over 500 million, so how our peasants fare has a most important bearing on the development of our economy and the consolidation of our state power.**"[1]

In accordance with Chairman Mao's general principle for developing the national economy—"**Taking agriculture as the foundation and industry as the leading factor**"—the principle of arranging the national economic plan in the order of agriculture, light industry, and heavy industry, and the path toward achieving agricultural mechanization and socialist industrialization, correctly handling the development relations among agriculture, light industry, and heavy industry is an important aspect of correctly handling relations between workers and peasants.

First, give priority to the development of agriculture and arrange the national economic plan in the order of agriculture, light industry, and heavy industry. First consider the needs of agricultural development and make appropriate arrangements for agricultural production. At the same time, the development plans for industry and other sectors of the national economy must first take into account the grain, raw materials, funds, and labor power that agricultural production can provide. In this way, the needs of industrial development can be met while also promoting the development of agricultural production and improving peasants' lives. Conversely, if, as Liu Shaoqi and his ilk advocated, one one-sidedly emphasizes the development of heavy industry, "heavy industry at the expense of agriculture" and "using industry to squeeze agriculture," and obtains the grain, raw materials, funds, and other resources needed to develop

[1] Mao Zedong, "On the Correct Handling of Contradictions Among the People," 399.

heavy industry and achieve industrialization by depriving peasants—for example, by increasing their tax burden and widening the "scissors gap" between industrial and agricultural products—this will inevitably hinder the development of agricultural production and the improvement of peasants' lives, thereby undermining our country's socialist construction and the worker-peasant alliance.

Second, correctly handling the relationship between the development of agriculture, light industry, and heavy industry, and closely integrating agriculture with industry, are also important measures for gradually narrowing and ultimately eliminating the differences between workers and peasants and the differences between town and country. Marx and Engels pointed out long ago: "**Combination of agriculture with manufacturing industries; gradual abolition of all the distinction between town and country.**"[1] Chairman Mao also pointed out: "**Attention must be given to both city and village and it is necessary to link closely urban and rural work, workers and peasants, industry and agriculture.**"[2] If industry and agriculture support and promote each other, agricultural mechanization is rapidly achieved, and modernization of agriculture, industry, national defense, and science and technology is realized, the necessary conditions will be created for further consolidating the worker-peasant alliance, strengthening the socialist position in the countryside, restricting bourgeois right, and gradually narrowing and ultimately eliminating the essential differences between industry and agriculture, between cities and the countryside, and between workers and peasants.

---

[1] Karl Marx and Friedrich Engels, "Chapter II. Proletarians and Communists."

[2] Mao Zedong, "Report to the Second Plenary Session of the Seventh Central Committee of the Communist Party of China," 363.

In socialist society, the basic contradictions in the countryside, as in society as a whole, are the contradictions between relations of production and the productive forces, and between the superstructure and the economic base. They are concentrated in the struggle between two classes, two roads, and two lines. The overthrown exploiting classes constantly seek to restore their rule; some wealthy peasants still have relatively strong spontaneous capitalist tendencies, and new bourgeois elements may also emerge. Therefore, mutual relations between workers and peasants are inevitably constrained and influenced by the principal contradiction of the socialist period. To handle relations between workers and peasants correctly, it is necessary to uphold class struggle as the key link, and, in the struggle between two classes, two roads, and two lines, under the leadership and education of the working-class party, uphold socialism and defeat capitalism.

# Chapter Twelve: Distribution of Socialist National Income

## Section One: Creation and Distribution of Socialist National Income

### National Income is Part of the Social Product

As mentioned earlier, the social product refers to the total material means produced by the material production sectors of society over a given period (such as one year). These material production sectors include industry, agriculture, the construction industry, the freight transportation industry, the posts and telecommunications industry serving production, and that part of material supply and commercial exchange that continues the production process.

National income is a part of the social product. After deducting the means of production consumed in the production process from the social product, the remainder is national income. Thus, national income is the material wealth newly created by workers in the material production sectors over a given period. National income is expressed not only in physical form but also in value form. In physical form, national income consists of all the means of consumption and some of the means of production produced by society over a given period. In value form, national income comprises all the value newly created by society's material production sectors over a given period—that is, the portion of gross output value remaining after deducting the value of the means of production consumed. The national income of society as a whole is the sum of the net

output values of its various material production sectors. When capitalist countries calculate national income, they include not only the national income produced by the material production sectors but also the service income of the non-material production sectors and the income extracted by the exploiting classes. This not only conceals capitalism's exploitative relations but also exaggerates the level of national income.

National income can be calculated using two types of prices: current prices, for planning the distribution and redistribution of national income, accumulation, and consumption; and comparable prices, for studying the dynamics of indicators such as the growth rate of national income, thereby identifying certain regularities in economic development.

National income is a comprehensive indicator that reflects the level of economic affairs and is used to study social extended reproduction. The rapid growth of socialist national income reflects the scale of socialist extended reproduction and demonstrates the superiority of the socialist system. Socialist national income is fundamentally different from national income under capitalism. Capitalist national income is the result of private production by capitalists who own the means of production. Socialist national income is the material wealth created by working people for their society on the basis of public ownership of the means of production, with exploitation eliminated. Because of this fundamental difference, the rates of growth reflected in national income are also entirely different.

# Rapid Growth of Socialist National Income

The growth rate of national income cannot substitute for the level of development of national income. However, the growth rate of national income is a prerequisite for whether the level of development of national income can grow rapidly.

Three factors affect the growth of national income: an increase in the number of workers in the material production sectors; the rate of growth of labor productivity; and economy of the means of production. These factors play very different roles under different social systems. The establishment of the socialist system created highly favorable conditions for the rapid growth of national income.

(1) Increase in the number of workers in the material production sectors

National income is created by workers in the material production sectors. Therefore, when labor productivity is constant, the more labor is invested into the material production sectors, the faster national income grows. In capitalist society, the exploiting classes live parasitic lives, working people are largely unemployed, and nonproductive personnel make up a large proportion of the total employed population. The decay of the capitalist economic system means that they cannot possibly make full use of the social labor resources as a whole. By contrast, under the socialist system, the establishment of public ownership of the means of production creates favorable conditions for making full use of social labor resources. Unemployment inherited from the old society has been eliminated; all workers of working age can be assigned appropriately, production personnel have increased substantially, and nonproductive personnel have gradually decreased. All these are important guarantees for increasing national income.

(2) Growth of labor productivity

Labor productivity is the quantity of social product produced per unit of time. The greater the quantity of products produced per unit of time, the higher labor productivity is, and the faster national income calculated in physical terms grows. Increasing labor productivity is the most important factor in the growth of national income. However, the possibilities for increasing labor productivity differ fundamentally under different social systems. Under the capitalist system, the vast numbers of workers directly engaged in material production are oppressed and exploited. Increasing labor productivity can only increase the wealth capitalists exploit, while workers, often as a result of excessively strenuous labor, lose their capacity to work prematurely and are driven out of factories. Workers therefore have no interest at all in increasing labor productivity. Under the capitalist system, the adoption of new machinery is also limited: capitalists will do so only when it can bring them greater profits; otherwise, they would rather use backward means of labor. By contrast, socialist society faces none of the obstacles that prevent capitalist society from adopting new machinery and technologies. The adoption of new machinery and technologies can reduce the intensity of labor, save labor expenditure, and improve labor efficiency. The workers in socialist society are the masters of society and display great enthusiasm and creativity in their work. Therefore, even with the same technical equipment, they can achieve higher labor productivity than capitalism.

(3) Economy of the means of production

Economy of the means of production means conserving the materialized labor embodied in each unit of product. This includes reducing the consumption of raw materials, fuel, and power per unit of product, as well as making comprehensive use of resources. Reducing the

portion of production means consumed in production that must be replaced correspondingly increases national income. However, whether material means can be conserved as much as possible in the production process is closely linked to the social system. Economy of the means of production takes different forms under different social systems. In capitalist society, individual enterprises' capitalists, in pursuit of profit, invariably resort to every means of reducing the consumption of the means of production, even worsening workers' working conditions to achieve what they call "economy." But from the perspective of social reproduction as a whole, competition, anarchy of production, disproportions, economic crises, underutilized capacity, idle equipment, and the like all cause enormous waste. By contrast, socialist production is carried out under the guidance of a unified national economic plan. It eliminates competition, anarchy of production, and economic crises, enabling resources to be used fully and rationally. At the same time, the workers' enthusiasm for safeguarding public property can also be fully mobilized. All this creates tremendous possibilities for conserving the means of production.

In short, the fundamental reason for the rapid growth of socialist national income lies in the establishment of entirely new social relations of production. As long as we persist in implementing the Party's correct line, fully bring into play the superiority of the socialist system, and fully mobilize every worker's socialist enthusiasm and creativity, we will create ever greater material wealth and promote the rapid growth of national income.

# Distribution and Redistribution of Socialist National Income

Between production and final use, national income passes through a complex process of distribution and redistribution. The distribution of national income concerns relations among the state, collective, and individual, as well as the worker-peasant alliance, and is an important aspect of correctly handling contradictions among the people.

The distribution of national income is determined by ownership of the means of production and mutual relations among people in production. Different structures of production give rise to different forms of distribution. "**The structure of distribution is entirely determined by the structure of production. Distribution itself is a product of production.**"[1] In capitalist countries, a large share of national income is appropriated by capitalists and landlords in the form of profit, ground rent, interest, and so on, while the workers who create national income receive, in the form of wages, only a portion equivalent to the value of labor power—just enough to sustain their lives. The national income of socialism is created by and belongs to working people, and its distribution likewise serves the current and long-term interests of all working people.

The primary distribution of socialist national income takes place within the material production sphere. At present, two forms of public ownership of the means of production still exist in our country; therefore, national income is distributed differently in units under ownership by the whole people and units under collective ownership.

---

[1] Karl Marx, "I. Production, Consumption, Distribution, Exchange (Circulation), Introduction," in *A Contribution to the Critique of Political Economy*.

