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FUNDAMENTALS OF POLITICAL ECONOMY

政治经济学基础知识

Zhengzhi jingjixue jichu zhishi

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Note from Foreign Languages Press

With great enthusiasm, Foreign Languages Press is releasing this new edition of the *Fundamentals of Political Economy*. Written originally in 1975 by the Writing Group of the Fundamentals of Political Economy and published by the Shanghai People's Press, this text was part of a series for "Youth Self-Education," which included "fundamentals of philosophy, social sciences, natural sciences, and selections from the works of Lu Xun."

Understanding how capitalism actually functions as an economic system is one of several critical requirements in the struggle for its demise. And, if we don't have a grasp of what to build concretely in its place—if, for instance, we can't imagine how a socialist state goes about the enormous task of planning the economy—the seriousness of our struggle comes into question.

For those of us who never undertook the daunting, yet critical task of studying political economy, this text can provide a more accessible path. The Shanghai People's Press' editor's note in its original publication reads:

> We hope its publication will contribute to the self-study of educated youths. . . help them to further elevate their awareness about line struggle, their political consciousness, and their cultural and scientific levels so that they can advance along the road of being both red and expert and better fulfill the needs of building a new socialist countryside.

While socialist China has since embarked on the capitalist road, and though some of us are no longer youth, we believe that this text can similarly contribute to the education of those struggling for socialism.

As with most texts from China in our catalog, we have updated the original Wade-Giles spellings of Chinese names and words to *pinyin*. In addition, we added some footnotes—marked by "Ed. FLP"—when we encountered some inconsistencies in the text or words, concepts, or topics that we believed needed additional explanation. But the biggest changes we made to this text were the quotations and their citations.

In the original translation in 1977 by George Wang, almost all the quotes from Marx, Lenin, Engels, and Mao were the result of multiple conversions from English or sometimes German, into Chinese in the original text, and then back into English. The result was sometimes a bit muddy, sometimes completely misconstrued, and sometimes incomprehensible. In most cases, we were able to find the original quote and substitute the official English version, and noted it as such in the few cases where the thread was lost.

We also updated the citations for the listed references to provide more current and accessible texts for further study. We hope these changes will make this, one of the few Maoist texts on political economy in English, easier to read and understand, and, hopefully, to apply.

Foreign Languages Press

Contents

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LEARN SOME POLITICAL ECONOMY

The Object of Political Economy

The great Chairman Mao teaches us over and over again to learn some political economy. This is not only a requirement for Communist Party members and revolutionary cadres; it is also a requirement for every combatant in the Three Great Revolutionary Struggles. To learn some political economy is very important for understanding Marxism, for penetratingly criticizing revisionism and transforming our world outlook of our own accord, and especially for a deeper appreciation of the Party's basic line and policies in the whole socialist historical stage.

The youths fighting on the front lines of the countryside and factories are our country's hope and the successors to the proletarian revolutionary enterprise. To better engage in combat, to grow healthily and more quickly, the youths must learn some political economy.

The Object of Political Economy Is Relations of Production

What kind of science is political economy? We must start from its object of study. The object of study for Marxist political economy is relations of production. Engels clearly pointed out that "economics is not concerned with things but with relations between persons, and in the final analysis between classes."[1] How do relations of production among people arise? We must start from man's productive activities.

Chairman Mao said, "Marxists regard man's activity in production as the most fundamental practical activity, the determinant of all his other activities."[2] But, over a hundred years ago, before Marxism was created, people did not have this scientific understanding. Thinkers of the exploiting class all opposed this viewpoint. They either championed the fallacy that human society developed according to God's will or peddled the heresy of heroes

[1] Frederick Engels, "Karl Marx 'A Critique of Political Economy'," in *Marx & Engels Collected Works*, vol. 16 (London: Lawrence & Wishart, 2010), 476.

[2] Mao Zedong, "On Practice," in *Selected Works of Mao Zedong*, vol. 1 (Paris: Foreign Languages Press, 2021), 269.

creating history. These so-called thinkers glossed over the simplest fact—namely, that people must first be able to feed, clothe, and shelter themselves before they can engage in politics, science, fine arts, and religious activities. If people need food, clothing, and shelter, they must engage in productive activities. Therefore, the direct production of material commodities forms the basis of human societal development. Without the productive activities of the laboring class, people cannot survive, and society cannot develop. It was Marx who discovered this law of development in human history.

To produce, people must form certain mutual relationships. Isolated individuals cannot engage in production. Just as Marx pointed out:

> In order to produce, [people] enter into definite connections and relations with one another and only within these social connections and relations does their action on nature, does production, take place.[3]

These relations formed by people during the production process are called relations of production. In class society, these relations are ultimately reflected in class relationships.

Relations of production consist of three aspects: (1) the ownership pattern of the means of production; (2) people's roles in production and their mutual relations; (3) the pattern of product distribution. The ownership pattern refers to who owns the means of production (including means of labor, such as machines, plants, and land, and objects of labor, such as raw materials). In relations of production, the most important aspect is the ownership pattern of the means of production. It is the basis of relations of production. The ownership pattern of the means of production determines the nature of relations of production. Primitive society, slave society, feudal society, capitalist society, and socialist society in human societal development are classified according to the differences in their ownership patterns of the means of production. The ownership pattern determines people's roles in production and their mutual relations and thus the distribution pattern of products.

To produce, it is necessary not only to have relations among people but also relations between man and nature. Man must conquer and transform

[3] Karl Marx, *Wage Labour and Capital & Wages, Price and Profit* (Paris: Foreign Languages Press, 2020), 27.

nature. The power that man uses to conquer and transform nature is called productive forces. Productive forces are composed of men and materials (namely, means of production). In productive forces, tools of production are the most important. The types of tools used for production reflect the magnitude of man's power to conquer nature. But we cannot regard tools of production as the determining factor in productive forces. "It is people, not things, that are decisive."[4] "Of all things in the world, people are the most precious."[5] Because tools have to be used by man, created by man, and renovated by man, without man, there would be no tools and no knowhow. Without man, the best "automatic" tools are never really "automatic."

Relations of production and productive forces comprise the two aspects of social production. In overall historical development, productive forces are generally revealed as the major determining factor. Any transformation of relations of production is necessarily a result of a certain development in productive forces. Relations of production must be compatible with productive forces. When certain relations of production become incompatible with the development of productive forces, these relations of production must be replaced by some other new relations of production that better match the development in productive forces. That is, the form of relations of production is not determined by man's subjective will, but by the level of development of productive forces. Relations of production must conform to the development of productive forces. This is an objective law that is not subject to change according to people's will. The emergence, development, and extinction of certain relations of production unfold with a corresponding evolution of the contradictions of certain productive forces. Therefore, in the study of relations of production, Marxist political economy also studies productive forces.

In the overall development of history, if productive forces are revealed to be the major determining factor, does it mean that relations of production are entirely passive compared to productive forces? Definitely not. When relations of production are compatible with productive forces, they exert an active impetus to the development of productive forces. When relations of

[4] Mao Zedong, "On Protracted War," in *Selected Works of Mao Zedong*, vol. 2 (Paris: Foreign Languages Press, 2021), 437.

[5] Mao Zedong, "The Bankruptcy of the Idealist Conception of History," in *Selected Works of Mao Zedong*, vol. 4 (Paris: Foreign Languages Press, 2021), 458.

production become incompatible with productive forces, they hinder the development of productive forces. As productive forces cannot be developed without changing relations of production, the transformation of relations of production plays a major determining role. When old China was under the rule of imperialism, feudalism, and bureaucratic capitalism, the landlord and the comprador represented the most reactionary and backward relations of production of China. Productive forces were severely restricted and sabotaged. Before liberation, China did not have any machine-building industry or any automobile or airplane manufacturing. The annual output of steel was only several hundred thousand tons outside of Northeast China. Even daily necessities were imported. Cloth was called foreign cloth; umbrellas were called foreign umbrellas. Even a tiny nail was called a foreign nail. Under those circumstances, the overthrow of the rule of imperialism, feudalism, and bureaucratic capitalism, the transformation of comprador feudal relations of production, and the establishment of socialist relations of production played an important role in promoting the development of productive forces.

Big development of productive forces often occurs after the transformation of relations of production. This is a universal law. Big development of productive forces in capitalist society also occurred after the disintegration of feudal relations of production induced by the bourgeois revolution and the rapid development of capitalist relations of production. Take England, for example, where big development of productive forces occurred on the basis of the bourgeois revolution in the seventeenth century and the Industrial Revolution of the late eighteenth and early nineteenth centuries. The modern industries of France, Germany, the United States, and Japan rapidly developed only after the old superstructure and relations of production had been transformed in various ways. On the issue of relations of production and productive forces, one of the principal aspects of the long struggle between the Marxists and the Soviet revisionists has always been whether one should insist on taking the dialectical unity viewpoint or should expound the reactionary, productivity first viewpoint. Lin Biao, in league with Chen Boda, advocated that the major task after the Ninth Party Congress was to develop production. This is a copy of the revisionist fallacy inserted into the Resolution of the Eighth Party Congress by Liu Shaoqi and Chen Boda, which pointed out "the contradiction between the advanced socialist system

and the backward social productive forces." In China, socialist relations of production are basically compatible with the development of the productive forces. This opens up a new horizon for the development of the productive forces. But it also has its imperfect aspects, and these imperfections contradict the development of the productive forces. The experience of socialist revolution teaches us that it is always the superior socialist system that promotes the development of the productive forces; it is always after the transformation of those parts of relations of production that are incompatible with the development of the productive forces that the development of the productive forces is promoted. Where is "the contradiction between the advanced socialist system and the backward social productive forces"? The criminal intent of Liu Shaoqi's, Lin Biao's, and other similar swindlers' advocacy of this fallacy was to vainly attempt to use the productivity first viewpoint as a weapon to oppose the continuing revolution under the proletarian dictatorship and the basic Party policy laid down by Chairman Mao for the socialist stage. This is their impossible dream.

Relations of production must be compatible with productive forces. The development of productive forces necessitates the destruction of old relations of production with which they are not compatible, and their replacement by new relations of production that are compatible with its development. But the process of disintegration of old relations of production and the appearance of new relations of production cannot be a smooth one. The transformation of old relations of production and the establishment and perfection of new relations of production are often realized only after revolutionary struggles. Therefore, if one wants to understand how old relations of production are transformed and new relations of production are established and perfected, it is not enough to explain in terms of the contradictions between relations of production and productive forces. The relations between the superstructure and the economic substructure must also be investigated.

The superstructure refers to the national government, army, law, and other political systems and their corresponding ideological forms, such as philosophy, literature, and fine arts. The economic substructure is relations of production.

> The totality of these relations of production constitutes the economic structure of society, the real foundation, on which arises

> a legal and political superstructure and to which correspond definite forms of social consciousness.[6]

This statement by Marx scientifically explains the relation between the superstructure and the economic substructure.

In the contradiction between the superstructure and the economic substructure, the latter, in general, is the determining force. The economic substructure determines the superstructure. The change in the economic substructure, "lead[s] sooner or later to the transformation of the whole immense superstructure."[7] That is, the old economic substructure has disintegrated, and the superstructure built upon this foundation must also disintegrate. But the rate of its disintegration varies. When reactionary state machinery has been transformed, the reactionary classes do not willingly bow out of the historical stage with the disappearance of the old economic substructure. They inevitably engage in prolonged and desperate struggle with the advanced classes in the political, ideological, and cultural spheres. In particular, old ideological forms associated with the overthrown classes remain for a long time.

The superstructure is determined by the economic substructure. Once it is established, it has an immense negative effect on the economic substructure. Stalin pointed out:

> The superstructure is created by the base precisely in order to serve it, to actively help it to take shape and consolidate itself, to actively fight for the elimination of the old, moribund base together with its old superstructure.[8]

This explains why the superstructure always serves its economic substructure. The socialist superstructure serves its socialist economic substructure, and the capitalist superstructure serves its capitalist economic substructure.

In capitalist society, with the intensification of the contradictions between the socialization of production and the private ownership of means of production, there is an urgent need to replace capitalist private

[6] Karl Marx, "Introduction to a Critique of Political Economy," in *Marx & Engels Collected Works*, vol. 29 (London: Lawrence & Wishart, 2010), 263.

[7] Marx, 263.

[8] J. V. Stalin, *Marxism and Problems of Linguistics* (Beijing: Foreign Languages Press, 1972).

ownership with socialist public ownership. But the bourgeoisie controls the reactionary state machinery and uses it to maintain the capitalist economic substructure. If the proletariat does not first smash the capitalist state machinery, it is impossible to destroy the capitalist economic system. The new and old revisionists' claim that "capitalism can peacefully grow into socialism" is all a pack of lies.

In socialist society, the superstructure and the economic substructure are basically compatible. But due to the existence of the bourgeoisie and its ideological forms, some bureaucratic styles of work in the state organs, and defects in certain parts of the state system, the consolidation, perfection, and development of the socialist economic substructure was hindered or undermined. We must make the socialist superstructure better serve the socialist economic substructure. We must firmly grasp the struggle in the superstructure and carry the socialist revolution in the superstructure to the end.

Political economy touches upon the most practical and immediate interests of various classes and strata. It explains the most acute and intense problems of class struggle. Marxist political economy, like Marxist philosophy, publicly proclaims that it is at the service of proletarian politics. Political economy is a science of class struggle.