The gross output value produced by socialist enterprises under state ownership by the whole people over a given period (such as one year), minus the portion needed to compensate for the consumption of means of production in the production process during the previous year, is called net output value, that is, the national income created by the enterprise. This national income is further divided into two parts: one part is the value of products represented in the form of wages; the other is the value of products remitted to the state for centralized use in the form of taxes and profit, that is, the net income centralized by the state.

The total value of the products produced by units under collective ownership over a given period (such as one year), minus the value of the products representing the consumption of the means of production during the production process, is the net output value of units under collective ownership, that is, their national income.

The current system of rural people's communes is "ownership at three levels, with the production team as the basic unit"; therefore, national income is also distributed on the basis of the production team. In the initial distribution, national income is divided into the following parts: net income collected by the state in the form of agricultural tax; collective economic accumulation set aside in the form of an accumulation fund for extended reproduction; members' welfare funds set aside in the form of a public welfare fund; the production team's administrative expenses; and the portion allocated to members of cooperatives for personal consumption in cash and in kind, among others.

The initial distribution of national income in collective-ownership economic units concerns relations among the state, the collective, and individuals. Chairman Mao taught: "**On the question of distribution, we must take the interests of the state, the collective and the**

**individual into account.**" "**Accumulation is essential for both the state and the co-operative, but in neither case should it be excessive. We should do everything possible to enable the peasants in normal years to raise their personal incomes annually through increased production.**"[1] For many years, under the leadership of the Party and Chairman Mao, policies of stable taxation and stable burdens have been implemented in the countryside, while pricing policies have sought to narrow the "scissors gap" and ensure equivalent exchange. Reasonable distribution policies have also been established for the collective economy, taking into account the interests of the state, the collective, and peasants in their individual incomes. These policies have thereby developed agricultural production, strengthened the worker-peasant alliance, and consolidated the collective economy.

In socialist society, in addition to material production sectors such as industry and agriculture, there are also non-material production sectors, including culture, education, and health; some service industries; state administration; and national defense. These sectors are essential for consolidating the dictatorship of the proletariat, ensuring the smooth progress of the cause of socialist revolution and construction, and improving the material and cultural lives of the working people. The labor of those working in these sectors is necessary labor. However, non-material production sectors do not directly create national income. The material means required to maintain the normal operation of these sectors, as well as the means of consumption for their staff, must therefore be provided by the material production sectors. Accordingly, national income must be redistributed after its initial distribution. In addition, social support for workers who have lost their capacity to work, assistance with living difficulties for some

[1] Mao Zedong, "On the Correct Handling of Contradictions Among the People," 400-401.

workers' families, and state-funded medical care, among other things, require social security funds. The foreign aid fund needed to fulfill internationalist obligations through foreign aid must likewise be established through the redistribution of national income.

Under socialism, the redistribution of national income is carried out mainly through the national budget. Through the fiscal budget, the state collects the net income of state-owned enterprises in the form of taxes and profit, the net income of the agricultural collective economy in the form of agricultural tax, and the net income of other collective economies in the form of business tax and income tax, as a social fund for the redistribution of national income; it is then distributed through fiscal budget expenditures as income for nonproductive sectors and their workers.

The redistribution of national income also takes place through service industries. Through their service activities, service industries collect fees from consumers, a portion of which constitutes the initial personal income of service industry workers.

Socialist planned prices also play a certain role in the redistribution of national income.

The interest residents receive from savings banks at the People's Bank also falls within the scope of national income redistribution.

The processes of primary distribution and redistribution of national income are extremely complex. The foregoing merely reflects the basic aspects of the distribution of national income.

After primary distribution and redistribution, national income, in terms of how it is used, consists of two major parts: the accumulation fund and the consumption fund. The results of national income distribution are presented in the following table:[1]

**National Income**

**Accumulation Fund**

**Extended Reproduction Fund:** Capital construction and increasing working capital of the state and enterprises

**Non-Productive Capital Construction Fund:** Capital construction for national administration, national defense, culture, education and health departments, and non-productive capital construction of industry and agriculture

**Social Reserve Fund:** Material reserve of the state and enterprises

**Consumption Fund:**

**National Administration Fund:** For expenses in national administration and national defense

**Cultural Education Healthcare Fund**

**Social Security Fund:** For expenses in labor insurance, public healthcare, and social security of the socialist state and enterprises

[1] Foreign aid funds are included in the distribution of socialist national income, but whether they should be classified as accumulation funds or consumption funds, listed separately, or excluded from both remains to be studied; therefore, they are not included in the table below for the time being.

(Wages of employees in relevant departments are included in the aforementioned three funds)

**Personal Consumption Fund in Production and Circulation:** Remuneration fund for laborers in material production sectors

# Section Two: Accumulation Fund and Consumption Fund

## Proportional Relationship Between the Accumulation Fund and Consumption Fund

The proportion between the accumulation fund and the consumption fund is a comprehensive proportional relation within the national economy. It centrally reflects the unity of opposites between expanding production and meeting the people's current needs for material and cultural life. In a socialist state, accumulation and consumption are fundamentally consistent with the people's interests; the contradiction between them does not have the antagonistic character found in capitalist society. Under socialism, accumulation is the material foundation for expanding production and raising the people's material and cultural living standards. It helps consolidate and strengthen the dictatorship of the proletariat and consolidate and expand public ownership of the means of production; therefore, fundamentally, it serves the interests of the workers. However, given a fixed national income, a certain contradiction still exists between socialist accumulation and consumption—for example, between expanding the scale of production and improving the people's material and cultural life, between long-term and current interests, and between collective and individual interests, among others. Although these contradictions are not antagonistic and can be resolved through the socialist system itself, this does not mean they should be ignored. Across the national economy as a whole, the proportional relation between accumulation and consumption is strategic. Whether this proportional relation is arranged appropriately directly affects the development of the entire national economy. It must therefore be handled correctly in accordance with the principle of "**over-all consideration and**

**proper arrangement**," so that the development of production, state construction, and the gradual improvement of people's living standards are properly coordinated. This will ensure both the accumulation of funds needed for socialist construction and the gradual improvement of people's living standards, thereby promoting the rapid development of the national economy.

To properly handle the relationship between accumulation and consumption, the following principles must be observed:

(1) In arranging the proportional relations between accumulation and consumption, the level of development of the national economy must be taken into account.

The growth of accumulation and consumption fundamentally depends on developing production. Chairman Mao taught: "**Without a well-based economy it is impossible to solve financial difficulties, and without a growing economy it is impossible to attain financial sufficiency.**"[1]

The level of national income reflects the level of development of a country's national economy. In socialist states, the growth of accumulation and consumption depends mainly on the gradual increase in national income. The faster national income grows, the faster accumulation and consumption grow; conversely, their growth is necessarily slower. When national income is low and its growth rate is not high, the consumption fund generally accounts for a relatively large share of national income; otherwise, it would be impossible to ensure the basic needs of the people's material and cultural life. At the same time, this means that the portion of national income allocated to accumulation cannot be very large, and its growth rate cannot increase substantially. When national income grows rapidly, there is greater room to adjust the proportion

[1] Mao Zedong, "Economic and Financial Problems in the Anti-Japanese War," 111.

allocated to accumulation and consumption. However, the growth of the accumulation fund and the consumption fund is not without limits. According to the Marxist principle of the priority growth of means of production production, the accumulation fund should generally grow faster than national income, while the consumption fund should grow more slowly than national income.

Accumulation is the source of extended reproduction. A socialist society not only should, but is fully capable of, consistently maintaining a relatively high rate of accumulation. Although our country is still a developing country and its total national income is relatively low, its growth rate is beyond the reach of capitalist countries. Therefore, when determining the proportion between accumulation and consumption, we are in a position to increase accumulation at a relatively high rate, ensuring both the rapid development of the national economy and, on the basis of economic development, an improvement in the people's standard of consumption. This fully demonstrates the incomparable superiority of the socialist system over the capitalist system.

(2) The proportions allocated to accumulation and consumption must be planned comprehensively, without neglecting either.

Balancing accumulation and consumption reflects the proper and reasonable arrangement, under the socialist system, of long-term and current interests, and of collective and individual interests. The ultimate purpose of developing socialist production is to meet the ever-growing needs of society as a whole. Improvements in people's living standards must be based on the development of production, while accumulation is an indispensable prerequisite for extended reproduction. Without accumulation, socialist production cannot develop rapidly. Therefore, the development of the socialist economy objectively requires balancing

accumulation and consumption, so that both grow at the same time on the basis of production development and increased labor productivity. On the one hand, the growth of accumulation should rest on a sound basis of appropriate improvements in people's living standards; on the other hand, improvements in people's living standards should not hinder the necessary growth of accumulation. By taking both needs and possibilities into account, and ensuring both improved living standards and the development of production, the development of production, state-building, and improvements in people's living standards can be properly coordinated. In agriculture, balancing accumulation and consumption also requires following the principle of using surplus from good years to make up for shortfalls in poor years: in harvest years when output increases rapidly, one should not focus solely on immediate needs and allow consumption to grow too quickly, but should accumulate more; in poor-harvest years, accumulation should be appropriately restrained in distribution.

(3) When determining the proportion between accumulation and consumption, the material composition of national income must be taken into account.

The material forms of the accumulation fund and the consumption fund are means of production and means of consumption. These are the material basis for extended reproduction and people's consumption. A given amount of funds must be backed by a corresponding quantity of tangible products. Therefore, the proportion between accumulation and consumption is also constrained by the material composition represented by national income. The accumulation fund is basically constrained by the means of production; the consumption fund is basically constrained by the means of consumption. In discussing reproduction, Marx said: "**This movement is not only a replacement of value, but also a replacement in material and is**

**therefore as much bound up with the relative proportions of the value-components of the total social product as with their use-value, their material shape.**"[1] If the means of production consumed in the reproduction process are not replaced like for like, reproduction on its original scale cannot be maintained. If the composition of the additional means of production allocated for extended reproduction does not conform to the proportions required for extended reproduction, its smooth progress cannot be ensured either. Allocating too much to the accumulation fund while means of production are insufficient will inevitably lead to tight supplies of raw materials; allocating too little will instead cause a buildup of means of production, hindering the rapid development of the national economy. Allocating too much to the consumption fund while means of consumption are insufficient will lead to tight supplies and shortages of goods; allocating too little will instead result in goods going unsold and a buildup of means of consumption, leaving people's consumption needs unmet. This shows that the allocation of the proportion between accumulation and consumption is constrained by the proportions in the composition of the products of the two major divisions of social production.