Political Economy Is the Theoretical Basis for the Party's Defining the Basic Line

Marxist political economy was born with the appearance of the modern proletariat and the big productive forces—big industries. Marx participated in the class struggles of his time. He used revolutionary materialist dialectics to analyze capitalist society. He revealed the secrets of how the capitalists exploited the workers and scientifically demonstrated the contradictions between the socialization of production and capitalist ownership. These contradictions were manifested as acute antagonism between the proletariat and the bourgeoisie. With the daily development of capitalist social contradictions, the proletariat, who acted as the gravediggers of the capitalist system, strengthened daily: "The knell of capitalist private property sounds. The expropriators are expropriated."[9] From this, the revolutionary and scientific conclusion of the inevitable replacement of the capitalist system by the socialist system and the bourgeois dictatorship by the proletarian dic-

[9] Karl Marx, "Capital," vol. 1 in *Marx & Engels Collected Works*, vol. 35 (London: Lawrence & Wishart, 2010), 750.

tatorship was reached. "Marx deduces [this] from the economic law of the development of contemporary society."[10] Thus, Marxist political economy, along with Marxist philosophy and scientific socialism, became the theoretical basis for the proletarian political party to formulate its basic policy. On the theoretical basis of Marxism and under capitalist conditions, the proletarian revolutionary leaders formulated for the proletarian party the basic political line of using revolutionary violence to seize political power. They guided the proletariat to struggle for the complete overthrow of the bourgeoisie and all exploiting classes, the replacement of bourgeois dictatorship by proletarian dictatorship, the triumph of socialism over capitalism, and the realization of communism.

In socialist society, Marxist political economy still provides the theoretical basis for the proletarian party's formulation of basic lines. Chairman Mao has penetratingly analyzed the contradictions between socialist relations of production and productive forces and between the superstructure and the economic substructure and has demonstrated the long duration and complexity of class struggle and line struggle in the socialist period. On this theoretical basis, he further formulated the basic line for our Party for the entire socialist stage. This basic line tells us:

> Socialist society covers a considerably long historical period. Throughout this historical period, there are classes, class contradictions, and class struggle, there is the struggle between the socialist road and the capitalist road, there is the danger of capitalist restoration, and there is the threat of subversion and aggression by imperialism and social imperialism. These contradictions can be resolved only by depending on the theory of continued revolution under the dictatorship of the proletariat and on practice under its guidance."[11]

The Party's basic line guides the Chinese people to persist in continuing revolution under the proletarian dictatorship, to struggle for the consolidation of the proletarian dictatorship, the prevention of capitalist restoration,

[10] V. I. Lenin, "Karl Marx," in *Collected Works*, vol. 21 (Moscow: Progress Publishers, 1974).
[11] "Constitution of the Chinese Communist Party," in *Collected Documents from the Tenth Chinese Communist Party Congress* (Beijing: Renmin Chubanshe, 1973), 44.

and the building of socialism, and to struggle for the great ideal of worldwide realization of communism.

The basic task of socialist political economy is to study and illustrate the law of transformation from socialist relations of production to communist relations of production. Some understanding of political economy helps us to understand the objective law of socialist economic motion and the inevitability of the association, distinction, and development of various relations of production. This will increase our understanding of the Party's basic line and elevate our awareness about implementing it.

It is of fundamental importance to insist on the Party's basic line. It is simply "to carry out Marxism, not revisionism." To carry out Marxism, we must first learn Marxism. To oppose revisionism, we must be able to tell what revisionism is. But, Marxism consists of philosophy, political economy, and scientific socialism. If we want to understand Marxism, we must seriously study Marxist philosophy and scientific socialism, but we must also seriously study Marxist political economy.

Marxist political economy is in opposition to all bourgeois and revisionist political economy, and it developed from the process of challenging bourgeois and revisionist political economy. Learning Marxist political economy helps to distinguish between Marxism and revisionism, between socialism and capitalism, and between the proletariat and the bourgeoisie. It will also correct tendencies toward deviation and elevate our ideological awareness.

In summary, we must study some political economy if we want to overcome anti-Party, anti-Marxist thinking, better carry through the Party's basic line for the socialist stage, more penetratingly unfold the criticism of Lin Biao and the rectification of the style of work, and score new and greater victories in the great socialist revolution and socialist enterprise.

Combine Theory with Practice to Learn Political Economy Well

Political economy is a demonstration and application of dialectical materialism and historical materialism. To learn political economy, we must follow the guidance of dialectical materialism and historical materialism.

> [The dialectical method] regards every historically developed social form as in fluid movement, and therefore takes into account its transient nature not less than its momentary exis-

> tence; because it lets nothing impose upon it, and is in its essence critical and revolutionary.[12]

This proletarian world outlook is in direct opposition to idealism and metaphysics. Only after we fully appreciate dialectical materialism and historical materialism and use them to observe and analyze the law of motion in capitalist society and economy can we understand why capitalism is bound to perish and socialism will triumph. And only when we use them to observe and analyze the law of motion in socialist society and economy can we understand the duration and complexity of class struggle and line struggle in socialist society, and only then can we understand the general tendency of development from socialism to communism and why it cannot be averted by human will. This will strengthen our faith to struggle for the ultimate victory of the communist enterprise with full determination and without fear of sacrifice and difficulties.

To study political economy, we must insist on the revolutionary style of learning, which combines theory with practice. Chairman Mao teaches us: "It is necessary to master Marxist theory and apply it, master it for the sole purpose of applying it."[13] To combine theory and practice is a question of revolutionary discipline and a question of the nature of the Party. We must combine the study of political economy with the criticism of modern revisionism, with the criticism of the reactionary fallacies peddled by Liu Shaoqi, Lin Biao, and similar swindlers, with the Three Great Revolutionary Practices of class struggle, production struggle, and scientific experiment, and with the transformation of the world outlook.

> Marxist philosophy holds that the most important problem does not lie in understanding the laws of the objective world and thus being able to explain it, but in applying the knowledge of these laws actively to change the world.[14]

Is it difficult to learn Marxist political economy? Yes. In the preface to the first edition of *Capital*, Marx said: "Every beginning is difficult, holds

[12] Karl Marx, "Afterword to the Second German Edition of 'Capital,'" *Marx & Engels Collected Works*, vol. 35, 20.

[13] Mao Zedong, "Rectify the Party's Style of Work," in *Selected Works of Mao Zedong*, vol. 3 (Paris: Foreign Languages Press, 2021), 26.

[14] Mao, "On Practice," 277.

in all sciences."[15] In the concrete analysis of objective phenomena, Marxist political economy penetrates the surface, grasps the essence, and undertakes scientific abstraction. Thus, when we start, we often come across some terms and concepts that are difficult to understand. But Marxist political economy was written for the proletariat and talked about proletarian revolution. If only we seriously study it, we can understand it gradually.

> "Nothing in the world is difficult for one who sets his mind to it." To cross the threshold is not difficult and mastery, too, is possible provided one sets one's mind to the task and is good at learning.[16]

Marx once pointed out: "There is no royal road to learning, and the only people with any chance of scaling its sunlit peaks are those who have no fear of weariness when ascending the precipitous paths that lead up to them."[17] Proletarian revolutionary leaders spent their whole lives establishing and developing Marxist theory. Following their shining examples and diligently reading works by Marx, Lenin, and Chairman Mao, we should struggle to study for the mastery of this Marxist theoretical weapon, for the socialist revolution and the socialist construction enterprise, and for the worldwide realization of communism.

Major Study References

- Karl Marx, "Introduction to A Critique of Political Economy."[18]
- Frederick Engels, *Anti-Dühring,* part 2, chapter 1.[19]
- V. I. Lenin, "Karl Marx: A Brief Biographical Sketch with an Exposition of Marxism."[20]
- Chairman Mao, "On Contradiction," section 4.[21]

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[15] Karl Marx, "Capital," vol. 1, 7.

[16] Mao Zedong, "Problems of Strategy in China's Revolutionary War," in *Selected Works*, vol. 1, 169.

[17] Karl Marx, "Preface to the French Edition of 'Capital,'" in *Marx & Engels Collected Works*, vol. 35, 23.

[18] Karl Marx, *The German Ideology*, part 1 (London: Lawrence & Wishart, 1974).

[19] Frederick Engels, *Anti-Dühring* (Paris: Foreign Languages Press, 2021).

[20] Lenin, *Collected Works*, vol. 21.

[21] Mao, *Selected Works*, vol. 1.

- Chairman Mao, "On the Correct Handling of the Contradictions Among the People," section 1.[22]

Review Problems

1. Why is political economy a science of class struggle?
2. Why do we say that Marxist political economy is an important theoretical basis for the Party's basic line?
3. How can one learn political economy well?

[22] Mao Zedong, *Selected Works of Mao Zedong*, vol. 5 (Paris: Foreign Languages Press, 2021).

2

SOCIAL AND ECONOMIC SYSTEMS PRECEDING CAPITALISM

Relations of Production in the Primitive, Slave, and Feudal Societies

The primitive, slave, and feudal societies are the three societal systems that preceded capitalism. To comprehend the replacement and substitution of the relations of production in these societies helps us to understand the historical process of the development of relations of production in human society. It is especially significant for the understanding of the origin and development of capitalism relations of production and the historical law governing their inevitable replacement by socialist relations of production.

The Primitive Commune Established the Earliest Relations of Production in Human History

Labor Created Man

The primitive society started from the separation of man from the animal world. Human societies appeared simultaneously with the emergence of man. With man, the first chapter of human history began.

The history of human society is about a million years long. Man's ancestors were a kind of highly developed ape man. How did the ape man develop into man? The key lies in labor. Labor began with the making of tools. In the process from ape man to man, natural objects were transformed into suitable tools. It may only have been the striking of one stone against another to make stone knives and axes or the shaping of branches into crude tools, but a great revolution appeared. Man separated himself from the animal world and could rely on his own hands to make tools for the transformation and conquest of nature. Just as Engels said: Labor "is the prime basic condition for all human existence, and this to such an extent that, in a sense, we have

to say that labour created man himself."[23] In the long process of labor, man learned how to make stone tools, hunt, and fish. He invented bows and arrows. Especially important was the discovery and use of fire. This greatly increased man's power to conquer and transform nature. Engels highly valued this achievement. He said:

> In spite of the gigantic liberating revolution that the steam-engine is carrying through in the social world—and which is not yet completed by half—it is beyond all doubt that the generation of fire by friction has had an even greater effect on the liberation of mankind. For the generation of fire by friction for the first time gave man command over one of the forces of nature and thus separated him forever from the animal kingdom.[24]

From that time on, human society made its formal appearance on this earth.

Production activities conducted after man's separation from the animal world were from the start a kind of social and group activity.

> Every person, as a member of society, joins in common effort with the other members, enters into definite relations of production with them and engages in production to meet man's material needs.[25]

When the curtains of human social history were raised, the relations of production were those of the primitive commune, and they were the first relations of production in human history.

Clan Commune Ownership Was the Basis of the Primitive Commune Relations of Production

The primary social and economic organization of the primitive society was the clan commune united on the basis of kinship for the purpose of labor. Clan commune ownership was a primitive form of collective ownership. Land and other means of production were owned by all the members

[23] Frederick Engels, "Dialectics of Nature," Chapter: "The Part Played by Labor in the Transition from Ape to Man," in *Marx & Engels Collected Works*, vol. 25 (London: Lawrence & Wishart, 1987), 452.

[24] Engels, *Anti-Dühring*, 123.

[25] Mao, "On Practice," 269.

of the commune. At that time, because of the crude stone knives, axes, spears, bows, and arrows used, only by collective labor could the great natural forces be conquered. Therefore, individual ownership of the means of production and products was not possible. This clan commune ownership system was the only form adopted under the law level of productive forces. Means of production collectively owned by the clan commune included tools, land, forests, rivers, and livestock. Weapons, bows, and arrows were carried and used by individuals.

In primitive society, all able-bodied members participated in productive labor. They employed a natural division of labor based on sex and age. Men went out to hunt, old men made tools, and women harvested plants, managed household chores, and engaged in primitive agriculture. Children helped women do auxiliary labor. Interpersonal relations were primitive cooperative relations.

Under the conditions of clan commune ownership and collective labor, products were shared equally. Because of the low level of productive forces at that time, products obtained through labor were only sufficient to maintain a minimum level of subsistence with little left over. If distribution had not been equal, some members of the clan would have starved, or the clan might have disintegrated.

The economic substructure of primitive society also produced its corresponding superstructure. Primitive society, successively passed through the matriarchal clan, was the result of the more important positions occupied by women in productive activities. At that time, women were mainly occupied with primitive agriculture and men with hunting. But hunting was more seasonal and its results chancy. Agriculture was a more reliable source of means of livelihood. Therefore, social life evolved around the female. With the development of productive forces, agriculture advanced from its primitive form and animal husbandry was separated from agriculture. Men's importance in productive activities was elevated. With the transition from group marriages centering around women to one-to-one marriages, women's positions were rendered more subordinate, ushering in the patriarchal clan.

The clan council, composed of all the adult members of the clan, was the highest power organ in the clan commune. The clan council elected the clan chief and wartime military leaders and deliberated and decided on all

important matters. [Lewis H.] Morgan, an American scholar, described in his *Ancient Society* the clan commune of the American Indians as follows:

> All the members of an Iroquois gens were personally free, and they were bound to defend each other's freedom they were equal in privileges and in personal rights, the sachem and chiefs claiming no superiority; and they were a brotherhood bound together by the ties of kin.[26]

This superstructure of the clan was instrumental in consolidating and developing the clan economic substructure and in advancing the productive forces at that time.

Chairman Mao points out:

> Developing along the same lines as many other nations of the world, the Chinese people (here we refer mainly to the Hans) went through many thousands of years of life in classless primitive communes.[27]

The society connected with the "Beijing Man" which was discovered in Zhoukoudian suburb of Beijing represented the earliest stage of China's primitive society. Many old sites and cultural relics from primitive societies discovered in many areas of China prove that matriarchal clan tribes once existed in the central region along the Yellow River basin and extended to Inner Mongolia, Heilongjiang, Xinjiang, Tibet, Guangxi, Sichuan, and Yunnan. About five thousand years ago, tribes along the Yellow River and Yangtze River basins gradually in China, the primitive society existed for several hundred thousand years.

Historical facts tell us that primitive society had no private property, no classes, no class exploitation, or class oppression. They strongly refute the fallacy that private property and classes have been with us from time immemorial.