In practice, besides the fact that some material means within the means of production and means of consumption can be allocated for use as either means of production or means of consumption, reserves can also be drawn upon and imports organized to meet the needs for material means arising from extended reproduction and make up for the shortfall in existing means of production.

When dealing with the relationship between accumulation and consumption, in addition to considering the three specific principles mentioned above, arrangements must also take

---

[1] Karl Marx, "Chapter 20: Simple Reproduction," in *Capital*, Vol. II.

account of the political and economic tasks facing the state at the time. For example, during the recovery period of our country's national economy, the share of national income devoted to accumulation grew relatively rapidly. As the national economy develops, although the proportion of national income allocated to accumulation will not grow as rapidly as it did in the early stages of industrialization, it will remain at a relatively high level, and the absolute amount represented by each percentage point of accumulation will increase rapidly. In addition, arrangements for accumulation and consumption must take account of our country's need to support the people of the world and guard against foreign aggression. In sum, determining the proportion between accumulation and consumption is an extremely complex task, with significant theoretical and policy implications. It must be planned comprehensively and coordinated in light of the Party's line, principles, and policies.

## The Proportional Relationship Within the Accumulation Fund and the Consumption Fund

In the distribution and redistribution of national income, it is necessary not only to correctly handle the proportional relations between accumulation and consumption, but also to correctly handle the proportional relations within the accumulation fund and within the consumption fund.

By purpose, the accumulation fund mainly comprises three parts: the fund for expanding production, the non-productive capital construction fund, and the social reserve fund. Organizing the use of the accumulation fund rationally is an important issue that affects both the long-term

and immediate interests of the people, and whether we can build socialism with greater, faster, better, and more economical results.

When determining the proportion between the fund for expanding production and the non-productive capital construction fund, most of the accumulation fund should be allocated to the fund for expanding production, which is the principal component of the accumulation fund. This is because the development of sectors such as culture, education, and health ultimately depends on the development of production. Therefore, the accumulation fund should not be used excessively for non-productive construction. In particular, investment in capital construction for the administrative bodies of state organs and industrial and mining enterprises should be kept under tight control. It is necessary to retain a portion of the accumulation fund as reserves, to balance imbalances arising in the development of the national economy and to cope with contingencies such as natural disasters. The size of the reserve fund should be determined according to the actual needs of national economic construction and development, taking into account how reserves have been drawn upon in previous years; it should be neither excessive nor insufficient.

The internal proportions of the fund for expanding production should be arranged comprehensively across investment in agriculture, light industry, and heavy industry, in accordance with the general principle of "**taking agriculture as the foundation and industry as the leading factor.**" On the premise of giving priority to the production of means of production, this will ensure the rapid development of the national economy. Simple reproduction is the foundation of extended reproduction. Therefore, when arranging the relationship between production and capital construction, the needs of simple reproduction must first be met; only

then can capital construction for extended reproduction be undertaken. Otherwise, labor, materials, and financial resources will be wasted. In planning capital construction, large industrial enterprises that transform the technological foundation of the national economy and require a longer time to become operational should be combined with small and medium-sized industrial enterprises that can be completed and put into production in the short term, in order to improve investment effectiveness and ensure the rapid development of extended reproduction.

The consumption fund is divided by purpose into four parts: the state administration fund, the culture, education, and health fund, the social security fund, and the individual consumption fund in the production and circulation sectors. Among these, the culture, education, and health fund will expand with the development of socialist construction endeavors. The state administration fund, viewed in terms of the overall trend, will continue to shrink. The national defense fund, however, will remain at a certain level in light of the international class struggle and will increase or decrease as the situation in the international class struggle changes, in order to ensure resistance to external aggression and consolidate the dictatorship of the proletariat.

The consumption fund is divided by form of use into two parts: personal consumption and social collective consumption. Labor income earned by employees of state-owned enterprises and workers in the collective economy is used for personal consumption, but they also enjoy collective welfare. With the development of the socialist economy and culture, the share of the consumption fund allocated to social collective consumption will continue to increase. However, given the current low level of economic development and the relatively low level of personal consumption, the share of the consumption fund directly distributed to individuals to meet their personal consumption needs will remain substantial.

## Criticize the Reactionary Fallacy of "The Country is Rich While the People Are Poor"

On the question of the distribution of accumulation and consumption, a sharp struggle between the two lines of Marxism and opportunism has always existed. Lin Biao and his ilk, under the conditions of the dictatorship of the proletariat, put forward the reactionary slogan of supposedly replacing "the country is rich, the people is poor" with "rich people and powerful country," and openly clamored that socialism means "sharing out a little more" and "taking a little more." They opposed socialist accumulation and sought to undermine socialist construction, dismantle socialist ownership, and restore capitalism by means of distributing everything and consuming it all. Since the founding of the People's Republic, our social accumulation has greatly increased, socialist construction has developed rapidly, and the state under the dictatorship of the proletariat has indeed become much "richer" than before. At the same time, on the basis of the development of production, the material and cultural life of the broad masses of the people has also greatly improved. Only a small handful of landlords and members of the bourgeoisie, deprived of the means of production, have lost their "paradise." Lin Biao and his ilk slandered us by claiming that "the country is rich, the people is poor"; this is nothing but an attempt to plead the case of the landlords and bourgeoisie who have already been overthrown. Marx said: "**Any distribution whatever of the means of consumption is only a consequence of the distribution of the conditions of production themselves. The latter distribution, however, is a feature of the mode of production itself.**"[1] In our country, the

[1] Karl Marx, "I."

establishment of socialist public ownership of the means of production determines that the socialist system of distribution benefits the broad masses of working people. The claim of "people are poor" of which Lin Biao and his ilk speak refers to the landlords and bourgeoisie who have been deprived of the means of production; their so-called "rich people and powerful country" means restoring to the landlords and bourgeoisie the "paradise" they have already lost. This fully exposes their counterrevolutionary nature.

The fallacy peddled by the likes of Lin Biao—that socialism means "getting a little more" and "taking a little more"—is nothing new; it is a rehash of the reactionary fallacies of Lassalle and Dühring, such as "unreduced proceeds of labor" and the "universal principle of fairness." Engels pointed out long ago that accumulation "it cannot accumulate a fund for the maintenance and extension of production, but only the individual members can do this." By advocating "dividing everything up and consuming it all," and opposing accumulation, Lin Biao and his ilk seek to undermine the material foundation on which socialist society develops, making it impossible to sustain socialist reproduction, thereby changing the nature of socialist public ownership of the means of production and causing class differentiation to re-emerge in society. In exposing the reactionary essence of Dühring's abolition of accumulation, Engels hit the nail on the head: "**In this case it cannot accumulate a fund for the maintenance and extension of production, but only the individual members can do this.**" "**The means of production accumulated in the past have therefore been centralized in the hands of society only in order that all means of production accumulated in the future may once again be dispersed in the hands of individuals.**"[1] It is clear, then, that the so-called "rich people and powerful

[1] Frederick Engels, "IV. Distribution, Part III: Socialism."

country" is entirely a reactionary economic program of Lin Biao and his ilk, directed against socialist public ownership of the means of production and the dictatorship of the proletariat, and aimed at restoring capitalism.

# Section Three: The Role of Socialist Public Finance in the Distribution of National Income

## The Nature of Socialist Public Finance

Public finance is a product of the state apparatus and is intrinsically linked to the functions and nature of the state. It has always been a tool through which the ruling classes realize their class will. Socialist public finance is a distribution relation formed in the process by which the socialist state, to meet the needs of socialist revolution and socialist construction, uses the monetary form to plan the distribution and redistribution of a portion of national income. This relation embodies the socialist principle of taking from the people and using for the people.

In the early years after the founding of our country, the state, through unified financial and economic administration, vigorously reorganized taxation and strengthened cash management, thereby curbing inflation and stabilizing market prices. This consolidated the newly established proletarian state power and created the conditions for planned economic construction. During the socialist transformation of ownership of the means of production, the state used public finance as an instrument to provide strong support in every respect for the rapid development of the socialist economy. At the same time, through taxation and credit, it curbed the spontaneous forces of urban and rural capitalism, effectively complementing and advancing the socialist transformation of the capitalist economy and the individual economy. After the socialist transformation of ownership of the means of production was basically completed, public finance continued to serve the dictatorship of the proletariat and socialist construction, ensuring

the continued development of the national economy and the ongoing consolidation and strengthening of the socialist economic base.

The public finance system of a socialist state consists of three distinct yet interconnected components: the national budget, bank credit, and the finances of state-owned enterprises. The national budget is a necessary instrument for the planned centralization and distribution of national income, and is the principal component of the socialist public finance system. Bank credit is one channel for organizing and redistributing idle monetary funds. The state budget allocates the capital construction investment and quota working capital required by socialist enterprises, while the net income they generate is remitted to the national budget and constitutes its main source of revenue. Therefore, the finances of state-owned enterprises are the foundation of the state's public finance.

To manage socialist public finance well, it is necessary to properly handle the relationship between finance and the economy; in essence, this means properly handling the relationship between distribution and production. Production determines distribution, while distribution in turn affects production—this is an important principle of Marxism. The fiscal revenue of a socialist state must be based on economic development, and fiscal expenditure must first and foremost ensure economic development. Chairman Mao taught us: "**The general policy guiding our economic and financial work is to develop the economy and ensure supplies. …While a good or a bad financial policy affects the economy, it is the economy that determines finance.**"[1] Chairman Mao's instruction clarified the dialectical relationship between the economy

[1] Mao Zedong, "Economic and Financial Problems in the Anti-Japanese War," 111.

and finance: the economy determines finance, and finance must proceed from production and serve extended reproduction, so as to promote the rapid development of the national economy.