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[26] Lewis H. Morgan, *Ancient Society or Researches in the Lines of Human Progress from Savagery through Barbarism to Civilization* in Frederick Engels, *The Origin of the Family, Private Property and the State* (Foreign Languages Press: Paris 2020), 74

[27] Mao Zedong, "The Chinese Revolution and the Chinese Communist Party," in *Selected Works*, vol. 2, 284.

The Emergence of Private Property Led to the Collapse of the Primitive Commune

In the course of development in primitive society, with the development of productive forces, social division of labor arose. In the beginning, animal husbandry was separated from agriculture. Some tribes specialized in animal husbandry. Other tribes specialized in agriculture. This was the first major social division of labor. Later, handicraft activities were separated from agriculture. This was the second major division of labor. Toward the end of primitive society, iron was discovered. The appearance of iron symbolized the advancement of human society to a higher stage. But it also heralded the collapse of primitive society. With the separate appearance of agriculture, animal husbandry, and handicraft activities, production for the purpose of exchange, namely commodity production, appeared.

With the continual development of productive forces, some surplus was available after the maintenance of a basic level of subsistence. The two major divisions of labor increased labor productivity and promoted the development of agriculture, animal husbandry, and handicraft activities. Surplus products and social wealth increased. Under these conditions, the possibility of some people expropriating the labor products of other people occurred. On the other hand, with the expansion of exchange, the possibility of the clan chief gradually converting commune property into his own private property also arose. The use of metal tools—especially iron axes, iron hoes, and iron plows markedly increased labor productivity and created conditions for production on an individual household basis. The original collective production based on the clan gradually dissolved into individual production based on the household. Production and products also became private property. Then, land formerly collectively owned but assigned to individual households also passed into private hands. Private ownership appeared and the primitive commune disintegrated.

With the emergence of private ownership, inequality in the distribution of property among families arose. The clan chiefs continuously used their power to convert collective property into their private property and became the wealthiest households in the clan. As the wealth of these rich families increased and their scope of operation expanded, labor shortages were experienced. At the same time, with the development of productive forces, the use of slave labor became possible and profitable. As a result, prisoners of war were no longer slaughtered but were converted into slaves. Later, some

poor people of the clan also became slaves of the rich families. The exploitation of people by people emerged.

With the development of production and the expansion of exchange, the third major division of labor occurred. There arose merchants who specialized in commodity exchange. With the development of commodity exchange, money came into being. With the appearance of money, the rich families engaged in usury and accelerated the concentration and uneven distribution of wealth. As a result, wealth rapidly became concentrated in the hands of a few slave owners. Simultaneously, the broad, laboring masses were forced into slavery by poverty and bankruptcy, rapidly swelling the ranks of the slaves. Thus, society was separated into classes: the slave owners and the slaves. These two opposing classes made their first appearance in human history. With the appearance of classes, the former clan council evolved from being society's public servant into being its master and became a tool by which the slave owners oppressed the slaves. The state—the machinery for the oppression of one class by another class—was born at that time. From that time up to the present, "[t]he history of all hitherto existing society is the history of class struggles."[28]

Slavery Was the Earliest System of Exploitation

The Characteristic of Relations of Production in Slave Society Was the Ownership of the Means of Production and of Slaves by the Slave Owner

In slave society, the slave owner not only owned the means of production, but also slaves. The slave was merely a living tool under the absolute domination of the slave owner. The slave was not only exploited, he was treated as an animal, a sacrificial object, and a commodity. He could even be slaughtered by his owner. Slave labor was overt forced labor. The slave owner used brute force to make the slave work and indiscriminately tortured his slaves. To make it easier to catch runaway slaves, the slave owners even branded slaves and put them in fetters. The slave owner used the cruelest means to extract surplus labor and products from the slave. All products produced by the slave belonged to the slave owner. The slave was fed like an

[28] Karl Marx, Frederick Engels, *Manifesto of the Communist Party & Principles of Communism* (Paris: Foreign Languages Press, 2020), 33.

animal, just enough to keep him alive. This was the relation of production of slave society.

Chairman Mao points out,

> Some 4,000 years have gone by since the collapse of these primitive communes and the transition to class society, which took the form first of slave and then of feudal society.[29]

China developed into a slave society after the Xia dynasty. In the Yin dynasty, "zhongren" and "xumin" [the masses] were all slaves. Clay burial figures unearthed in Yinxu (the abandoned site of the capital of the Yin dynasty, in the vicinity of Xiaotuncun, Anyang, Henan Province) all had handcuffs. The male figures were cuffed with their hands behind them, and the females in front. These were reflections of slaves lives at that time. The slaughter of slaves was even more hair raising. The slave owner often sacrificed his slaves in sacrificial ceremonies. In some ceremonies during the Yin dynasty, more than a thousand people were killed. From the tombs of slave owners in the Yin dynasty, slaves were found buried alive or dead. They ranged from more than ten to several hundreds. Among them were both males and females, even children. There is no doubt that slave society existed in China.

But, Trotskyites like Chen Boda spread that there was no slave society in China in a vain attempt to negate the universal truth of Marxist classification of human societies and to create evidence for their fallacy that communism was not suited to Chinese conditions. This is reactionary in the extreme and utterly futile.

Class Antagonism Led to the Opposition Between Urban and Rural Areas and Between Mental and Physical Labor

The earliest ancient city appeared at the end of primitive society and was established at the central region of the tribal alliance for the purpose of defense. After the formation of slave society and with the development of agriculture, handicraft industry, and commodity exchange, the opposition between the city and the countryside arose.

At that time, industrial products were handicraft products. The city was the center of the handicraft industry. The development of the handicraft

[29] Mao, "The Chinese Revolution and the Chinese Communist Party," 284.

industry was related to the development of commerce. Therefore, the city was also the center of commercial activities. In China's Yin dynasty, commerce developed rapidly. Commercial cities emerged. *Yin* and *Shang* [*shang* is the Chinese term for commerce] are synonymous, and the Yin dynasty is also known as the Shang dynasty. Present day Yinxu was the site of a fairly large commercial city in the Yin dynasty.

The slave owner established a superstructure corresponding to the economic substructure of slave society, and the city became the political center of slave society. The slave owner paid special attention to strengthening the state machinery in the city to suppress the rebellion of slaves. Many slaves owners, big merchants, usurers, and bureaucrats were concentrated in the city, leading nefarious and extravagant lives. To satisfy their needs for recreation, the slave owner forced the slaves to build beautiful palaces, temples, theaters, and other public places. The city thus gradually developed into the cultural center of slave society.

Thus, the city in slave society assumed a dominating economic, political, and ideological role and created opposition between the city and the countryside. The opposition between city and the countryside was a product of acute class contradictions. It was characterized by urban exploitation of the countryside.

In primitive society, all able-bodied people participated in labor. There was no specialization in mental labor. In slave society, the situation was different. As a result of a large quantity of surplus products created by slave labor, it was possible for the slave owners to divorce themselves from production labor. At that time, the division between mental and physical labor was necessary and possible. This division between mental and physical labor was antagonistic right from the start. It was the privilege of the slave-owning class to enjoy cultural education.

> The class which has the means of material production at its disposal, has control at the same time over the means of mental production, so that thereby, generally speaking, the ideas of those who lack the means of mental production are subject to it.[30]

[30] Karl Marx, Frederick Engels, *The German Ideology* (Paris: Foreign Languages Press, 2022), 35.

The slave-owning class tried its best to spread the fallacy that "the mental workers rule others while the physical laborers are ruled by others." It used to its best advantage its politics, law, philosophy, and ideology as tools to rule the slaves and other laboring masses for the consolidation of the dictatorship of the slave owner.

The Rebellion of Slaves Hastened the Collapse of Slavery

Slavery was an inevitable stage in human history. Its appearance met the needs of existing productive forces. Under slavery, prisoners of war were no longer slaughtered en masse. They were instead kept alive to work. This was helpful to the development of production. Because the slave owner possessed large amounts of means of production and labor, it was possible to organize production and cooperation on a large scale. With the use of metal tools, agriculture, animal husbandry, and handicraft industry developed rapidly. Agriculture became the most important component of the national economy. The horse, buffalo, sheep, chicken, dog, and pig were domesticated. By means of cooperative efforts among a large number of handicraftsmen, a bronze ritual vessel measuring 110 centimeters in horizontal length, 55 centimeters in width, 137 centimeters in height, and weighing 1,400 market catties, was cast with fine floral designs. From it we can infer the high productions skills and workmanship already reached at that time.

The relations of production of slave society promoted the development of productive forces to a certain extent. But these relations of production embodied inherent contradictions to the further development of productive forces. These contradictions became more acute as productive forces developed. The broad masses of slaves could not bear the cruel exploitation and oppression of the slave owner any longer. They slowed their work, ran away in large numbers, and purposely wrecked production tools. On the one hand, the slave owners increased their oppression, leading to massive early death of slaves. On the other hand, they substituted heavy tools not easily subject to abuse. But the development of productive forces was thus restricted. The restriction on the development of productive forces also resulted from the contempt toward physical labor generated by the system. Bankrupt small producers preferred to wander around than to engage in physical labor. These things all showed that the relations of production of

slavery were already ill suited to the development of productive forces. Its extinction was as inevitable as its emergence.

At the end of slave society, feudal relations of production appeared. The ownership of land by the slave state was the basis of the relations of production in slave society. In the Yin Zhou period of China, state ownership of land was in the form of *jingtian* [well fields]. All land within the confines of *jingtian* was called "communal land." These communal lands and the slaves were at the disposal of the biggest slave owners—the feudal princes, nobles, and state officials appointed by the Son of Heaven. With the development of productive forces, some slave owners tried their best to force the slaves to bring under cultivation large amounts of private land to exploit more surplus labor. With the expansion of private land, the system of communal land was undermined. At this time, the landlord class emerged. They championed the "abolition of *jingtian* and the demolition of raised paths between fields [used as boundaries]." Slaves gradually became serfs. The sprouts of feudal relations of production flourished.

The basic classes of slave society were the slave-owning class and the slaves. Outside of these two classes were the free peasants and handicraftsmen. Slaves were at the bottom of the social strata and were subject to the cruelest exploitation and oppression by the slave owners. All through the whole period of slavery, there was violent class struggle between the slaves and the slave owners. The Spring and Autumn period of China saw the transition from slavery to feudalism. A slave leader named Zhi led 9,000 people rampaging across the land and raiding feudal lords. Slave rebellions seriously challenged the rule of the slave-owning class. In various countries of the world, slave uprisings were the theme of many heroic epics. For example, in the Roman period, Spartacus led the biggest rebellion with 120,000 participants. This rebellion shook the whole Roman Empire to its foundation. Violent slave rebellions dealt severe blows to the political power of the slave owners and hastened the collapse of slavery. While slavery disintegrated, feudal relations of production gradually matured. The newly emerging landlords, resenting feudal relations of production, used the power of the laboring people to overthrow the rule of the slave owners and established a government of landlords. Feudalism finally replaced slavery.

The replacement of slavery by feudalism was historically inevitable. In China, during the time of the great epoch-making social changes, Con-

fucius, the reactionary proponent of the slave system, obstinately opposed any social reforms and regarded the changes in relations of production as "great evils." He resolutely opposed all the reform measures carried out by the new feudal lords, advocated the restoration of the old slave system, and hoped in vain to save the tottering social order. But it was all over. His efforts represented the futile struggle of a dying cause.

Feudalism Is Another Exploitative System Based on Class Conflicts

Feudal Landownership Is the Economic Substructure of the Feudal Society

The relations of production of the feudal society were based on land ownership by the landlord class and their almost complete control of serfs. The landlord owned most of the land. The peasants and serfs owned little or no land. They had to depend on farming the landlord's land for a living and so were fettered by the feudal land system. They lost their personal freedom and were subject to the landlord's cruel exploitation and oppression.

The chief means by which the landlord exploited the peasants was through the collection of feudal rent from land rented to them. There were three kinds of feudal rents: labor rent, rent in kind, and money rent.

Labor rent was prevalent in the early period of feudal society. Labor rent consisted of the peasants using their own tools and working on the landlord operated land at specified times. The peasants could work on their land only after working for the landlord. Under this type of land rent, the relations between the exploiter and the exploited were quite clearcut. The produce from the land operated by the peasants belonged to them. They were thus interested in the labor performed on it. The produce from the labor performed by the peasants on the land operated by the landlord belonged wholly to the landlord. The landlord was well aware of this difference in attitude. To make the peasants work hard on the land operated by the landlord, they kept a number of foremen to enforce strict discipline. Therefore, under such a rent system, the relations between the oppressor and the oppressed, the ruling and ruled, were quite obvious. In the early period of feudalism, productive forces were quite weak. The landlord could not have expropriated the surplus labor of the peasants if he had not relied on direct coercion. This kind of feudal rent met with violent resistance from the peasants.

Later, under the impetus of the development of productive forces and out of a desire for greater exploitation and less visibility of their exploitative intent, the landlord adopted rent in kind in place of labor rent. Under rent in kind, the peasant no longer worked under the supervision of the landlord. He did not have to work on the land operated by the landlord. The peasant could control all his labor. But he had to turn in surplus produce in kind to the landlord at specified intervals. Compared with labor rent, rent in kind was instrumental in improving knowhow and labor productivity to some extent. But rent in kind often represented 50 percent or even 70 percent to 80 percent of the peasants' harvests. To maintain a minimum level of subsistence, the peasants had to extend their working hours and raise their labor intensity. Even so, the peasants were unable to lead a life very far above extreme poverty.

Money rent appeared in late feudal society. Productive forces were then much higher than before. The relations between money and commodities were widely developed. To satisfy his manifold needs for a luxurious and extravagant life, the landlord needed ever more money. Under such conditions, money rent appeared. Under money rent, the peasants sold their produce in the market in exchange for money to pay rent. Thus the peasants were not only exploited by the landlord, but also by merchant middlemen. When harvests were good, the merchants depressed prices to squeeze every drop of sweat and blood from the peasants. As a result, the peasants' livelihood was even more pitiable, and they were frequently at the brink of bankruptcy.

In feudal society, the broad masses of peasants were under the exploitation of feudal rent. They also had to pay heavy taxes to the feudal state and were subject to the exploitation of usurers. The landlord colluded with the bureaucrats and the army to plunder the peasants' land, steal their wealth, and force them to engage in involuntary unpaid labor. The broad masses of peasants were subject to all sorts of extra economic exploitation.

Peasant Rebellions Reflected the Increasingly Acute Class Contradictions in the Feudal Society

The replacement of slave society by feudal society was a step forward in history. The feudal relations of production were conducive to promoting productive forces in the early stage of feudal society. Agricultural produc-

tion techniques were elevated and tools improved. The applications of iron instruments to production were disseminated, both the variety and quantity of crops were increased, and handicraft industry was thriving. In the Warring States period of China, large-scale water conservancy projects, such as the Dujiang Dike in Sichuan Province, were constructed. Through additional construction and maintenance during various dynasties, Dujiang Dike still serves a very useful purpose today. Salt baking, metallurgy, silk goods, spinning and weaving, porcelain and pottery, and embroidery were quite well developed in China's feudal society. The compass, gun powder, paper, and block printing were invented early.

However, production under feudal relations of production was basically small-scale production on a household basis. This small-scale production was not conducive to the further development of productive forces. The broad masses of peasants under feudal relations of production were especially subject to cruel exploitation and oppression with little possibility for developing production. The contradictions between feudal relations of production and productive forces were reflected as class contradictions between the landlord and the peasant. This was the major contradiction in feudal society. The highest manifestation of this contradiction was armed rebellion by the broad masses of peasants to resist the rule of the landlord. These rebellions and struggles were characteristic of the whole feudal period. About 200 BC, soon after Qin Shihuang unified China and established the first feudal dictatorship, the first great peasant rebellion in China's history exploded—the rebellion led by Chen Sheng and Wu Guang. After that, during the more than two thousand years before the Taiping Rebellion in the mid-nineteenth century, several hundred small and large peasant rebellions and peasant revolutionary wars were recorded. The size and number of peasant uprising in Chinese history broke world records.

> The class struggles of the peasants, the peasant uprisings and peasant wars constituted the real motive force of historical development in Chinese feudal society. For each of the major peasant uprisings and wars dealt a blow to the feudal regime of the time, and hence more or less furthered the growth of the social productive forces.[31]

[31] Mao, "The Chinese Revolution and the Chinese Communist Party," 286.

However, renegades like Chen Boda attributed the development of social productive forces to the "concessions" made by the feudal ruling class. This runs counter to historical facts. In history, the landlords never made concessions to peasant rebellions. They always resorted to bloodthirsty suppression, counterattacks, and trickery, but never to "concessions." Renegade Chen Boda's theory about "concessions" was purely an attempt to prettify the landlords.

The Development of a Commodity Economy and Primitive Accumulation Gave Birth to and Promoted Capitalist Relations of Production

In the late feudal period, with the further development of a commodity economy, capitalist relations of production arose.

Simple commodity production in the feudal society was based on private ownership and individual labor. The purpose of production was exchange. Small commodity producers had to sell their products in the market. But because every commodity producer had different production conditions, skills, and labor intensity, labor spent on each type of commodity varied. On the other hand, similar commodities were sold at the same price. This constituted a contradiction. With the development of this contradiction, a small number of small commodity producers with better conditions prospered. But the majority of small commodity producers with poorer production conditions were increasingly impoverished. Thus, the simple commodity producers were polarized.

In the feudal society, craft guilds were often formed to prevent competition among handicraftsmen in the same line or from handicraftsmen from other areas or lines. Members of the guilds had to obey guild regulations. In the handicraft guild, there were the master, journeyman, and apprentice. The relations between the master and the journeyman and apprentice were basically feudal with minor exploitation. These guilds limited the polarization among the small commodity producers. But with the development of a commodity economy, some comparatively prosperous masters were unwilling to obey the guild regulations. They indiscriminately increased the number of journeymen and apprentices, lengthened their labor time, improved production techniques, and gradually converted their journeymen and apprentices into hired hands. Other bankrupt masters, journeymen, and

apprentices gradually joined the ranks of hired hands. On the basis of polarization, there gradually appeared the capitalist relations of employment.

In the process of polarization among the small commodity producers and the emergence of capitalist relations of production, commercial capital played an important role. The merchant was originally the middleman in commodity exchange. Later he became a contract merchant who contracted to sell the products of the commodity producers. He later supplied raw materials and even tools to the small producers who then produced products at specified times and of a certain quality, quantity, type, and specification. Thus, the small commodity producer was entirely controlled by the merchant and became a hired hand, and the merchant himself became an industrial capitalist.

In the countryside, during the period of late feudal society, because of the development of a commodity economy, the landlord class gradually converted to money rents. This increased the peasants' dependence on markets and hastened their polarization. The majority of peasants went bankrupt and degenerated into hired farmhands. A few elevated themselves to become rich peasants and later agricultural capitalists.

Thus, capitalist relations of production gradually established themselves in feudal society. In China's late feudal society, with the development of a commodity economy, the seeds of capitalist relations of production were about to sprout. Without the influence of foreign capitalism, China would gradually develop into a capitalist society.

The establishment of capitalist relations of production in feudal society was closely related to the development of productive forces. In the beginning, the small workshops of the handicraftsmen became large capitalist workshops. In these workshops, hand labor was still the rule. But with many workers working together under unified capitalist command, simple cooperation was possible, forming a new productive force. Later, simple cooperation developed into capitalist factory handicraft industry. The characteristic of the factory handicraft industry was division of labor among workers producing the same commodity with each specializing in one process. It simplified labor processes and improved labor productivity by intensifying labor input. It also created the conditions for the substitution of machine operation for hand operation.

The development of capitalist relations of production depended on two basic conditions. First, there had to be a large body of proletariat who could freely sell their labor. Second, there had to be a prior accumulation of a large amount of monetary wealth. To facilitate the development of capitalist relations of production, the bourgeoisie used violence to create these two conditions. Therefore, in the development of capitalism, there was a process of primitive accumulation.

An important method of primitive accumulation was exploitation of the peasant. England, where capitalist relations of production first developed, was a typical example. During the more than three hundred years from the 1470s until the early nineteenth century, the English ruling class launched the "enclosure" movement by forcibly taking land from the peasants. The modern industry of England started from wool textiles. The wool textile industry required a large amount of wool, thus forcing up its price. The big landlords and farm operators enclosed land wherever they could to raise sheep to cash in on the fortune. They forcibly evicted peasants from their land, demolished and burned down their houses, and expropriated large amounts of means of production and means of livelihood. The enclosure movement forced a large number of peasants to leave their native places and wander far afield begging for their livelihood. Subsequently, the English ruling class promulgated various bloodstained legislation to forbid the peasants from drifting and force them to accept hired employment under harsh conditions.

The plundering of monetary wealth was another important method of primitive accumulation. The European bourgeoisie resorted to armed invasions of Asia, Africa, America, and Australia to establish the colonial system. They launched commercial warfare and plundered the colonies' material resources and monetary wealth in order to amass capital for the establishment of large-scale capitalist production.

Therefore, the process of primitive accumulation was the process of forcing the separation of the direct producers from their means of production and concentrating monetary wealth in the hands of the capitalists as capital. Marx penetratingly pointed out, "the history of [the producers'] expropriation [by the bourgeoisie], is written in the annals of mankind in letters of blood and fire."[32] The process of primitive accumulation vividly demonstrat-

[32] Marx, "Capital," vol. 1, 706.

ed that the capitalists did not "start from scratch," but depended entirely on plundering. "Capital comes dripping from head to foot, from every pore, with blood and dirt."[33]

Bourgeois Revolution Declared the Collapse of Feudalism

The birth and development of capitalist relations of production in feudal society was severely restricted by feudal relations of production and their superstructure. They were prevented from assuming a dominating role in feudal society because the feudal ruling class would never willingly retire from the historical stage. They inevitably used the state machinery in their control to protect the outdated feudal system. The bourgeoisie and the intellectuals representing capitalist relations of production publicized capitalist relations of production as "manifestations of eternity and rationality" and "an eternal law of nature." They championed so-called "freedom, equality, and universal love" and denounced feudalism in their efforts to prepare public opinion for the bourgeois revolution to overthrow feudalism. In the bourgeois revolution, the major class forces were the peasants, the proletariat, and the bourgeoisie. The peasants were the major force, but not the representatives of the new productive forces. The proletariat had not formed its independent political force, so the bourgeoisie assumed the leadership of the bourgeois revolution.

In old China, because it was a semifeudal and semicolonial society, the bourgeoisie was divided into two parts. One was the bureaucratic bourgeoisie. It depended on imperialism. Along with the landlords, its members represented the most backward and most reactionary relations of production. They were the targets of the Chinese bourgeois democratic revolution. The second part was the national bourgeoisie. It was subject to the oppression and restriction of imperialism and feudalism on the one hand but was also closely related to them on the other. This determined that the national bourgeoisie was a force on the side of democratic revolution under some conditions. But it was also weak and unstable. Therefore, "it is history's verdict that China's bourgeois-democratic revolution against imperialism and

[33] Marx, "Capital," vol. 1, 748.

feudalism is a task that can be completed, not under the leadership of the bourgeoisie, but only under that of the proletariat."[34]

Although the bourgeois revolution was a revolution in which one form of exploitation replaced another, this revolution also had its reversals. In the course of the revolution, there were acute class struggles involving attempted restorations by the feudal class and opposition to restorations by the bourgeoisie. England started its bourgeois revolution in 1640. Not until after two internal wars was Charles I, a representative of the Stuarts, executed. In 1660, Charles II, another representative of the Stuarts, again attempted restoration. In 1688, the English bourgeoisie invited the Prince of Orange (William III) from Holland to overthrow the Stuart House. Only then was the bourgeois dictatorship stabilized. In France, in the eighty-six years from 1789 when the bourgeois revolution exploded until 1875 when the Third Republic was formed, advances were mixed with retreats, republics with monarchies, revolutionary terror with antirevolutionary terror, internal with external wars, conquests by foreign countries, without a moment of peace and stability. Even so, because the feudal system was rotten, it still could not escape its extinction no matter how hard it tried to struggle. The replacement of feudalism by capitalism was inevitable.

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[35] Engels, *The Origin of the Family.*

[36] Mao, *Selected Works*, vol. 1.

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Review Problems

1. How did private ownership, classes, and the state arise?
2. How did the contradictions between relations of production and productive forces in slave society and feudal society manifest themselves in class struggle?
3. What were the major conditions for the birth and development of capitalist relations of production?

3

THE ANALYSIS OF CAPITALIST SOCIETY MUST START FROM COMMODITIES

Commodities, Money, and the Law of Value

Chairman Mao points out: "Beginning with the commodity, the simplest element of capitalism, [Marx] made a thorough study of the economic structure of capitalist society."[38] Why did Marx start from commodities in his analysis of capitalist economy? Because every product in capitalist society is a commodity. Not only are means of production and consumer goods commodities, even human labor is a commodity. Here, social wealth is reflected as a large amount of accumulated commodities. Commodities become the cell structures of the capitalist economy. In commodities are embodied all the contradictions of capitalism. Therefore, the study of capitalism must start from an analysis of commodities.

The Commodity Relation Embodies the Seeds of All Capitalist Contradictions

Commodities Consist of Two Components: A Use Value and an Exchange Value

Commodities, the product of labor, are for sale and exchange. They went through a historical process of birth and development. In primitive society, people labored together. The products obtained were all consumed by the members of the primitive commune. Under these conditions, there was no exchange or production of commodities. The exchange and production of commodities developed gradually in slave and feudal society. Their development reached a peak in the capitalist world.

What are the basic characteristics of commodities which are the cells of the capitalist economy?

Since commodities are labor products for exchange, they must first of all be useful to people. For example, rice can fill our stomachs, clothes can keep us warm, iron and steel can be made into machines, and tractors can plow.

[38] Mao, "Rectify the Party's Style of Work," 28.

This usefulness of a commodity is called use value. Obviously, if something is not useful, nobody needs it. It cannot, therefore, qualify as a commodity.

Use value is a necessary condition of a commodity but not the only condition. Not all useful things are commodities. For example, air and sunshine are basic necessities for our survival, but they are not labor products. They are free goods and therefore not commodities. Further, though food grains and vegetables are labor products, if they are produced for one's own consumption, they are not commodities. Again, though food grains turned in by the peasant to the landlord as rent are not for the peasant's own consumption, they are not paid for by the landlord and cannot, therefore, be regarded as commodities.

Labor products can become commodities only if they are transferred to other people through exchange. Therefore, in addition to use value, commodities must also be exchangeable for other products. This characteristic of commodities is called exchange value.

Exchange value is first expressed as a numerical proportion between one use value and another use value. For example, one *zhang* of cloth is exchanged for two *tou* of rice. The two *tou* of rice is the value in exchange for one *zhang* of cloth.

The numerical exchange proportion between two commodities varies according to time and place. But at a given time and place, this proportion is, on the whole, uniform. What determines this exchange proportion? Obviously, if various commodities can, in the course of exchange, establish among them numerical proportions, they must have something in common. This common property cannot be their use values. From the viewpoint of their use values, every commodity is different in nature. For example, cloth can be made into clothes, and rice can fill our stomachs. These are two entirely different use values and cannot be compared. The common property among the commodities must be found in their exchange value. And when the use value of both commodities, whether cloth or rice, is ignored, the only characteristic left is that they are both labor products. Labor has been expended for their production. This embodied labor constitutes value. Values are comparable, and therefore commodities can be compared in quantity. The fact that one *zhang* of cloth can be exchanged for two *tou* of rice implies that their production requires an equal quantity of labor. Con-

sequently, they are equal in value. Exchange value is therefore determined by value. Value itself is the basis of exchange value.