To enable socialist public finance to better serve the dictatorship of the proletariat, socialist revolution, and socialist construction, it is necessary, while systematically centralizing and allocating monetary funds, to properly exercise the role of socialist financial supervision and to conduct socialist supervision over phenomena in the economic sphere such as deviating from the Party's line, violating the Party's policies, undermining the state plan, and failing to observe financial discipline, thereby ensuring the implementation of the proletarian revolutionary line and policies.

## The Socialist State Budget is a Tool For the Planned Centralization and Distribution of National Income

Chairman Mao pointed out: "**The state budget is a major issue; it reflects the policies of the entire state, because it stipulates the scope and direction of government activities.**"[1] The revenue of capitalist countries' budgets comes mainly from taxation, while their expenditure is mainly used for military expenditure, reflecting their reactionary nature: on the one hand, they exploit the working people, and on the other, they expand their armies and prepare for war. The revenue and expenditure plans of socialist state budgets are drawn up according to the national economic development plan. They are the principal monetary-form reflection of the national economic plan. As the state's basic financial plan, together with the state bank credit plan and the

[1] "Chairman Mao's Speech: The Situation Next Year Is Expected to Be Better Than This Year; the Economy Can Be Completely Restored Within Three to Five Years," *People's Daily*, December 4, 1949.
Note from translator: No official English translation available.

enterprise-sector financial plan, they ensure the realization of the national economic plan through the centralization and allocation of monetary funds.

The main source of revenue for the socialist state budget is the net social income created by the material production sectors. After state-owned enterprises receive the proceeds from selling their products, they first cover the raw materials, fuel, and other inputs they have consumed, pay wages, and set aside a depreciation fund to compensate for the wear and tear on fixed assets; they then remit the net income they have created to the national budget. State-owned enterprises remit net income in two forms: taxation and profit. Since both are forms of net income, why is it remitted in two forms, tax and profit? This is because: (1) taxation is a fixed and compulsory form of payment, which can ensure that budget revenue is balanced, timely, and stable; (2) taxation is levied at the same rate on enterprises producing the same type of product. Although their product costs vary, the tax rate is the same, which can encourage enterprises to strengthen economic accounting; (3) through increases, reductions, and exemptions, taxation works in conjunction with the state's price policy to promote the planned, proportionate development of the national economy. Profit, by contrast, is generally remitted monthly according to plan, and settled according to the figures in the final accounts after the end of each quarter and year. This cannot ensure balanced and timely budget revenue.

Taxation in our country is an important means of accumulating funds for the state, and also a tool for combating capitalist tendencies. All units engaged in industrial production, transportation, agricultural product procurement, import trade, commercial operations, and service activities must pay business tax. After state-owned enterprises pay taxes in accordance with the law, the remainder of their net income is remitted to the budget in the form of profit. In

addition to paying business tax, collective economic units must also pay income tax on their net profits. Through income tax, the state centralizes a portion of their net income for unified allocation and use.

Agricultural tax is a tax paid to the state by collective economic units that earn agricultural income. It is levied on the average annual output expected from farmland. Before the liberation of the whole country, agricultural tax generally accounted for more than 80% of fiscal revenue in the revolutionary base areas, and the peasant masses made great contributions to the revolutionary cause. Since the liberation of the whole country, as the state-owned economy continues to grow and develop, and because the policy of increasing output without increasing taxes was implemented in agricultural taxation, the share of agricultural tax in national budget revenue has declined considerably.

To protect domestic production and promote the development of foreign trade, socialist states levy customs duties. Revenue from customs duties is also a source of national budget revenue.

The issuance of state bonds is another source of national budget revenue. Capitalist countries issue bonds to cover budget deficits caused by expanding their military forces and preparing for war. Socialist states issue bonds to mobilize some of the idle funds held by the broad masses and channel them into the national budget for national economic construction. Bonds must be repaid: principal and interest are paid at maturity, and repayment of the principal then becomes a national budget expenditure.

To meet the funding needs of our country during the period of national economic recovery, the People's Victory Bonds were issued in 1950. From 1954 to 1957, National

Economic Construction Bonds were issued successively. Beginning in 1959, our country stopped issuing nationwide state bonds, and local bonds were issued instead by provinces, cities, and autonomous regions as needed. All the state bonds issued above had been fully repaid by 1968. In 1965, the foreign debt borrowed mainly to Resist America and Aid Korea was also repaid a year ahead of schedule. Our country has become a great socialist state with neither domestic nor foreign debt.

The main items of budget expenditure in a socialist state are: (1) expenditure on economic construction; (2) expenditure on social, cultural, and educational affairs; (3) national defense expenditure; (4) state administrative expenditure; and (5) foreign aid and other expenditure. The proportion allocated to economic development and social, cultural, and educational affairs has increased year by year, greatly transforming our country's economic landscape and significantly improving our people's living standards.

In short, the composition of socialist state budget revenues and expenditures demonstrates the distinct class character and superiority of socialist public finance. It shows that our country's national budget rests on a solid and reliable foundation, draws its resources from the socialist economy, and is in turn devoted to socialist revolution and socialist construction. It embodies self-reliance and reliance on internal accumulation: it derives from the wealth created by the working people and is used to serve them, a defining feature of the socialist state budget.

# Socialist Bank Credit is a Form of the Planned Mobilization and Redistribution of Monetary Funds

Under the socialist system, bank credit is a form through which the state mobilizes and redistributes idle monetary funds in a planned manner, according to the principle that loans must be repaid.

Under the socialist system, there are the following reasons for retaining bank credit as a means of mobilizing and redistributing funds:

First, the high-speed development of socialist production requires both substantial capital construction funds and substantial working capital. However, the total funds available for allocation by the state are limited, so it is necessary to make full use of these funds and use them rationally and economically. The state uses bank credit as a tool to mobilize, allocate, and supervise the use of working capital.

To carry out production, state-owned enterprises must constantly tie up a minimum amount of working capital, called quota working capital, which is allocated from the national budget. However, in the course of an enterprise's turnover of funds, working capital may be subject to two levels of need: a minimum and a maximum (for example, seasonal purchasing and stockpiling). If the state allocated funds according to enterprises' maximum needs, some funds would at times lie idle in the production and circulation sectors and could not be used for capital construction, thereby slowing the pace of extended reproduction. Given the frequent fluctuations in enterprises' turnover of funds, if funds are allocated and adjusted through bank credit on the condition that they be repaid, enterprises can borrow when they need funds and repay them when

they do not—one enterprise borrowing as another repays, and vice versa. Through bank credit, a single pool of funds can be made available in turn to many units. It is therefore clear that supplying working capital through bank credit is the best way to conserve funds.

Second, in the course of the circulation of funds throughout society, on the one hand, production develops and the need for working capital continually increases; on the other hand, some funds in the nonproductive sphere often remain idle. For example, government agencies, the armed forces, organizations, schools, state-owned enterprises, collective economic units, and individual residents often have idle monetary funds deposited in the state bank. Depositors put money in when they do not need it and withdraw it when they do; as some deposits are withdrawn, others are made, and vice versa, a certain balance of deposits is always maintained. Banks can therefore lend out an appropriate proportion of these balances to meet the funding needs of production and circulation. In mobilizing and tapping the potential of society's funds, bank credit is an indispensable instrument that cannot be replaced by other components of the fiscal system.

Third, socialist society still has two forms of public ownership: socialist ownership by the whole people and collective ownership. Transfers between different forms of ownership must not take the form of uncompensated expropriation or uncompensated allocation. Support from the state to collective economic units, apart from a small portion—such as disaster relief, investment support for poor brigades, and subsidies for small-scale water conservancy projects—which is provided as non-repayable fiscal appropriations, is mainly delivered through various agricultural loans issued by the state bank on a credit basis. Providing support through credit not only helps implement the policies of "relying primarily on the commune and brigade's self-reliance, with

state support as a supplement" and "**running the communes industriously and thriftily**," but also helps consolidate the worker-peasant alliance.

Credit is an economic category subordinate to commodity-money relations. Under conditions in which commodity-money relations exist, credit takes the form of a special kind of value movement. This special kind of value movement reflects different relations of production under different social systems. Capitalist credit reflects the exploitative relations of capital toward wage labor. In socialist society, credit embodies socialist relations of production, not relations of class exploitation. Credit relations between the state bank and state-owned enterprises embody cooperation and mutual support among economic units within state ownership. They are the principal aspect of socialist credit relations. Through credit, the state systematically allocates monetary funds to state-owned enterprises, ensuring the smooth progress of socialist extended reproduction. Credit relations between the state bank and the collective economy embody financial mutual support and friendly cooperation between the two classes, workers and peasants; they are a means of consolidating the worker-peasant alliance. Credit relations between the state bank and working people in urban and rural areas embody the economic relationship between the state and individuals, whose interests are aligned in pursuing the common goal of accelerating socialist construction.

The national budget and bank credit are independent of each other, each with its own sources and uses of funds and its own functions. The different nature and roles of credit funds and budget funds mean that they must be used separately and must not be confused. All budget expenditures must be covered by budget funds. Credit funds are limited to the turnover of short-term production funds and commodity circulation funds; they cannot be used for capital

construction, long-term loans, or other budget expenditures. However, credit funds and budget funds are both distinct and interconnected. The credit plan must be coordinated with the state's unified planning and balanced accordingly. When arranging budget revenues and expenditures, the state must take credit balance into account. Otherwise, any shortfall in credit can only be balanced by issuing more money, which would affect the stability of the currency's value.

State banks extend short-term credit. First, loans must be issued according to plan: enterprises' borrowing plans must be strictly reviewed before loans are granted, and the use of loans must be inspected and supervised afterward. Second, lending must be tied to the movement of goods: money goes out as goods come in; goods go out as money comes back. Credit funds may be used only to purchase raw materials, supplies, or commodities. When an enterprise purchases goods, the bank correspondingly increases its loans; when an enterprise sells its products or goods, the bank correspondingly recovers the loans. Bank credit must be advanced and repaid in step with increases and decreases in enterprises' inventories. If bank credit becomes detached from the movement of goods, not only does lending lose its backing in goods, but it also disrupts the market and planned activity. Third, loans must be repaid on time. Failure to repay loans on time affects the adjustment of credit and the normal performance of the function of redistributing monetary funds.