Use value and value are the two characteristics of commodities. They constitute the two factors of commodities. Use value is the material support for value. If one commodity has no use value, no matter how much labor has been expended on it, no value can be formed. And it cannot be a commodity in exchange for other labor products. At the same time, only use value created by labor can become the use value of commodities. Even if something is absolutely essential for our survival, such as air and sunshine, it cannot become a commodity unless labor has been expended on it.

The Duality of Commodities Is Determined by the Duality of Labor Used in Commodity Production

Where does the duality of commodities come from? When we go to the source, we discover that labor used for commodity production has a dual nature: it consists of concrete labor on the one hand and abstract labor on the other.

To produce various use values, people have to engage in various purposeful production activities. For example, carpenters make tables and peasants raise crops. They all have their own tools, their objects, and their methods. The labor of a peasant consists of using various farm tools to plow, rake, plant, and harvest, finally producing food crops. This labor expended in different concrete forms is called concrete labor. Concrete labor creates use value. There are many different use values from commodities. There are also many different forms of concrete labor in commodity production. Concrete labor in various trades and occupations is different, a manifestation of a complex division of labor.

Various concrete labor is different in nature and cannot be compared. But in the market, various labor products can be compared. This shows that labor expended on commodity production not only has an aspect of difference, but also an aspect of similarity.

What is this similarity? It lies in the fact that although labor is different in its concrete forms for the production of various commodities, it is basically an expenditure of physical and mental human labor. This homogeneous labor abstracted from its concrete characteristics is called abstract labor. The value of commodities is created by abstract labor. Earlier, we said

labor embodied in commodities constitutes value. Now, after analyzing the duality of labor, we can be more specific about the meaning of value. Value is the abstract labor embodied in commodities.

Concrete labor and abstract labor are not two different types of labor. They are merely two aspects of the same labor. People must engage in various forms of concrete labor in the production of various use values for the satisfaction of various needs. Concrete labor expresses the relation between man and nature. On the other hand, abstract labor provides a unified measure to compare the labor expended on the production of various commodities. Therefore, abstract labor expresses the social relation in which labor is exchanged among people under the condition of commodity production.

The Value of Commodities Is Determined by the Socially Necessary Labor

The value of commodities is created by labor. Its level is determined by the labor expended on the production of commodities. And the volume of labor is measured by labor time. The longer the labor time needed for the production of a commodity, the larger the volume of labor and the higher the value.

Does this mean that the lazier and more unskilled a man is, the more valuable the commodity he produces would be? Definitely not.

The production of a given commodity requires different labor time from different commodity producers for obvious reasons. Some are more skilled than others. And some use better tools and equipment than others. The time required by those who are more skilled and use better tools and equipment is naturally shorter than the time required by those less skilled and using crude tools and equipment. Then, which labor time should be used to determine the value of commodities?

The labor time expended by various commodity producers on commodity production is called individual labor time. For example, some carpenters spend thirty hours to make a table, some twenty-five hours, and others twenty hours. These are all individual labor times. The value of commodities is not determined by the individual labor time, but by the socially necessary labor.

> The labor time socially necessary is that required to produce an article under the normal conditions of production, and with the average degree of skill and intensity prevalent at the time.[39]

If under normal production conditions and with the average amount of skill and intensity the required time to make a table is twenty-five hours, then twenty-five hours are the socially necessary labor for making tables. Twenty-five hours of labor is the socially necessary labor determining the value of table.

When we talk about labor determining value, we must distinguish between not only individual labor and socially necessary labor, but also between simple labor and complex labor. Simple labor is labor that can be performed by a normal, healthy person without going through special training. Complex labor is labor performed by a skilled worker who has undergone certain special training. Therefore, in a given period of time, the value created by simple labor is less than that created by complex labor. Complex labor is multiple simple labor. The conversion between complex and simple labor is spontaneously carried out in the exchange process.

The Contradiction Between Private Labor and Social Labor Is the Basic Contradiction of Commodity Production

We have analyzed above the duality of commodities, the duality of labor in commodity production, and the value of commodities. With this basic understanding, we can further analyze the contradictions of commodity production.

Commodities are used as exchange for labor products. Commodity producers produce commodities not for their own needs, but for sale in exchange for the commodities they need. For example, the blacksmith does not make hoes because he needs them. What he is concerned about is selling the hoes to realize their value for the exchange of the rice and cloth he needs. Whether his commodities can be sold or not is of vital concern to the commodity producer.

Commodities are a unifier between the opposites of use value and value. Concrete labor and abstract labor in commodity production are also opposites. If the commodity can be sold, their internal contradictions are

[39] Marx, "Capital," vol. 1, 49.

resolved. When a hoe reaches the hands of a peasant who needs it, concrete labor is converted into abstract labor, and the blacksmith obtains the value of his hoe. The use value and the value of the hoe are also unified. But if the commodity cannot be sold, the contradiction between use value and value and the contradiction between concrete labor and abstract labor are immediately revealed. Although the hoe obviously possesses use value, if it cannot be sold, its value cannot be realized, and the hoe is no better than a heap of scrap. In this case, the concrete labor of the blacksmith, which also obviously represents the expenditure of physical and mental labor, cannot be converted into abstract labor. In other words, his labor is not recognized by society and is as good as wasted. Under these conditions, the blacksmith has no means to purchase pig iron and charcoal with which to engage in more production. He certainly has no means to buy fuel, rice, oil, and salt to support himself. The contradictions between use value and value and between concrete and abstract labor bear directly upon the production and livelihood of the commodity producer.

How do these contradictions in commodity production arise? Where are their origins? There is one basic contradiction in commodity production under private ownership. This is the contradiction between private and social labor. Since commodities are labor products used for exchange and since the use value created by the producer is not for the satisfaction of his own needs but to satisfy social needs, the labor of the commodity producer is social in nature. It is a part of total social labor. But under the condition of private ownership, what and how much to produce and the size of his income are the private affairs of the producer. Therefore, the labor of the commodity producer also possesses the nature of private labor. This contradiction between private and social labor is the source of all contradictions of commodity production under private ownership. When the commodities produced by the private producer are sold in the market, it shows that his private labor is recognized by society and constitutes a part of the social labor. If the commodities cannot be sold, the private labor of the commodity producer is not recognized by society and cannot be converted into social labor. The concrete labor of the commodity producer cannot be converted into abstract labor. The value of commodities cannot, therefore, be realized.

Marx's Labor Theory of Value Is the Basis of the Theory of Surplus Value

Through the analysis of the duality of labor, Marx firmly created the labor theory of value. This theory scientifically demonstrates that concrete labor creates the use value of commodities, while abstract labor creates the value of commodities, and labor is the sole source of value. Marx's labor theory of value is the basis of Marx's theory of surplus value and is an important constituent part of Marxist political economy.

Before the proletariat received the guidance of Marxist theory, they did not realize the source of their sufferings and could not identify the objects of their struggle. Some mistakenly thought that their sufferings were caused by machines and once resorted to destroying machines as a method of struggle. Marx summarized the long experience of the proletarian struggle and created the theory of surplus value to expose the secret of capitalist exploitation. This made the proletariat realize their historical mission and the fact that only through violent revolution and the replacement of capitalism by socialism could they be liberated. Marx's theory of surplus value is based on the labor theory of value. Without the labor theory of value, the theory of surplus value could not have been established.

Because Marx's labor theory of value provided theoretical guidance to proletarian revolutionary struggles, bourgeois economists tried their best to establish all sorts of anti-scientific theories of value in a vain attempt to separate the relations between value and labor, to oppose Marx's labor theory of value, and to conceal capitalist exploitation.

Among the vulgar economists, a production-costs theory of value was once much in vogue. This theory says that the value of a commodity is determined by the costs of production (the value of the means of production and labor wages) expended on its production. If the value of a commodity is in fact determined by the costs of production, then the capitalist would only get back the costs of production expended when the commodity is sold. How can he ever get rich this way? Where is the exploitation of the worker? Therefore, those vulgar economists who proposed that value was determined by the cost of production necessarily explained profit as a form of higher wage, a reward for abstinence, an award for risk. This fully exposed their ugly role as apologists for the bourgeoisie.

Among the bourgeois vulgar economists, another utility theory of value of a commodity is determined by the amount of utility it possesses. What

then is "utility"? This is, in fact, the use value of a commodity. We said earlier that various commodities had different use values that were not comparable. It is simply not logical to say that the value of a commodity is determined by its use value. The utility theorists of value could not intelligently explain why such things as air and sunshine, which are essential for human survival, did not possess any value and could not be sold as commodities.

Another popular theory among the bourgeois vulgar economists was a supply-demand theory of value. This theory denied that there was any objective, intrinsic value in a commodity and thought that the value of commodities was determined by the supply and demand conditions in the market. When the supply of a certain commodity exceeded its demand, its exchange value for other commodities was lower, and its value was lower. But when the demand for a commodity exceeded its supply, its exchange value for other commodities was higher, and its value was higher. This theory was obviously fallacious. The supply-demand theorists of value simply cannot explain what determines the value of a commodity when supply is equal to demand; neither can they explain why, in the changing relations between supply and demand for various commodities, some commodities are consistently more expensive than others.

Although the bourgeois economists tried their best to negate the labor theory of value, truth can never be negated. Marxist labor theory of value has been proven to be the only correct theory in its struggle against various pseudoscientific theories the bourgeoisie.

Money Is a Natural Product of the Development of Commodity Exchange

Money Is a Special Commodity Serving as a Universal Equivalent

Money is associated with commodities because in daily life, the value of commodities is expressed in terms of money and commodities are bought with money. However, the value of commodities was not expressed in terms of money from the start. Money is a product of the development of commodity production and exchange.

Commodity exchange started out as direct barter between commodities. In the beginning, the nomad tribes and agricultural tribes exchanged for

rice. At that time, the exchange of commodities was on an occasional basis and occurred mainly among clan communes. In the course of exchange, the value of a commodity was accidentally expressed in terms of another commodity. For example, two sheep equal one bag of rice. The value of a sheep was exchanged for rice; the value of a sheep was expressed in terms of rice. In the above equation, commodities such as rice assumed the special role of an "equivalent." They acted like a mirror and in them the value of another commodity could be reflected.

With the development of productive forces and social division of labor, commodity exchange developed daily. Both the volume and the variety of commodities being exchanged increased. In the course of exchange, one commodity could be traded for many other commodities. At the same time, with the development of commodity exchange, the disadvantages of direct barter among commodities were increasingly evident. Direct barters could be concluded only when both sides happened to need what the other side had to offer. For example, suppose that the owner of sheep wanted to exchange them for food grains, but the owner of food grains needed a hoe instead of sheep, and the owner of hoes wanted cloth instead of sheep or food grains. If the owner of cloth happened to want sheep, then, the seller of sheep could obtain food grains by first exchanging sheep for cloth, then cloth for hoes, and finally hoes for food grains. The expected purpose of exchange was realized only after much trouble. If the owner of cloth did not need sheep, then no matter how much trouble he went through, he still could not get what he wanted. Therefore, when commodity production increasingly developed, direct barters proved to be extremely difficult.

In the course of commodity exchange, people gradually realized that if they first exchanged what they had for some commodity (like sheep), which was generally needed and used it to exchange for what they needed, then the purpose of exchange could be realized in only two transactions. Therefore, in the long developmental process of commodity exchange, commodities such as sheep would be separated from other commodities and perform a role not possible for other commodities. Then, the values of all commodities were all expressed in terms of sheep. And sheep assumed the role of a "universal equivalent" in commodity exchange.

In the long process of the development of commodity exchange, nations used different mediums of exchange, including sheep, shells, cloth, and met-

als. Finally, they decided to use precious metals such as gold and silver as money. Because the precious metals are small in quantity but great in value, easy to carry, readily divisible, and not perishable, they are generally accepted as money. Note, however, that money is not an innate property of gold and silver; it is acquired. Gold and silver became money under certain historical relations of production.

From the origin of money, one can understand the nature of money. Money is a special commodity separated from other commodities and serving as a medium of exchange.

The Five Functions of Money Evolved Step by Step

The property of money is manifested in its functions. Money possesses five functions which evolved in the process of commodity exchange. These functions are to serve as (1) a unit of value, (2) a medium of exchange, (3) a standard of payments, (4) a store of value, and (5) a universal currency. Of these, the basic functions are as a unit of value and as a medium of exchange. But they have all evolved with the emergence of money.

The first function of money is as a unit of value. Just as a ruler is used to measure the length of things, money is used to measure the value of commodities. Money functioning as a measure of value can be conceptual money. That is, when people use money to evaluate the value of commodities, they need not have money in their hands. For example, a table is worth ten *yuan*. But there is no need to put ten *yuan* on the table. When the values of commodities are expressed in terms of money, they are the prices of the commodities. Prices are the expression of values in money terms. The prices of commodities are determined by two factors. One is the value of the commodities themselves, and the other is the value of money (gold, silver). The prices of commodities are directly proportional to the value of the commodities themselves and inversely proportional to the value of money. For example, a buffalo is worth five hundred hours of social labor and one ounce of gold is worth five hundred hours of social labor. Then, the price of a buffalo is one ounce of gold. If the labor productivity of gold miners is doubled and one ounce of gold is now worth only two hundred and fifty hours of social labor, then, even though the value of a buffalo has not changed a bit, the price of a buffalo has doubled.

The second function of money is as a medium of exchange. Namely, it serves as a medium of commodity circulation. Commodity circulation is commodity exchange by means of money. Before the appearance of money, commodities were bartered directly. In terms of a formula, it is expressed as commodity equals commodity. After the appearance of money, all commodities were exchanged in terms of money. In terms of a formula, it is expressed as commodity equals money equals commodity. This role of money as a medium in commodity circulation is the function of money as a medium of exchange.