The socialist state bank is the state's administrative organ for managing finance. Entrusted by the state, it implements the state's financial policies and manages and supervises financial activities nationwide. The state bank organizes idle funds held by state-owned enterprises, public institutions, budgetary units, collective economic units, and individual residents as credit funds, and, in accordance with the state plan, allocates loans to industry,

agriculture, and commerce to promote the development of the national economy. On the basis of deposit and lending operations, the state bank organizes non-cash settlements among departments and units. Through non-cash settlement, the state bank can gain a comprehensive understanding of the economic activities of all enterprises and the financial affairs of public institutions and budgetary units, thereby enabling supervision. The state bank implements a cash management system. Under cash management, all state-owned enterprises, public institutions, budgetary units, and the collective economy must deposit in banks any cash exceeding their authorized cash-on-hand limits, thereby providing banks with credit funds. Entrusted by the state, the state bank issues money. In accordance with the development of production and the circulation of commodities, it issues or withdraws money to regulate currency circulation. Therefore, the socialist state bank is the nationwide center for credit, settlement, and cash disbursement. These functions of banks play an extremely important role in mobilizing and allocating monetary funds.

To summarize what has been discussed in this chapter, we can see that national income is the product of the process of social reproduction, while its distribution is an indispensable intermediate link in social reproduction and affects its course. Under the conditions of extended reproduction, the distribution of national income is also a process in which accumulation grows and production expands. This process follows entirely different laws in capitalist society and socialist society. In revealing the general law of capitalist accumulation and its historical tendency, Marx showed us that the growth of capital accumulation and the expansion of production necessarily bring with them the increasing impoverishment of the proletariat, the intensification of the basic contradictions of capitalism and of the class struggle between the

proletariat and the bourgeoisie, and thus the inevitable demise of the capitalist system and the victory of the socialist system. Under the socialist system, by contrast, the continual growth of accumulation and expansion of production are not only necessarily and intrinsically linked to the gradual improvement of people's living standards, but also objectively lay the groundwork for the gradual transition from socialism to communism, expressing the historical tendency of socialist accumulation.

# Part Six: Socialism and Communism

# Chapter Thirteen: The Transition from Socialist Society to Communist Society

## Section One: Communism Is the Inevitable Trend of Development of Socialism

### The Two Stages of Communist Society

Marxism scientifically analyzed the laws governing the movement of society's basic contradictions, revealed the historical inevitability of human society's development toward communist society, and pointed out that the proletariat's historical mission is to overthrow all social systems in which people exploit and oppress one another, replace the dictatorship of the bourgeoisie with the dictatorship of the proletariat, defeat capitalism with socialism, eliminate all classes and class differences, and ultimately achieve communism.

Communism is the loftiest ideal of the proletariat and the hundreds of millions of working people. It is the most complete, progressive, revolutionary, and rational social system in human history, and the ultimate goal of the proletarian revolution. From the day it was founded, the Communist Party of China has set the realization of communism in China and throughout the whole world as its highest program. Chairman Mao pointed out: "**Definitely and beyond all doubt, our future or maximum programme is to carry China forward to socialism and**

**communism.**"[1] "**The ultimate aim for which all communists strive is to bring about a socialist and communist society.**"[2]

Socialist society is an indispensable historical stage on the way to realizing communist society. After the proletariat overthrows the capitalist system, it cannot move directly into a classless communist society, because eliminating all classes and class differences requires a long historical period. Marx pointed out: "**Between capitalist and communist society there lies the period of the revolutionary transformation of the one into the other. Corresponding to this is also a political transition period in which the state can be nothing but *the revolutionary dictatorship of the proletariat*.**"[3] The "period of revolutionary transformation" and the "period of political transition" referred to here mean the socialist historical stage.

Socialism and Communism are two stages of development of the same communist society. Marx applied dialectical materialism and viewed communism as developing out of capitalism; therefore, in the course of its development, communism must necessarily manifest itself in two stages of differing maturity. Socialist society is the lower stage, and communism is the higher stage. In explaining Marx's theory of the two stages of communist society, Lenin pointed out: "**From capitalism mankind can pass directly only to socialism, i.e., to the social ownership of the means of production and the distribution of products according to the amount of work performed by each individual. Our Party looks farther ahead: socialism must inevitably evolve gradually into communism, upon the banner of which is inscribed**

---

[1] Mao Zedong, "On Coalition Government," 282.

[2] Mao Zedong, "The Chinese Revolution and the Chinese Communist Party," 331.

[3] Karl Marx, "IV."

**the motto, 'From each according to his ability, to each according to his needs.'**"[1] Lenin also said: "**Socialism is the society that grows directly out of capitalism, it is the first form of the new society. Communism is a higher form of society, and can only develop when socialism has become firmly established.**"[2] This shows that communist society develops on the basis of socialist society, and that socialism and communism are two stages in the development of communist society that are both distinct from and connected to each other. Socialist society is a necessary preparation for the realization of communist society, while communist society is the inevitable trend of the development of socialist society.

Public ownership of the means of production is the common foundation of socialist relations of production and communist relations of production. With the establishment of public ownership of the means of production, working people become masters of society in both socialist and communist society; social production in both is aimed at meeting the needs of society as a whole and of working people; in both, the national economy develops in a planned, proportionate, and rapid manner; and in both, Marxism becomes the theoretical foundation of society's guiding ideology. Lenin once said: "**Communist society is a society in which all things -- the land, the factories -- are owned in common and the people work in common. That is communism.**"[3] In socialist society, "**insofar as the means of production becomes**

[1] Vladimir Ilyich Lenin, "What Should be the Name of Our Party—One That Will be Correct Scientifically and Help to Clarify the Mind of the Proletariat Politically?," in *The Tasks of the Proletariat in Our Revolution*, *Lenin's Collected Works*, Vol. 24.

[2] Vladimir Ilyich Lenin, "Report On Subbotniks," in *Lenin's Collected Works*, Vol. 30.

[3] Vladimir Ilyich Lenin, "The Tasks of the Youth Leagues."

**common property, the word "communism" is also applicable here, providing we do not forget that this is not complete communism.**"[1]

Although socialist society and communist society have many things in common, socialist society is, after all, not yet complete communism, but a society that has only just emerged from capitalist society. In economic, moral, and spiritual terms, it cannot help retaining remnants or traces of capitalism; therefore, compared with fully mature communism, it still differs in many essential respects.

First, the development of productive forces in socialist society has not yet reached a very high level, and people are still unable to free themselves to any great extent from the constraints of the natural world. Only in communist society can the social productive forces develop greatly and the social product become extremely abundant, enabling people to truly become masters of nature.

Second, for a fairly long period in socialist society, two forms of public ownership of the means of production still exist: socialist ownership by the whole people and collective ownership by the working masses. Bourgeois right has not yet been completely abolished in the sphere of ownership. The foundation of communist relations of production, however, can only be a more mature, unified form of communist ownership by the whole people. Communist ownership by the whole people differs in many respects from socialist ownership by the whole people. The most important difference is that socialist ownership by the whole people is ownership by all working people, represented by the state under the dictatorship of the proletariat, whereas communist ownership by the whole people will no longer need to be represented by the state. At

[1] Vladimir Ilyich Lenin, "The Economic Basis of the Withering Away of the State."

that time, the production and exchange processes of society as a whole, and its various sectors of production and enterprises, will be managed directly by society.

Third, in socialist society, differences still exist between workers and peasants, between urban and rural areas, and between mental and manual labor; bourgeois right still exists extensively in mutual relations. Only with the advent of communist society can these essential differences finally be eliminated, enabling people to develop fully without being constrained by the old social division of labor.

Fourth, in socialist society, the distribution of personal consumer goods follows the principle of "from each according to their ability, to each according to their work," and bourgeois right still holds a dominant position in distribution. Only with the advent of communism can the principle of "from each according to their ability, to each according to their needs" replace the socialist principle of "from each according to their ability, to each according to their work."

Fifth, in socialist society, people's ideological awareness and moral character have improved greatly. However, the influence of bourgeois political ideas still persists, and the force of old habits has not yet been eliminated. Generally speaking, labor is still only a means of making a living. In communist society, people will completely free themselves from the influence of bourgeois political ideas and old habits, becoming fully developed new people with a high level of communist awareness and moral character. At that time, labor will become people's primary need in life.

Sixth, in socialist society, classes, class contradictions, and class struggle persist; the struggle between the two roads of socialism and capitalism continues; the danger of restoration of capitalism remains; and there is the threat of aggression and subversion by imperialism and

social-imperialism. Therefore, the leadership of the proletarian party remains necessary, and the dictatorship of the proletariat must be consolidated and strengthened. In communist society, with the elimination of domestic classes and class differences, and the elimination of international imperialism, social-imperialism, and the reactionaries of various countries, political parties and the state will lose their function and disappear of their own accord.

In addressing the question of the two stages of communist society, we must uphold both the theory of continuing revolution and the theory of stages of revolutionary development, and combine them correctly. This means that, in the transition from socialism to communism, we must neither stagnate at the socialist stage nor fall into the utopianism of bypassing socialism and leaping straight into communism. Lenin once pointed out: "**Strictly differentiating between stages that are essentially different, soberly examining the conditions under which they manifest themselves, does not at all mean indefinitely postponing one's ultimate aim, or slowing down one's progress in advance. On the contrary, it is for the purpose of accelerating the advance and of achieving the ultimate aim as quickly and securely as possible.**"[1]

## Conditions for the Transition From Socialism to Communism

The transition from socialist society to communism is the greatest and most profound revolutionary transformation in human history, and requires certain conditions. Marx once summarized this by pointing out: "**In a higher phase of communist society, after the enslaving**

[1] Vladimir Ilyich Lenin, "The Autocracy and the Proletariat," in *Lenin's Collected Works*, Vol. 8 (Foreign Languages Publishing House, Moscow, 1962).

**subordination of the individual to the division of labor, and therewith also the antithesis between mental and physical labor, has vanished; after labor has become not only a means of life but life's prime want; after the productive forces have also increased with the all-around development of the individual, and all the springs of co-operative wealth flow more abundantly – only then can the narrow horizon of bourgeois right be crossed in its entirety and society inscribe on its banners: From each according to his ability, to each according to his needs!**"[1] It is clear that communist society is a society in which classes and class differences have been completely eliminated; a society in which all the people possess a high level of communist consciousness and moral character; a society in which all the people have a high degree of enthusiasm for labor and self-awareness; a society with an extremely abundant social product; a society that implements the principle "from each according to their ability, to each according to their needs"; and a society in which the state has withered away.

According to the theory of scientific communism in Marxism and the practice of socialist revolution, the transition from socialist society to communist society requires the following basic conditions:

First, the complete elimination of all classes and class differences, including those between workers and peasants, between urban and rural areas, and between mental and manual labor, as well as bourgeois right, which reflects these differences.

In socialist society, classes, class contradictions, and class struggle still exist; the struggle between the two roads of socialism and capitalism continues, and the danger of the restoration of capitalism remains. Only by thoroughly defeating and eliminating the existing old exploiting

[1] Karl Marx, "I."

classes and the newly emerging bourgeois elements, especially the bourgeoisie within the Party, can the proletariat prevent the restoration of capitalism and enable socialist society to gradually transition to communist society.

In socialist society, the three major differences inherited from the old society, as well as the bourgeois right that reflects these differences, still exist. The new and old bourgeoisie and the Party persons in power taking the capitalist road always seek to preserve, expand, and strengthen these three major differences and bourgeois right in order to oppose the proletariat and socialism and restore capitalism. The proletariat must restrict bourgeois right, gradually narrow the three major differences and class distinctions, and gradually eradicate the soil that breeds capitalism and the bourgeoisie, creating conditions in which the bourgeoisie can neither exist nor arise again, so as ultimately to eliminate bourgeois right, thoroughly destroy the foundation on which the bourgeoisie depends for its existence, and achieve communism.

In his brilliant May 7 Directive, Chairman Mao called on all sectors and trades, wherever conditions permitted, to focus on one main occupation while learning other things as well; to learn from workers, peasants, and the military, and to study politics and culture; and to criticize the bourgeoisie, thereby pointing the way toward gradually narrowing and eliminating the three major differences.

In the Great Proletarian Cultural Revolution, the the struggle to criticize Lin Biao and Confucius, the study of the theory of the dictatorship of the proletariat, and the struggle to criticize Deng, people throughout the country have widely launched a mass movement to study Marxism, Leninism, and Mao Zedong Thought, and raised their awareness of class struggle and line struggle. Major achievements have been made in the struggle-criticism-transformation in the

superstructure. The “three-in-one” combination of old, middle-aged and young people in leadership groups have strengthened their ties with the masses, and large numbers of successors to the proletarian revolutionary cause have grew vigorously. The literature and art revolution, educational revolution, and public health revolution have developed in depth. Large numbers of cadres and workers, peasants, soldiers, students, and merchants have adhered to the “May Seventh” road; cadres at all levels have taken part in collective productive labor; large numbers of barefoot doctors have emerged; educated youth have been sent to the countryside; and the Marxist theoretical ranks, with workers, peasants, and soldiers as their main force, continues to grow, among other developments. The emergence of all these new socialist things have strengthened the proletariat’s all-round dictatorship over the bourgeoisie in the superstructure, helped consolidate and develop the socialist economic base, and also prepared the conditions for gradually eliminating the three major differences and bourgeois right, and for the transition to communism.

Second, establish a single form of communist ownership by the whole people of the means of production, making it the sole economic base of society as a whole.

Ownership of the means of production is the basis of relations of production. The transition to communism must meet the requirements of the development of productive forces and continue to deepen the socialist revolution on the economic front. In socialist society, public ownership of the means of production still takes two forms: socialist ownership by the whole people and socialist collective ownership by the working people. In addition, remnants of individual ownership persist; consequently, bourgeois right has not yet been completely abolished in the sphere of ownership. So long as collective ownership has not yet been raised to

the level of socialist ownership by the whole people, and remnants of individual ownership have not yet completely disappeared, peasants—especially wealthy peasants—will inevitably retain certain inherent characteristics and habits of their former status as small producers. This inevitably gives rise to spontaneous capitalist tendencies and creates fertile ground for the emergence of new rich peasants. Socialist ownership by the whole people may also be undermined by the bourgeoisie inside and outside the Party, and there is a possibility that it could degenerate into capitalist ownership controlled by capitalist-roaders. Therefore, on the one hand, the socialist state under the dictatorship of the proletariat must defend socialist public ownership of the means of production and prevent the restoration of that part of bourgeois right in the sphere of ownership that has already been abolished; on the other hand, in addition to continuing to fulfill the tasks of transforming ownership, it must, in step with the development of social productive forces and the improvement of people's ideological consciousness, advance collective ownership from lower to higher levels and from small to large, in a planned and gradual manner, and progressively bring about the transition from socialist collective ownership to socialist ownership by the whole people, and from socialist ownership by the whole people to the single form of communist ownership by the whole people.

Our country's people's communes are the best form for achieving the transition described above. The Central Committee of the Communist Party of China's Resolution on Some Questions Concerning the People's Communes states: "Marxist-Leninist theory and the initial experience of the people's communes in our country enable us to foresee now that the people's

communes will quicken the tempo of our socialist construction and constitute the best form for realizing, in our country, the following two transitions."[1]

Third, develop the social productive forces to a high level, greatly enrich the social product, and realize the communist principle of "from each according to their ability, to each according to their needs."

The transition from socialist society to communist society is a tremendous leap in relations of production. Guided by the policy of "**grasp revolution, promote production,**" we must greatly develop the social productive forces and create the material conditions for this leap. The establishment, development, and continuous improvement of socialist relations of production have opened up an increasingly broad path for the development of the productive forces. Because the law that relations of production must correspond to the nature of the productive forces takes effect, when the productive forces in socialist society reach a certain stage of development, this also calls for transforming socialist relations of production into communist relations of production, thereby opening up an even broader path for the further development of the productive forces. In the future communist society, commodity production will disappear, and only direct social production under communism will remain. Consequently, the amount of labor embodied in the social product will be measured directly in labor time; products will no longer be exchanged through the medium of money, but will instead be directly distributed by society; and the distribution of personal consumer goods will follow the principle "from each according to their ability, to each according to their needs." None of this can be achieved without highly developed social productive forces and a great abundance of social

[1] "Some Questions Concerning the People's Communes," 11.

products. As Engels pointed out: "**All those immense productive forces dependent on it — forces which alone make possible a state of society in which there are no longer class distinctions or anxiety over the means of subsistence for the individual.**"[1]

Fourth, all the people will attain a great improvement in their awareness of communist ideas and moral character, and will have a high degree of enthusiasm and self-awareness in their work.

In socialist society, the ideology of the bourgeoisie and other exploiting classes still exists and inevitably finds its way among the working people, infiltrating political life and life within the Party, poisoning and corrupting the proletariat and the working people. To make the transition to communism, the proletariat must follow Chairman Mao's teaching to "**read and study seriously and have a good grasp of Marxism,**"[2] constantly use communist ideas to educate the broad ranks of cadres and the working people, uphold Marxism, criticize revisionism, criticize the bourgeoisie, criticize the doctrines of Confucius and Mencius and the ideologies of all exploiting classes, exercise an all-round dictatorship over the bourgeoisie in the superstructure, including all fields of culture, carry the socialist revolution in the ideological sphere through to the end, and make a complete break with traditional ideas. Only in this way can the communist consciousness and moral character of the entire people be greatly enhanced, a communist attitude toward labor be established, and the communist style be promoted, thereby creating the spiritual conditions for labor to become the people's primary need in life. Lenin once pointed out: "**Communism, if you take that word in its strict meaning, is voluntary unpaid**

---

[1] Frederick Engels, "XI. Morality and Law. Freedom and Necessity," in *Anti-Dühring. Herr Eugen Dühring's Revolution in Science.*

[2] Quote from Mao Zedong. "Cadres Study Marxist Works," *Peking Review*, No. 1 (1973), 25.

**work for the common good that does not depend on individual differences, that wipes out all memories of everyday prejudices, wipes out stagnation, tradition, differences between branches of work, differences in the rate of pay for labor, etc.**"[1] In the process of transforming the objective world, people also continually transform their own subjective world. "**The epoch of world communism will be reached when all mankind voluntarily and consciously changes itself and the world.**"[2]

Fifth, on a worldwide scale, imperialism and social-imperialism will be eliminated, capitalism and all systems of exploitation will be eliminated, and the state will wither away.

The revolutionary struggles of the peoples of all countries have always been interconnected and mutually supportive. The realization of communism depends on the joint efforts of the proletariat and revolutionary people throughout the whole world, and on the victory of world revolution. Until the peoples of other countries have achieved victory in the socialist revolution and eliminated the system of exploitation of man by man, one or several socialist states cannot achieve the final victory of communism. The proletariat can achieve its own final liberation only by liberating all humanity. This is because Capital is an international force. As long as imperialism, social-imperialism, and the capitalist system still exist in the world, international class struggle will inevitably be reflected within socialist states, and imperialism and social-imperialism will certainly use the two counterrevolutionary tactics of armed intervention and peaceful subversion against socialist states. Therefore, the possibility of the restoration of capitalism and the threat of subversion and aggression by international imperialism

---

[1] Vladimir Ilyich Lenin, "Eighth All-Russia Conference Of The R.C.P(B.)," in *Lenin's Collected Works*, Vol. 30.