The money used as a medium of exchange was originally gold and silver pieces of different sizes and weights. This was later replaced by coins. Coins were merely minted metal pieces of uniform shape, purity, and weight certified by the state. The coins of various countries were all different. In China's Shang dynasty, coins began to be minted with copper. The oldest coins were made of copper and shaped like farm tools. They were known as *buqian* [cloth money]. In the Zhou dynasty, in addition to *buqian*, there were *daoqian* [knife money] and *yuanqian*. *Yinyuan* [silver dollars] were first minted in the Guangxu period of the Qing dynasty. Each *yinyuan* consisted of 0.72 ounces of silver.

In the course of circulation, coins were worn out and part of their value was lost. But even then coins were still accepted at their full value. This was because the function of money as a medium of exchange was performed in one instant. People exchanged their commodities for money merely in order to use it to buy the commodities they needed. The primary concern of the commodity owners was whether the money could be used as a medium of exchange and not whether the money had its full worth. For this reason, not only could worn metal money be used as a medium of exchange, but even pure value symbols in the form of paper notes could take its place.

Since paper money in place of metal money serves as a medium of exchange in commodity circulation, the amount of paper money issued is limited to the amount of metal money needed for commodity circulation. Marx pointed out:

> the issue of paper money must not exceed in amount the gold (or silver as the case may be) which would actually circulate if not replaced by symbols.[40]

If the paper money issued equals the amount of metal money needed for commodity circulation, then the paper money shall possess the same purchasing power as the metal money. If the amount of paper money issued exceeds the amount of metal money needed for commodity circulation, then the value of the total paper money still equals the metal money needed for commodity circulation, but the unit value of the paper money shall fall in terms of the metal money. Hence, the value of the paper money depreciates, and commodity prices appreciate. For example, if, in a given period, the amount of metal money needed for circulation was 100 million *yuan* but the amount of paper money was 200 million *yuan*, then the value of paper money would be halved. The purchasing power of 1 *yuan* of paper money would be equivalent only to 0.5 *yuan* of metal money.

This depreciation of paper money resulting from the issue of paper money in excess of the amount of metal money needed for circulation is called inflation. In capitalist society, inflation is an important means by which the bourgeois state plunders its people. The result of inflation is the depreciation of paper money and rising prices. On the other hand, the increases in the money wages of the workers lag far behind the increases in prices, resulting in decreases of their real wages and their standard of living. At the same time, the exploitative income of the bourgeoisie increases rapidly. In old China, the issue of legal tender reached astronomical figures, leading to galloping inflation and quantum jumps in prices. Some people once calculated that the purchasing power of 100 *yuan* of legal tender in 1937 was two buffaloes. In 1938, it was one buffalo. In 1941, it was one pig. In 1947, it was one third of a box of matches. In 1948, it could not even buy one third of a matchstick.

The third function of money is as a means of hoarding. The development of the money relation of commodities increasingly made money into a symbol of social wealth. When the natural economy played a dominant role, the accumulation of wealth assumed the form of food grains, cloth, and silk goods. After the money relation of commodities was developed, because

[40] Marx, "Capital," vol. 1, 138.

money could be used to purchase any commodity, the accumulation of wealth increasingly adopted the form of hoarding money (gold and silver). This money, which was temporarily retired from commodity circulation and hoarded by its owner, became hoarded money. It served the function as a means of hoarding.

The fourth function of money is as a means of payment. With the development of commodity production and exchange, transactions on credit increasingly developed. When a debt was due, payment had to be made in money. But at that time, commodity exchange had already been completed. Here, money no longer served as a medium of exchange, but rather as a means of payment. As a means of payment, money went beyond the sphere of commodity circulation. This function was also instrumental in the payment of rent, interest, and taxes.

The fifth function of money is as a world currency. With commodity exchange proceeding beyond a nation state, international trade developed, and a new function of money was created. This was the function of a world currency. Only gold and silver could serve as world currency.

In the world market, gold first served as a means of payment to settle international accounts. This was the major function of a world currency. Then, in the world market, gold was also used as a means of payment to buy various commodities. Finally, gold was transferred from one country to another as a symbol of social wealth. For example, the payment of war indemnities, capital export, and other transfers of gold and silver from one country to another served this function.

The above five functions of money are organically related and are different expressions of the nature of money. They are the expressions of the different roles assumed by a universal equivalent in the development of commodity circulation.

The Law of Value Is the Economic Law of Commodity Production

The Objective Requirement of the Law of Value Is Equivalence in Exchange

The law of value is the economic law of commodity production and exchange. The basic content of this law is this: the value of a commodity is determined by the socially necessary labor. Commodities must be exchanged

according to their values. That is, there must be equivalence in exchange. Wherever and whenever the conditions of a commodity economy exist, the law of value has a role to play. Marx said

> in the midst of all the accidental and ever fluctuating exchange relations between the products, the labour time socially necessary for their production forcibly asserts itself like an overriding law of Nature. The law of gravity thus asserts itself when a house falls about our ears.[41]

In other words, in commodity exchange, although because of the influence of the supply-demand relation the proportions in which commodities are exchanged may change continuously so that the socially necessary labor (the value) embodied in two commodities being exchanged may not be exactly equal, in the long run, commodity exchange necessarily involves equivalence in exchange. The values being exchanged must be identical.

Why is the objective tendency of commodity exchange toward equivalence in exchange? This is because commodity producers are all concerned about how much of others' commodities their own commodities can be exchanged for. Due to the influence of the supply-demand relations, the proportions in which commodities are exchanged constantly change. People increase production of commodities that are more profitable and decrease production of commodities that are less profitable. As a result, the supply of the former commodities exceeds the demand for them, and their exchange values decrease. The supply of the latter commodities falls below the demand for them, and their exchange values increase. This constant change in the proportions at which commodities are exchanged demonstrates that equivalence in exchange is an objective law which does not change according to people's will.

With the appearance of money, all commodity exchanges depend on money as a medium. Values are expressed as prices. The law of value requires equivalence in exchange. In other words, it requires equivalence between prices and values. Needless to say, the equivalence between prices and values must be understood as a long-term tendency. In fact, in a commodity economy based on private ownership in which production is uncoordinated, there are constant dislocations in the supply of and demand for com-

[41] Marx, "Capital," vol. 1, 86.

modities in the market, leading to constant fluctuations of prices. Although changes in the supply demand relations lead to fluctuations in prices, the fluctuations are always centered around the equilibrium values. Therefore, nonequivalence between prices and values due to the influence of the supply demand relations does not imply the negation of the law of value, but rather a necessary form through which the law of value operates.

The Three Functions of the Law of Value that Arise in the Course of Market Competition

The law of value performs three functions in commodity production based on private ownership. These functions are realized through the spontaneous force of market competition.

First, the law of value is a regulator of production. It spontaneously regulates the distribution of social labor and the means of production among various production sectors. Commodity production based on private ownership is conducted under the condition of competition and anarchy. Nobody has direct information on what or how much society needs. But some order, allocations, and arrangements are necessary for the continuation of social production. These allocations and arrangements are regulated by the law of value and realized through the spontaneous influence of market price fluctuations. If the supply of a certain commodity does not meet the demand for it, its price will rise above its value and the production of this commodity becomes especially profitable. The production of this commodity will thereby be increased. If the reverse is true, its price will fall below its value, and its production will be decreased. It is in this way that the law of value directs the activities of commodity producers and regulates the distribution of labor and the means of production among various production sectors.

Although the regulation of social production by the law of value imposes certain order in the commodity economy based on private ownership, this order is achieved under the condition of anarchy. It is constantly destroyed by blind competition, and a new order is again spontaneously formed. The establishment of this kind of order is achieved through an immense waste of social labor. Just as Marx said, "The total movement of this disorder is its order."[42]

[42] Marx, *Wage Labour and Capital & Wages, Price and Profit*, 24.

Second, the law of value stimulates the improvement of production techniques and labor productivity. Labor productivity is measured by the amount of products produced in one unit of time. Expressed as a formula: labor productivity equals amount of products divided by labor time. The level of labor productivity is determined by many factors. The most important ones are the skill of labor, the state of technology and its application to production, and the extent of division of labor and cooperation. According to the objective requirement of the law of value, commodities are sold according to the values determined by the socially necessary labor. Therefore, whoever is more skilled, more efficient, and uses less than the socially necessary labor time will get more profit. This stimulates the commodity producer to pay attention to improving his production techniques and labor productivity. But under private ownership, the improvement of production techniques by the commodity producer is for the sake of higher profits. Those who possess new techniques will naturally keep them secret. Under these conditions, the development of social productive forces is hindered.

Third, the law of value promotes polarization among commodity producers. This is because the production conditions of various commodity producers are all different. The individual labor time used to produce a certain commodity varies widely. But the law of value requires that commodities are sold according to the value determined by the socially necessary labor. Thus, those commodity producers with better production facilities and with individual labor time less than the socially necessary labor time will make a higher profit and develop faster. On the other hand, those commodity producers with poorer production facilities and with individual labor time higher than the socially necessary labor time will not survive the competition. Thus, the polarization among commodity producers is inevitable.

Expose the Mystery of Commodity Fetishism

Fetishism originally referred to religions in which people worshiped things believed to possess certain mystical power. When the level of social productive forces was low and the control people exercised over nature was weak, they made natural forces mysterious. They thought natural forces like thunder, lightning, water, and fire were controlled by certain gods and therefore worshiped them. This also happened in the commodity economy under

private ownership. Although commodities are made by people's hands, they were worshiped as gods and believed to hold people's destiny. Marx called this phenomenon commodity fetishism.

How did commodity fetishism come about?

Under private-ownership-commodity production, the relations among men were manifested in commodity relations. Commodities were treated as if they were something above men, their master. The destiny of the commodity producer was entirely associated with the destiny of commodities. His destiny was entirely determined by whether and how well his commodities could be sold. If his commodities could be sold at profitable prices, the commodity producer would be well off. But if they could not be sold or could only be sold at very low prices, he would be poor. The commodity producer had no way of knowing beforehand whether there was a demand for his commodities or whether the commodities could be sold at good prices. The prices of commodities were not determined by the individual producers, but rather by the spontaneous forces of the operation of the law of value in the market. It was this condition that led the commodity producer to feel that his destiny was beyond his own control and was decided by the fate of his commodities in the market.

After the appearance of money as universal equivalent which could be freely exchanged for all commodities, there arose an illusion that money itself had a special magical power that could affect people's destiny. Therefore, commodity fetishism inevitably developed into money fetishism.

Marx was the first one to reveal the mystery of commodity fetishism. Marx's theory on the relations between commodities and money permitted the revelation of the relations among people, while bourgeois economists could see only the relations among things and the social relations among them concealed by things. Marx's theory irrefutably demonstrated that the relation between commodities and money will not hold eternally, but will be a passing historical phenomenon. Therefore, the capitalist economic system with commodities as its cells is not eternal. Things that were created under certain historical conditions will disappear when the historical conditions change. This is an objective law that cannot be changed according to people's will.

Major Study References

- Karl Marx, "Capital," vol. 1, chapters 1, 3.
- Frederick Engels, *Anti-Dühring*, part 2, chapter 5.
- V. I. Lenin, "Karl Marx."

Review Problems

1. Why do we say that commodity relations embody all the seeds of capitalist contradictions?
2. What are the major content and meanings of Marx's labor theory of value?
3. What are the roles played by the law of value in a commodity economy based on private ownership?

4

HOW THE CAPITALISTS EXPLOIT AND OPPRESS THE WORKERS

Capital and Surplus Value

Capitalist production is commodity production aimed at reaping surplus value. To understand the nature of capitalist production, we must study Marx's theory of capital and surplus value. Only by equipping ourselves with this theory can we understand the exploitative relation of capitalism, realize the inevitable extinction of capitalism and the inevitable triumph of socialism, appreciate the historical mission of the proletariat, and become conscious revolutionary soldiers of the proletariat.

The Secret of the Exploitation of the Workers by the Capitalists

The Conversion of Labor Power into Commodities Is the Precondition for the Production of Surplus Value

Every old worker from the old society has a family history full of hardship and suffering. In the old society, the workers "ate like pigs and dogs and toiled like buffaloes and horses." They "worked until they were old, and their lot was worse than a blade of grass." They were oppressed politically and their livelihood was uncertain. But the capitalists never worked. They bossed the workers around and led extravagant and degenerate lives. Their wealth increased continuously. Why? Marx's theory of capital and surplus value revealed this secret and scientifically answered these questions.

How did Marx's theory of capital and surplus value reveal the secret of the capitalists' exploitation of the workers? We must start from that special commodity: labor power.

Labor power means human work, the sum total of a person's physical and mental effort. In any society, labor power is the chief factor of production. But only in capitalist society is labor power a commodity. There are two conditions under which labor power becomes a commodity. First, the laborer is

a "free man." He is free to sell his labor power as a commodity. Second, the laborer has nothing aside from his labor. He has no means of production or means of livelihood and must sell his labor power to live. These two conditions occurred when feudal society collapsed and in the course of polarization between the small commodity producers and primitive accumulation. The employment of workers by the capitalist consists of buying their labor power and converting them into hired slaves.

Once labor power becomes a commodity, it possesses value and use value, like other commodities. The value of labor power, like the value of all commodities, is determined by the amount of socially necessary labor required for its production and reproduction. The capitalist must maintain the labor capacity of the worker if he wants him to work for him. To maintain the worker's labor capacity, it is necessary to feed, clothe, and shelter him and provide him with means of livelihood. Therefore, the value of labor power must include, first of all, the value of the means of livelihood needed to maintain his sustenance. At the same time, workers grow old and die. In order to maintain the capitalist exploitative system, the capitalist needs new workers as replacements. Therefore, the value of labor power must also include the value of means of livelihood needed by the worker to support his children and other dependents. To more fully exploit the worker, the capitalist generally requires him to master certain skills through general education and training. Thus, the value of labor power must also include the cost of education and training. But this amounts to very little. In general, it can be said that the socially necessary labor needed for the production of labor power is the socially necessary labor needed for the production of the above-mentioned means of livelihood. In other words, the value of labor power is the value of the means of livelihood needed to keep the workers alive and his offspring growing.