[2] Mao Zedong, "On Practice," in *Selected Works of Mao Zedong*, Vol. I, 308.

and social-imperialism persist in socialist states. Since capital is such an international force, the cause of proletarian revolution must likewise be an international cause. After the October Revolution, Lenin analyzed the situation inside and outside the Soviet Union at the time and clearly pointed out: "**We are surrounded by people, classes, governments who openly express the utmost hatred for us. We must remember that we are always a hair's breadth away from invasion.**"[1] "**Final victory is only possible on a world scale, and only by the joint efforts of the workers of all countries.**"[2] In response to the distortions and betrayal of Leninism by the Soviet revisionist renegade clique, Chairman Mao also clearly pointed out: "**According to the Leninist viewpoint, the final victory of a socialist country not only requires the efforts of the proletariat and the broad masses of the people at home, but also involves the victory of the world revolution and the abolition of the system of exploitation of man by man on the whole globe, upon which all mankind will be emancipated. Therefore, it is wrong to speak lightly of the final victory of the revolution in our country; it runs counter to Leninism and does not conform to facts.**"[3]

The fact that one or several countries alone cannot realize communist society does not mean that socialist states that have already seized power can refrain from actively building socialism and creating the conditions for the transition to communism. On the contrary, while accelerating socialist revolution and socialist construction in their own countries and actively preparing the conditions for the transition to communism, the victorious proletariat must fulfill

---

[1] Vladimir Ilyich Lenin, "Ninth All-Russia Congress of Soviets."

[2] Vladimir Ilyich Lenin, "Report On Foreign Policy," in *Lenin's Collected Works*, Vol. 27.

[3] Quote from Mao Zedong. Editorial Departments of *Renmin Ribao*, *Hongqi* and *Jiefangjun Bao*, "Commemorate the 50th Anniversary of The Communist Party of China," *Peking Review*, No. 27 (1971), 21.
Note from translator: No official English translation available for the later half of the quote (from "therefore" onward).

its internationalist obligations by vigorously supporting the revolutionary struggles of the peoples of all countries and winning the victory of world revolution.

Only when the world revolution has triumphed will the state wither away and humanity be able to enter communist society. Until then, we must uphold and strengthen the state apparatus of the dictatorship of the proletariat; there can be no question of the state withering away on its own. Our upholding of the dictatorship of the proletariat and strengthening of the state apparatus today are precisely intended to create the conditions for the state's eventual withering away. Chairman Mao pointed out profoundly: "**The road to the abolition of classes, to the abolition of state power and to the abolition of parties is the road all mankind must take.**" "**When classes disappear, all instruments of class struggle -- parties and the state machinery -- will lose their function, cease to be necessary, therefore gradually wither away and end their historical mission; and human society will move to a higher stage. We are the opposite of the political parties of the bourgeoisie. They are afraid to speak of the extinction of classes, state power and parties. We, on the contrary, declare openly that we are striving hard to create the very conditions which will bring about their extinction.**"[1]

To gradually eliminate the traces of the old society and create the conditions for the transition to communism, over the more than twenty years since the founding of the People's Republic, under the guidance of Chairman Mao's revolutionary line, we have used the dictatorship of the proletariat as an instrument to carry out socialist transformation of various forms of private ownership of the means of production, and have waged one revolutionary struggle after another on the political and ideological front. Moreover, to restrict bourgeois right,

[1] Mao Zedong, "On the People's Democratic Dictatorship," 411.

we have also adopted a series of policies and measures. The publication of Chairman Mao's important instructions on theoretical questions has further armed the entire Party and the people throughout the country. It is of great immediate significance and far-reaching historical importance for combating revisionism and preventing its resurgence, consolidating and strengthening the dictatorship of the proletariat, persevering in continuing the revolution under the dictatorship of the proletariat, and gradually making the transition to communism.

# Section Two: Realizing Communism is a Profound Social Revolution

## Realizing Communism Requires Persevering in Continuing the Revolution Under the Dictatorship of the Proletariat

The transition from socialism to communism is the greatest and most profound social revolution in human history. This revolution takes place amid the acute and intense class struggle in socialist society. Whether the proletariat can carry this revolution through to the end, and whether socialism advances to communism or retreats to capitalism, will depend on the outcome of the class struggle. Therefore, proletarian revolutionary leaders have always stressed the profound and arduous nature of the revolution to achieve communism, and have closely linked the transition to communism with class struggle and the dictatorship of the proletariat, as well as with continuing revolution. Marx and Engels pointed out long ago: "**The Communist revolution is the most radical rupture with traditional property relations; no wonder that its development involved the most radical rupture with traditional ideas.**"[1] Marx also said: "**This socialism is the *declaration of the permanence of the revolution*, the *class dictatorship* of the proletariat as the necessary transit point to the *abolition of class distinctions generally*, to the abolition of all the relations of production on which they rest, to the abolition of all the social relations that correspond to these relations of production, to the revolutionizing of all the ideas that result from these social relations.**"[2] In other words, to

[1] Karl Marx and Friedrich Engels, "Chapter II. Proletarians and Communists."

[2] Karl Marx, "Part III: Consequences of June 13, 1849."

create the conditions for the transition to communism, the proletariat must use its class dictatorship to carry out uninterrupted revolution in every sphere—politics, economic affairs, ideology, culture, and others. In terms of its content, this is the broadest, most profound, and most arduous revolution in human history. Starting from the objective reality that class struggle persists for a long time in socialist society, Lenin further emphasized: "**Forward development, i.e., development towards communism, proceeds through the dictatorship of the proletariat, and cannot do otherwise, for the resistance of the capitalist exploiters cannot be broken by anyone else or in any other way.**"[1] The great leader Chairman Mao also pointed out profoundly: "**Socialist society covers a very long historical period. Classes and class struggle continue to exist in this society, and the struggle still goes, on between the road of socialism and the road of capitalism. The socialist revoLution on the economic front (in the ownership of the means of production) is insufficient by itself and cannot be consolidated. There must also be a thorough socialist revolution on the political and ideological fronts. Here a very long period of time is needed to decide 'who will win' in the struggle between socialism and capitalism. Several decades won't do it; success requires anywhere from one to several centuries. On the question of duration, it is better to prepare for a long-er rather than a shorter period of time. On the question of effort, it is better to regard the task as difficult rather than easy. It will be more advantageous and less harmful to think and act in this way. Anyone who fails to see this or to appreciate it fully will make tremendous mistakes. During the historical period of socialism it is necessary to maintain the**

[1] Vladimir Ilyich Lenin, "The Economic Basis of the Withering Away of the State."

**construction carried forward and the conditions created for the transition to communism.**"[1]

Based on the fundamental principles of Marxism and drawing on the historical experience of the dictatorship of the proletariat at home and abroad, Chairman Mao formulated the theory of continuing the revolution under the dictatorship of the proletariat and established the Party's basic line for the entire socialist historical stage. He also personally launched and led the Great Proletarian Cultural Revolution, enriching and developing, in theory and practice, Marxism's doctrine on the dictatorship of the proletariat. This is the fundamental guarantee for combating revisionism and preventing its resurgence, consolidating the dictatorship of the proletariat, preventing the restoration of capitalism, carrying the socialist revolution through to the end, and making the transition to communism.

However, modern revisionists vigorously promote the "theory of no contradictions," claiming that "the transition from socialism to communism can be achieved without social revolution and class antagonism." Clearly, this is entirely an anti-Marxist fallacy that runs counter to dialectical materialism, a smokescreen for deceiving the people. Dialectical materialism holds that the law of the unity of opposites is the fundamental law of the universe. The transformation from one society to another is always the result of the contradictory movement within human society—that is, the motion of contradictions between relations of production and productive forces, and between the superstructure and the economic base—and is always a revolutionary process. The transition from socialist society to communist society is no exception. It is likewise a conscious revolutionary activity through which the proletariat and

[1] Editorial Department of *Renmin Ribao* and *Hongqi*, *On Khrushchov's Phoney Communism and Its Historical Lessons for the World*, 65-66.

working people, guided by the Marxist line, make history; it is an unprecedentedly profound social revolution in which the proletariat, through a long, complex, and tortuous struggle, ultimately defeats the bourgeoisie and eliminates all classes and class differences inherited from the old society.

Moreover, even in communist society, where all classes and class differences have been eliminated, there will still be contradictions and struggles. At that time, contradictions between relations of production and productive forces, and between the superstructure and the economic base, will remain. The struggle between the two lines—advanced and backward, correct and erroneous—that reflect these contradictions will also continue. Therefore, even in communist society, it will still be necessary to persist in continuing the revolution.

## Criticize Phoney Communism

"**The dialectics of history were such that the theoretical victory of Marxism compelled its enemies to disguise themselves as Marxists.**"[1] The Soviet revisionist renegade clique, driven by the need to restore capitalism, began peddling false communism everywhere in the early 1960s. In 1960, while visiting Austria, Khrushchev gave a vivid definition of "communist society": "a bowl accessible to all and brimming with the products of physical and mental labor"[2]; the following year, in a speech at home in the Soviet Union, he babbled that "The

[1] Vladimir Ilyich Lenin, "The Historical Destiny of the Doctrine of Karl Marx," in *Lenin's Collected Works*, Vol. 18 (Progress Publisher, Moscow, 1975).

[2] Nikita Khrushchev, Speech for the Austrian Radio and Television, July 7, 1960.

bowl of communism is a bowl of abundance, and it must always be full"[1]; and in 1964, during a visit to Hungary, he shouted even more brazenly: "It's not enough to have revolutionary enthusiasm. We need an appetizing dish of goulash."[2] This ilk of traitors completely stripped scientific communism of its revolutionary content and, starting from the landlord and bourgeois classes' theory of human nature, substituted bourgeois welfarism for the scientific communism of the proletariat. This "goulash communism" is not only fraudulent but thoroughly reactionary: it is a sugar-coated bullet aimed at the revolutionary people of the whole world, a corrosive agent that poisons the proletarian revolutionary will, utterly false communism and, without a doubt, real capitalism.

In October 1961, at the 22nd Soviet revisionist congress, Khrushchev claimed, "we shall, in the main, have built a communist society within 20 years."[3] In 1964, Khrushchev fell from power, and Brezhnev took up his false communist cause. By 1975, when only five years remained before communism "in the main, have [been] built," Brezhnev's renegade clique was once again forced to quietly take down the signboard proclaiming the "full-scale construction of communism" and put up the banner of the so-called "developed socialist society." In reality, this was an admission that false communism had utterly failed. Whether Khrushchev's "goulash communism" or Brezhnev's "developed socialism," both are nothing more than synonyms for capitalism, and neither could conceal the Soviet revisionist renegade clique's ugly face as it restored capitalism. Class antagonisms and harsh reality have made the Soviet working people

---

[1] Nikita Khrushchev, "On the Programme of the Communist Party of the Soviet Union," in *The Road to Communism: Documents of the 22nd Congress of the Communist Party of the Soviet Union, October 17-31*, 1961 (Foreign Languages Publishing House, Moscow, 1961), 195.