As for the use value of labor power, it is different from the use value of other commodities. Labor power is a special commodity. Its use value possesses a special characteristic. When the use value of other commodities, like food grains and clothing, is consumed, no new use value is created. But the use of this special commodity, labor power, that is, the worker's work, can create value and, moreover, can create value which is higher than the value of the labor power itself. "That part of capital, represented by labour power, does, in the process of production, undergo an alteration of value. It both

reproduces the equivalent of its own value, and also produces an excess."[43] This "excess" is called surplus value.

The Surplus Value Expropriated by the Capitalist Comes from the Exploitation of Workers

How then does surplus value arise? Let us examine concretely the production process of surplus value. After the purchase of labor power by the capitalist, he forces the worker to work in his factories to produce commodities. There are two aspects of capitalist production process: it is a labor process and it is also a value augmenting process.

A labor process is the purposeful process by which people use certain labor to transform the labor object for human needs. The characteristic of the capitalist labor process is that the capitalist possesses the means of production. The worker toils under the capitalist's orders while his labor products belong to the capitalist. The result of the capitalist labor process is the production of a certain use value capable of satisfying certain social needs. But that is not the purpose of capitalist production. The capitalist allows the worker to produce certain use value only because use value is the material carrier of value. If he does not provide some use value, there will be no demand for his commodity, and the value (including surplus value) produced will not be realized.

The capitalist production process is also a value augmenting process. When the workers produce use value, they are also using their active labor to create new value. The new value which the workers create is higher than the value of the labor power itself. This is called value augmenting. This value augmenting is the ultimate goal of the capitalist. The value augmenting process is the major theme of the capitalist production process.

Take the example of cotton yarn production. The capitalist first purchases enough means of production for a worker's twelve-hour workday.

[43] Marx, "Capital," vol. 1, 219. The original translation from Chinese featured the following quote: "When the capitalist purchases labor power, it is this augmented value in which he is interested." Because the quotations in this version are translations of English into Chinese and back into English rather than the official publications and translations of Marx and Engels' works in English, the distortion of the quote made it impossible, unlike most of the others, to locate in the official English version of *Capital*, volume 1 (Lawrence & Wishart). We have therefore opted to choose this quotation whose meaning comes closest to that of the Chinese original.—Ed. FLP

Suppose the value of these means of production is equal to forty-eight hours of labor, totaling twenty-four *yuan*. He also purchases a day's labor power from a worker. Suppose the value of a day's labor power is equal to six hours of labor, totaling three *yuan*. Then the worker is made to spin yarn. Since what the capitalist has purchased is a day's labor power, he will not ask the worker to work for only six hours. Suppose the worker toils twelve hours a day. Then, the value of the cotton yarn produced is equal to sixty hours of labor, totaling thirty *yuan*, of which twenty-four *yuan* are used for purchasing means of production and three *yuan* for paying wages. The remainder is three *yuan*. This is the augmented value created by the worker and expropriated by the capitalist. The process of value augmenting is the production process of surplus value.

What takes place above still follows the principle of equivalence in exchange. But value is augmented, and surplus value produced. The key of this process is that the capitalist obtains the right to use the labor power he has purchased.

> The use value of labor power, or in other words, labour, belongs just as little to its seller, as the use value of oil after it has been sold belongs to the dealer who has sold it. The owner of the money has paid the value of a day's labor power; his, therefore, is the use of it for a day; a day's labor belongs to him. The circumstance, that on the one hand the daily sustenance of labor power costs only half a day's labor, while on the other hand the very same labor power can work during a whole day, that consequently the value which its use during one day creates, is double what he pays for that use, this circumstance is, without doubt, a piece of good luck for the buyer, but by no means an injury to the seller.[44]

That the capitalist can build larger factories and accumulate ever more wealth is due to the fact that the value created by labor is far more than the value of labor power—the difference is expropriated by the capitalist.

Through the analysis of the production process of surplus value, we can see clearly that surplus value is created by workers in the production sphere. But to conceal the exploitation of workers, the bourgeoisie and

[44] Marx, "Capital," vol. 1, 204.

their agents insist that the new value obtained by the capitalist comes from the circulation sphere. We must thoroughly expose such lies. Surplus value cannot be explained by saying that the buyer buys commodities below their values or that the seller sells commodities above their values, since the gain or loss obtained through the transaction will be offset by the change in roles between buyers and sellers. Neither can surplus value be explained by deceit, because even though deception may increase the welfare of one party at the expense of another, it cannot increase the total wealth of both parties. "The capitalist class, as a whole, in any country, cannot overreach themselves."[45] If there is any relation between surplus value and the circulation sphere, it is the fact that the capitalist cannot divorce himself from the circulation sphere in buying labor and selling commodities. In the circulation sphere, the capitalist buys labor power which provides the condition for producing surplus value. And the capitalist realizes this surplus value through selling his commodities. In any case, surplus value can only be created in the production sphere and not in the circulation sphere. Surplus value can only be the product of the capitalist's exploitation of the worker in the production process.

Once we understand the secret of capitalist exploitation, we can appreciate the nature of capital and the basic economic law under capitalism. Capital is a value that can bring about surplus value, or it can be said to be a value with self-value augmenting power. Capital is not a simple thing. It expresses the capitalist mode of production, namely the class relations whereby the capitalist exploits the workers.

This relation expressed by capital is a result of historical development. Means of production and money existed before the emergence of the capitalist mode of production. But only under the capitalist mode of production when capital is owned by the capitalist and is used as a means to exploit the worker's surplus value does it become capital. Marx pointed out, "A Negro is a Negro. He only becomes a slave in certain relations. A cotton-spinning jenny is a machine for spinning cotton. It becomes *capital* only in certain relations."[46] Bourgeois economists insist that the means of production is capital. According to this reasoning, the stone implements and wood clubs used by primitive man were capital. The purpose of their fallacies was to

[45] Marx, "Capital," vol. 1, 173.

[46] Marx, *Wage Labour and Capital & Wages, Price and Profit*, 27.

conceal the class relations among people with the relations among things, to conceal the nature of capitalist exploitation, to negate the fact that capital is a historical category, and to explain capitalism as eternal and existing from time immemorial.

Marx pointed out in his analysis of the capitalist mode of production that "Production of surplus value is the absolute law of this mode of production."[47] This law of surplus value is also the basic economic law of capitalism. It reveals the objective purpose and nature of capitalism. There would be no capitalist production without the production of surplus value. All the activities of the capitalist are aimed at squeezing the sweat and blood from the worker for profit. The capitalist's greed for money is never satisfied and his thirst for surplus value is never quenched. This is the nature of the capitalist. "The purpose of capitalist production. . . is self-expansion of capital."[48] "The production of. . . surplus value. . . is the immediate purpose and compelling motive of capitalist production."[49] The whole capitalist system is based on the cruel exploitation of the worker by the capitalist. Capitalism is the malicious system in which man exploits man.

To maintain the capitalist system and conceal the nature of capitalist exploitation, the bourgeoisie and their spokesmen fabricate all sorts of fallacies to deceive the masses. They say that the suffering of the workers was due to their "bad luck" and that the wealth of the capitalist was a result of their "diligence and thrift." These are all lies. The capitalist never works; how can he be "diligent"? He leads an extravagant and nefarious life; how can he be "thrifty"? In the old society, the suffering of the worker was not because of "bad luck," but because most of the products produced were expropriated by the capitalist. In short, the poverty of the worker and the wealth of the capitalist arose from the same source. It was the capitalist exploitative system based on the capitalist's private ownership.

[47] Marx, "Capital," vol. 1, 614.

[48] Karl Marx, "Capital," vol. 3, *Marx & Engels Collected Works*, vol. 37 (London: Lawrence & Wishart, 1998), 250.

[49] Marx, "Capital," vol. 3, 242.

The Cruel Means by Which the Capitalists Exploitand Oppress the Workers

The Rate of Surplus Value Reflects the Degree of Exploitation of the Worker by the Capitalist

The capitalist is capital in disguise. His soul is the soul of capital. The capitalist is a bloodsucker. He will not stop if there is still something left to be squeezed out of the worker. To get more surplus value, the capitalist tries his best to increase the exploitation of the worker. We can gauge the degree of the capitalist's exploitation of the worker by the rate of surplus value.

To understand the rate of surplus value as a gauge of the degree of the capitalist's exploitation of the worker, we must understand the different roles played by the means of production and labor power in the creation of value and in augmenting value and the difference between constant and variable capital.

Means of production is consumed in the process of production and loses its original value in use. But its value is not lost. It is simply transferred to new products through the worker's labor. But this transfer cannot add any new value. Therefore, the part of capital used to buy means of production is called constant capital. In contrast to constant capital, the part of capital used by the capitalist to buy labor power is called variable capital because the new value created by labor exceeds the value of the labor power received. Surplus value is the product of the augmenting of variable capital.

Let us use "c" to denote constant capital, "v" for variable capital, and "m" for surplus value. Then, the advance payment for capital is c + v and the total value of products is c + v + m. Since the value of c is unchanged in the production process, m is merely the result of the augmenting of v. So to indicate the degree of exploitation of the worker by the capitalist, we can ignore c and contrast only m with v. Then m/v is the rate of surplus value. Using the above example of spinning, v is three *yuan*, and m is also three *yuan*. The rate of surplus value reflecting the degree of exploitation by the capitalist is thus m/v, that is, 100 percent.

From the process of value augmenting, we can see that the labor time of a workday can be divided into two parts: one is the value (wage) used to reproduce variable capital. That part of labor time is needed for the sustenance of the worker and is called necessary labor time. The other part is

used to produce surplus value for the capitalist and is called surplus labor. Therefore, the rate of surplus value can also be expressed as:

$$\text{rate of surplus value} = \frac{\text{surplus value (m)}}{\text{variable capital (v)}} = \frac{\text{surplus labor time}}{\text{necessary labor time}}$$

To Obtain Absolute Surplus Value Through Lengthening Labor Time

The capitalist always tries to increase the rate of surplus value by increasing the exploitation of the worker. In order to increase the rate of surplus, the capitalist generally resorts to lengthening labor time. Under capitalism, the labor time of a worker in a day is the sum of necessary labor and surplus labor time. Under the condition of constant necessary labor time, the longer the labor time, the longer the surplus labor time. If, in the beginning, the daily labor time of a worker is twelve hours, six hours of which are necessary labor time, then six hours are surplus labor time. Now the capitalist extends the labor time to fifteen hours. With necessary labor time constant at six hours, surplus labor time becomes nine hours, three additional hours. Thus, the ratio between surplus labor time and necessary labor time changes from six to six into nine to six. And the rate of surplus value is increased from 100 percent to 150 percent. This surplus value produced by the absolute lengthening of the daily labor time is called absolute surplus value.

In old China, the worker's work time was incredibly long. The daily labor time was 15, 16, or even 18 hours or more. It was not unusual for a worker "to see stars in the sky before he went to bed late at night and to see stars when he had to get up early the next morning." Prior to liberation, the workers in Santiaoshi, Tianjin had to work 357 days a year and about 20 hours a day. Calculating on the basis of an 8-hours day, it was equivalent to nearly 3 years. To lengthen the labor time of the workers, the capitalists thought up all kinds of restrictions, such as 10 minutes for meals and registration before going to toilets. They even resorted to the dirty trick of setting the clock back! The longer the worker's labor time, the longer the surplus labor time and the longer the absolute surplus value obtained by the capitalist. Under the cruel exploitation of the capitalist, this constant physical exhaustion severely strained the worker, often resulting in early death.

Though the lengthening of labor time by the capitalist to increase exploitation is an easy method, it inevitably leads to opposition from the worker. At the same time, the capitalist cannot extend the work time to twenty-four hours a day because there is a physical limit to labor power expenditure. Thus, the capitalist adopts another, more obscure method by shortening the necessary labor time and thus lengthening the relative surplus labor time to increase his exploitation of the worker.

To Extract Relative Surplus Value Through Shortening the Necessary Labor Time

How can the necessary labor time be shortened? We know that the necessary labor time is the labor time needed for the reproduction of the value of labor power. And the value of labor power is determined by the value of necessary means of livelihood for the sustenance of the worker and his dependents. If the capitalist adopts new techniques and new machines to increase general labor productivity and thus reduces the value of means of livelihood necessary for the reproduction of labor power, then, even if the total daily labor time is lengthened, the necessary labor time can now be shortened because the value of labor power is reduced. Suppose the original necessary labor time is six hours and the surplus labor time is also six hours. Now, if the general labor productivity has been doubled, the value of the means of livelihood necessary for the worker and his dependents will be reduced by half, and the labor time necessary for reproducing the labor power value will also be shortened from six to three hours. The surplus labor time will be lengthened from six to nine hours, three hours more than before. The ratio of surplus labor time to necessary labor time changes from six to six into nine to three. The rate of surplus value increases from 100 percent to 300 percent. The surplus value created by the shortening of the necessary labor time and the relative lengthening of the surplus labor time is called relative surplus value.

It must also be pointed out that the efforts of the individual capitalist to adopt new techniques and new machines to force the worker to increase his labor productivity cannot reduce the value of means of livelihood. Therefore, he cannot immediately fulfill his aim of extracting relative surplus value. If this is the case, why does the capitalist adopt new techniques and new machines? The direct motive of the capitalist for adopting new techniques and new machines is to reduce the individual labor time for commodity

production below the socially necessary labor time, so that when he sells his commodities at values determined by the socially necessary labor time he can get more surplus value than other capitalists. The surplus value resulting from lower individual labor time of commodities than the socially necessary labor time is called excess surplus labor. But the capitalist who first adopts new techniques is not likely to enjoy this excess surplus value for long because of similar actions by other capitalists to share part of the excess profit. When the new techniques and new machines have been widely adopted and the general labor productivity is elevated, the value of commodities will fall. The gap between individual labor time and socially necessary labor time leading to excess surplus value will disappear. Excess surplus value will also disappear. However, as a result, general labor productivity will have been elevated. The values of many commodities will fall and the means of livelihood constituting the value of labor will be cheaper. The value of labor power will be cheaper, and the necessary labor time will be shortened. Consequently, the capitalist can extract more relative surplus labor.