[2] Quote from Nikita Khrushchev. Shu Tung, "Bankruptcy Of Phoney 'Goulash' Communism," *Peking Review*, No. 6 (1976), 10.

[3] Nikita Khrushchev, "On the Programme of the Communist Party of the Soviet Union," 195.

increasingly feel firsthand that the bureaucratic monopoly bourgeoisie has long since been practicing "to each according to his needs," while they themselves, apart from "from each according to their ability," not only have scarcely any beef, but even potatoes are pitifully scarce.

In our country, Liu Shaoqi, Lin Biao and their ilk have also gone to great lengths to peddle the wares of false communism. Liu Shaoqi spouted such nonsense as: "A communist society means being able to eat three full meals of rice every day, eat meat and fish to one's heart's content, and wear …"; he even said: "Bread dipped in cane sugar—that is the communism the peasants yearn for." This is exactly the same stuff as Khrushchev's phoney "goulash communism." The renegade and traitor to the country Lin Biao, a faithful follower of Confucius, even dug up again a slogan put forward more than two thousand years ago by a spokesman for the reactionary slave-owning class, passing it off as communism. He spouted such nonsense as: communism means "communal ownership," and "when the Grand course was pursued, a public and common spirit ruled all under the sky"[1] is "the original idea of communism." In fact, both "the Grant course" and "communal" are class-based. In ancient Chinese slave society, the farmland owned by the slave-owning aristocracy was also called "communal property"; today, the bureaucratic monopoly bourgeoisie of Soviet revisionism likewise calls the wealth seized from the Soviet Union's vast working people, who created it, "communal property." The so-called "when the Grand course was pursued, a public and common spirit ruled all under the sky" means that, as long as rule is exercised in accordance with the "Rites of Zhou," the whole world will belong to the slave-owning class. Lin Biao uses this fallacy, which upholds the reactionary rule of the slave-owning class, to pass itself off as

[1] Note from translator: "Li Yun," in *Liji*. English translation is from Chinese Text Project.

communism; his criminal aim is to try to restore the dictatorship of the big landlords and big bourgeoisie.

Revisionism means sacrificing the fundamental interests of the proletariat to cater to the needs of the bourgeoisie. Revisionists distort scientific communism into bourgeois welfarism and turn communist society into a capitalist "welfare society"; in doing so, they surrender to the bourgeoisie and cater to its needs. Khrushchev once assured French bourgeois deputies that, once this kind of "communism" had been achieved, "you would move toward communism without my having to call on you"; Liu Shaoqi, too, desperately proclaimed that the bourgeoisie "can be in agreement with the proletariat" and would "enter communism with beaming smiles." One said "without my having to call on you," the other "with beaming smiles"—these words fully exposed the reactionary, capitulationist nature of this ilk of traitors. Engels once pointedly observed: "**And to-day, the very people who, from the "impartiality" of their superior standpoint, preach to the workers a Socialism soaring high above their class interests and class struggles, and tending to reconcile in a higher humanity the interests of both the contending classes — these people are either neophytes, who have still to learn a great deal, or they are the worst enemies of the workers — wolves in sheep's clothing.**"[1] To thoroughly expose the counterrevolutionary revisionist wares of false communism and real capitalism peddled by Khrushchev, Brezhnev, Liu Shaoqi, Lin Biao, and their ilk, and to achieve communism throughout the whole world, we must carry the struggle against revisionism through to the end.

[1] Friedrich Engels, "Preface to the English Edition," in *The Condition of the Working Class in England.*

# Section Three: Communism Will Surely Triumph Throughout the Whole World

Marxist political economy, based on the objective laws governing the development of human society, analyzes the processes through which relations of production evolve in different social formations. It thus reaches the scientific conclusion that the capitalist system is bound to perish and the communist system is certain to be realized, identifies the general trend of historical development, and has become a powerful ideological weapon of the proletarian revolution.

At present, we are still in the era of imperialism and proletarian revolution. The situation at home and abroad is excellent. Domestically, the struggle against the right-deviationist attempt to reverse verdicts, personally launched and led by Chairman Mao, has won tremendous victories. Deng Xiaoping, the biggest capitalist-roader in the Party who refuses to mend his ways, has become a rat crossing the street, with everyone shouting, "Beat him!" The revolutionary people's political consciousness has risen further, and the dictatorship of the proletariat has been consolidated as never before. The international situation is characterized by great turmoil: "A big event is always preceded by some kind of omen."[1] Contradictions throughout the world are intensifying, and the forces for revolution and war are growing. The two superpowers, the Soviet Union and the United States, are carrying out aggression, subversion, control, interference, and bullying against other countries everywhere, arousing the fierce resistance of the Asian, African, and Latin American peoples and the peoples of all countries around the world. Their contradictions with the peoples of all countries, including their

[1] Note from translator: English translation is from Wiktionary.

own, have become sharper and more widespread. The awakening and growth of the Third World is a major development in contemporary international relations and has become the main force in anti-colonialism, anti-imperialism, and anti-hegemony. Soviet revisionist social-imperialism and American imperialism are beset by difficulties at home and abroad and face profound crises. The imperialist camp is splitting apart, the revisionist clique is disintegrating ever more rapidly, and reactionaries in every country are living in constant fear. The demand for independence by states, liberation by nations, and revolution by the people has become an irresistible historical trend; imperialism and social-imperialism are bound to suffer complete defeat. Part of the capitalist social system has already entered the museum (in socialist states); the rest, too, "the sun is sinking behind the western hills; her breath is faint and failing, her life hangs by a thread, and she may not live to see another day,"[1] and will soon enter the museum. Only the communist ideological system and social system, with the force of an overwhelming tide and the power of thunder, are surging throughout the whole world, preserving their wondrous youth.

Communism is bound to be realized, and communism will surely triumph throughout the whole world. But this does not mean that the communist cause will come about spontaneously. The communist cause is an immensely great and arduous undertaking, unlike anything people have ever undertaken before. It can be accomplished only through successive generations persevering, remaining steadfast, and struggling heroically. Chairman Mao said: "**The next 50 to 100 years or so, beginning from now, will be a great era of radical change in the social system throughout the world, an earth-shaking era without equal in any previous historical period. Living in such an era, we must be prepared to engage in great struggles which will**

[1] Note from translator: Li Mi, "Chen Qing Biao" (陈情表). No official English translation available.

**have many features different in form from those of the past.**"[1] Chairman Mao's brilliant instructions illuminate the course of historical development and point the way forward for the revolutionary people, greatly inspiring the proletariat and working people to struggle heroically to realize the great ideal of communism throughout the whole world.

"**While the prospects are bright, the road has twists and turns.**"[2] Because the Soviet revisionist renegade clique usurped the leadership of the Soviet Union's Party and state, it has squandered the gains of the October Revolution and transformed the Soviet Union into a social-imperialist country, inflicting serious losses on the international communist movement and the revolutionary struggles of the people of the world. But this is merely a reactionary countercurrent within the international communist movement, an episode along the road forward, and it can never change the general trend of historical development. As Chairman Mao pointed out: "**The masses of the Soviet people and of Party members and cadres are good, that they desire revolution and that revisionist rule will not last long.**"[3] The great Soviet people will surely overthrow revisionist rule under the revolutionary banner of Marxism-Leninism, restore the dictatorship of the proletariat, and continue advancing toward the great goal of communism. The socialist countries and revolutionary people throughout the whole world will also surely learn useful lessons from the Soviet revisionist renegade clique, this negative example. The international communist movement and the revolutionary struggles of the people of the world will surely grow stronger through the struggle against the two hegemonic powers, Soviet revisionist social-imperialism and American imperialism.

---

[1] "Quotations From Chairman Mao Tse-Tung," *Peking Review*, No. 2 (1970), 2.

[2] Mao Zedong, "On Chungking Negotiations," in *Selected Works of Mao Zedong*, Vol. IV, 60.

[3] "Quotations From Chairman Mao Tse-Tung," *Peking Review*, No. 6 (1967).

History develops through struggle, and the world advances amid turmoil. No matter how desperately the imperialists, revisionists, and reactionaries struggle in their death throes, they cannot escape their inevitable doom. The dawn of a new world without imperialism, capitalism, or a system of exploitation lies just ahead. "**Nothing is hard in this world if you dare to scale the heights.**"[1] Let us hold high the victorious banner of Marxism, Leninism, and Mao Zedong Thought, unite with the proletarians of the whole world, and unite with the oppressed people and oppressed nations of the whole world. "**Be resolute, fear no sacrifice and surmount every difficulty to win victory.**"[2] The Internationale will surely be realized. "**The proletarians have nothing to lose but their chains. They have a world to win.**"[3]

---

[1] Mao Zedong, "Chingkangshan Revisited," *Peking Review*, No. 1 (1976), 6.

[2] Mao Zedong, "The Foolish Old Man Who Removed the Mountains," in *Selected Works of Mao Zedong,* Vol. III, 321.
Note from translator: I followed translation from "19. Revolutionary Heroism," in *Quotations from Mao Tse Tung*.

[3] Karl Marx and Friedrich Engels, "Chapter IV. Position of the Communists in Relation to the Various Existing Opposition Parties," in *Manifesto of the Communist Party, Marx/Engels Selected Works,* Vol. One.

# Afterword

The three volumes textbooks we have compiled—*Political Economy Capitalism Part*, *Political Economy Imperialism Part* and *Political Economy Socialism Part*—are intended as supplementary textbooks for students in our department. They are the revised edition of the three volumes *Political Economy* previously compiled by our department. Given our limited capabilities, shortcomings and errors in the revised edition are inevitable. We hope readers will offer criticism and corrections.

During the revision process, we received strong support and warm assistance from workers, peasants, soldiers, relevant departments, grassroots enterprises, and professional theorists of Beijing, Shanghai, and this city. We hereby express our gratitude to them all.

Department of Political Economy & Institute of Economics, Nankai University

April 1976