The greedy capitalist not only resorts to increasing labor productivity to increase his relative surplus value, he also resorts to shortening the necessary labor time by increasing labor intensity to extract more relative surplus value. Marx said:

> Increased productiveness and greater intensity of labor, both have a like effect. They both augment the mass of articles produced in a given time. Both, therefore, shorten that portion of the working day which the laborer needs to produce his means of subsistence or their equivalent.[50]

The capitalist quickens the operation of machines, raises the labor quota and reduces total employment, but not total workload, to increase the worker's labor intensity. The worker's labor is ever more demanding. After one day's work, he is completely exhausted. Take the example of the Shanghai Shenxin Yarn Mill. In 1933, 440 workers were employed for every 100,000 spindles. In order to compete with the Japanese operated yarn mills and to get more surplus value, the capitalists of this mill forced up labor intensity by reducing the number of workers. In 1934, only 270 workers were employed for 100,000 spindles. In the old society under the

[50] Marx, "Capital," vol. 1, 530.

oppression of the capitalist, the workers were so overworked that many became senile at age forty.

Depress Wages Below the Value of Labor to Extract More Surplus Value

The tricks adopted by the capitalist to exploit the worker are numerous. He often depresses and deducts wages. When we analyzed absolute surplus value earlier, we assumed that the capitalist pays wages according to the value of labor power. But the wages of the worker are often below the value of his labor power. The capitalist tries his best to depress the worker's wages. Even though the worker's wages may barely be enough for his sustenance, he still tries to make all sorts of reductions to depress wages below the value of labor power so that even a minimum level of subsistence cannot be maintained by the worker. For example, there was a regulation in Kailuan Coal Mine: forty-seven cents a day for the mule as fodder, but not more than twenty-two cents a day for the miner in wages. Men were inferior to mules. Also, in old China, many plants had penal codes for the workers, with all sorts of fanciful transgressions. Sometimes, the fine was even higher than the wage. For example, emptying water indiscriminately was punishable; looking out of the window was also punishable; assembling and associating were even more punishable. All the fines finally ended up in the capitalist's pockets as an additional source of income.

The capitalist employed a large number of women and child laborers to engage in more cruel exploitation. With the employment of a large number of women and child laborers, the worker's wages were often reduced to below the value of labor power. The wages of women and child laborers were even lower. In old China, women worked for more than ten hours a day, just like men, but their wages were only two-thirds or half that of men. The wages for child laborers were even lower, often only half that of women. Some capitalists merely provided some cheap meals with no money wage. The capitalist treated the "young apprentices" and the "child laborers" as less than human. Marx pointed out that the capitalist "spinning silk. . . out of the blood of little children who had to be placed upon stools for the performance of their work."[51] Children in the growing stage and at school age were underfed, under-clothed, and tortured by the capitalist. They were

[51] Marx, "Capital," vol. 1, 297.

often beaten up and cursed at. A large number of child laborers perished under the cruel exploitation of the capitalist.

In capitalist society, the capitalist not only cruelly exploited the worker, he also ruthlessly oppressed him. In old China, many capitalists stipulated plant regulations to oppress the worker. The tens or even hundred penalty code items stripped much of the worker's freedom. Examples were: "body searches before and after work" and "the management has the right to fire workers." The plants were like prisons, and the workers were like prisoners. Some capitalists even had military and police forces stationed in the plant to oppress the workers.

Capitalism brought untold suffering to the worker. It is a malevolent, exploitative system. But renegade Liu Shaoqi tried his best to defend the capitalist exploitative system and advocated that "exploitation has its merits." He even said, "Capitalist exploitation is not only not evil; it has its merits." This is all nonsense! Marx's theory of surplus value is the most eloquent criticism of the idea that "exploitation has its merits." Liu Shaoqi and company's vain attempt to restore the capitalist exploitative system in socialist China only exposes their malicious countenance as the spokesmen of the bourgeoisie.

Wages Conceal the Exploitative Relation of Capitalism

Wages Are a Disguised Form of the Value or Price of Labor

In capitalist society, the worker toils in the capitalist's plant and earns wages from the capitalist. The worker receives a day's wages after he toils for a day. He receives a week's wages after he toils for a week. On the surface, it looks as if all his labor has been compensated and that it is an "equivalent exchange." In fact, the form of wages conceals the exploitation of the worker by the capitalist.

Marx pointed out: "wages are not what they *appear* to be, namely, the *value*, or *price*, of *labor*, but only a masked form for the *value*, or *price*, of *labor power*."[52] The wages advocated by the capitalist as "the value or price of labor" are entirely fictitious.

[52] Karl Marx, *Critique of the Gotha Program* (Paris: Foreign Languages Press, 2021), 21.

The key lies in the distinction between labor power and labor. This involves "one of the most important points in the whole of political economy."[53] Under the capitalist system, what is being sold and bought as a commodity is labor power, not labor.

Why is labor not a commodity and why can it not be bought or sold? This is because, first, if labor is a commodity, it should exist before it is sold, just like other commodities. But, in fact, labor is the exercise of labor power. It does not exist before it is sold. It exists only after it is sold and used in the labor process. Also, once the worker's labor is hired out, it no longer belongs to the worker's himself. His labor belongs to capitalist. Second, if labor is a commodity, according to the requirements of the law of value, it must be exchanged for equivalent value. Then the capitalist should pay the worker the full value created by the worker as his wage and as payment for the worker's labor. If this were the case, then the capitalist would lose his source of wealth and surplus value would be abolished. There would no longer be capitalism. Third, if labor is a commodity, it should have a value. How should this value be determined? We know that the value of all commodities is determined by the amount of embodied labor. If the value of labor is also determined by the amount of labor, the result is to evaluate labor with labor. This is a tautology.

From this we can see that labor is not a commodity. It has no value. There is no such thing as "the value or price of labor."

Under capitalism, the capitalist purchases labor power from the worker, but not labor. The wage paid to the worker by the capitalist is equivalent only to the value of the labor power. The remainder of what the worker's labor creates over and above the value of the labor power is surplus value which is exploited by the capitalist. Therefore, the capitalist wage reflects the relation between the hiring capitalist and the hired worker, between the exploiting capitalist and the exploited worker.

The Downward Trend of the Real Wage of the Worker

The capitalist usually pays wages in money form. When the worker sells his labor power, he obtains a certain amount of money. The wage expressed in money form is called the nominal wage. The amount of money cannot

[53] Frederick Engels, "Introduction to 'Wage Labour and Capital'," in Karl Marx, *Wage Labour and Capital & Wages, Price and Profit*, 2.

reflect the actual standard of living of the worker. The real standard of living can only by reflected by the amount of means of livelihood purchasable by the money wage. This wage that reflects the real standard of living of the worker is called the real wage.

The nominal wage and the real wage are not always the same. With the nominal wage held constant, the real wage can decline. When the purchasing power of money declines and the prices of the means of livelihood rise, the same amount of the nominal wage can only be exchanged for a smaller amount of means of livelihood. Then the real wage falls. Sometimes even if the nominal wage rises a bit, but less than the increase in prices of the means of livelihood, the real wage will still decline.

In capitalist society, there is a downward trend in the real wage of the worker. The bourgeoisie always use inflation, price increases, and rent hikes to increase the gap between the nominal and the real wage and to exploit the worker.

In old China, "wages increased at a snail's pace while prices went up like a balloon." To maintain their reactionary rule and plunder the people, the Chiang [Kai-shek] dynasty sped up the money printing press. In the twelve years between 1937 and 1949, the issue of notes increased by 140,000 million times and the price index increased by 8,500,000 million times. The worker in old China had more than his share of suffering from inflation. On the eve of the collapse of the Chiang dynasty, on every payday "the price of rice jumped three times during the time a person trudged across the street." In old China, the worker not only was paid a low wage, but what he could buy with it was even less. The wage was not worth a damn. It was almost impossible to support a family. Sometimes after strikes the nominal wage might have increased a little, but prices increased a lot more. The lot of the worker worsened every day. Even worse, the rents were very high. Even a run-down thatched shed cost a fortune. Marx and Engels pointed out, "No sooner is the exploitation of the laborer by the manufacturer, so far, at an end, that he receives his wages in cash, than he is set upon by the other portions of the bourgeoisie, the landlord, the shopkeeper, the pawnbroker, etc."[54]

[54] Marx, Engels, *Manifesto of the Communist Party & Principles of Communism*, 41.

The Working Class Struggles Against Capitalist Exploitation

The decline in the real wage reduced the majority of workers to cold and starvation. The working class naturally rose to oppose capitalist exploitation.

The economic struggle that the working class undertook to increase wages in order to protect their right to survive and to oppose the cruel exploitation of the bourgeoisie was very significant. This was because it not only delayed the decline of real wages, but it was also able to strengthen the unity of the working class, elevate their class consciousness, and temper their spirit for combat. But we must not exaggerate the significance of economic struggle. Marx pointed out that the working class

> ought not to forget that they are fighting with effects, but not with the causes of those effects; that they are retarding the downward movement, but not changing its direction; that they are applying palliatives, not curing the malady.[55]

Therefore, if the working class wants an ultimate solution, it cannot limit itself to economic struggles but must also extend from economic struggles to political struggles, overthrow the reactionary rule of the bourgeoisie, and demolish the capitalist exploitative system.

However, all sorts of scabs have advocated that is only necessary to engage in economic struggles. According to their fallacies, there is no need for the working class to seize political power through violent revolution and demolish the capitalist system. It should be contented with a little wage increase and some improvement in working conditions. These fallacies peddled by a handful of scabs are intended to vainly lead the proletarian revolutionary movement to the stray path of bourgeois reformism. They wanted the working class to serve as the capitalists' hired slaves forever.

> Instead of the *conservative* motto, "*A fair day's wage for a fair day's work!*" they ought to inscribe on their banner the revolutionary watchword, "*Abolition of the wages system!*"[56]

[55] Marx, *Wage Labour and Capital & Wages, Price and Profit*, 112.

[56] Marx, *Wage Labour and Capital & Wages, Price and Profit*.

Major Study References

- Karl Marx, "Capital," vol. 1, chapters 4, 5, 10,17.
- Karl Marx, "Wage Labour and Capital."
- Karl Marx, "Wages, Price and Profit."
- Mao Zedong, "Analysis of the Classes in Chinese Society."
- Mao Zedong, "The Chinese Revolution and the Chinese Communist Party," chapter 1, section 3; chapter 2, section 4.

Review Problems

1. How does surplus value arise? Why do we say that the production of surplus value is the nature of capitalist production?
2. What methods does the capitalist use to exploit and oppress the worker?
3. Why do we say that the capitalist wage is merely a disguised form of the value or price of labor power?
4. Why do we have to learn Marx's theory of surplus value? How do we use Marx's theory of surplus value to criticize Liu Shaoqi and company's viewpoint that "exploitation has its merit"?

5

THE WIDENING GAP BETWEEN THE RICH AND THE POOR IN CAPITALIST SOCIETY

Capital Accumulation and the Impoverishment of the Working Class

The capitalist tries his best to extract absolute and relative surplus value and to convert it into capital for the exploitation and oppression of the worker on a larger scale. This process of converting surplus into capital is called capital accumulation. The analysis of capital accumulation makes us realize why in the old society the capitalist who never labored was getting richer and the toiling worker's lot was getting worse. It helps us further understand why the expropriation of the expropriator, the extinction of capitalism, and the inevitable triumph of socialism cannot be reversed by any reactionary forces and why the overthrow of the evil capitalist system is the great historical mission of the proletariat.

Capital Accumulation Increases the Exploitation of the Workers

Analyze Capitalist Simple Reproduction and Expose the Lie that the Capitalist Supports the Worker

We said earlier that the conversion of surplus value expropriated by the capitalist into capital is capital accumulation. Before we analyze capital accumulation, let us see what would happen if the capitalist spent the expropriated surplus value all on himself instead of converting it to capital. Under this condition, the production of the capitalist could not be expanded. He could only carry on capitalist simple reproduction.

Suppose a capitalist started a plant with 10,000 *yuan*, of which 8,000 *yuan* was used to by the plant building, raw materials, and machine equipment (to simplify the example, suppose this 8,000 *yuan* of means of production was totally expended in the year with its value transferred to the products) and 2,000 *yuan* was used to purchase labor power. Further, suppose

the rate of surplus value was 100 percent. Then the value of annual products would be equal to 8,000c + 2,000v + 2,000m = 12,000 *yuan*, of which, 2,000 *yuan* would be surplus value. If the capitalist spent this 2,000 *yuan* of surplus value on luxury consumption for himself and his family dependents, the capital in the capitalist's hands at the beginning of the second year would still be 8,000c + 2,000v = 10,000 *yuan*. If there were no change in the surplus value, the value of the second year's products would still be 8,000c + 2,000v + 2,000m = 12,000 *yuan*. In the course of reproduction, the scale of operation would not have expanded, staying at the original level. This reproduction based on the original scale is called simple reproduction.

"c"
=
constant capital

"v"
=
variable capital

"m"
=
surplus value

What does capitalist simple reproduction explain?

First, we can clearly see who supports whom in capitalist society. If we look at it from one single production process, it looks as if the capitalist supports the worker by advancing his capital as wages. This is how the capitalist puts it. But, if we look at it from the reproduction process, the capitalist's lie is easily exposed. Wages are only part of the value created by the worker himself in the production process. In the value newly created by the worker includes not only the value for the support of the worker himself and the reproduction of labor power, but also the surplus value for the support of the capitalist and for his extravagant living. Therefore, it is not the capitalist who supports the worker. On the contrary, it is the worker who supports the capitalist.

Second, from the process of simple reproduction, we can see that the capital of the capitalist is converted from surplus value. Using our earlier example, this capitalist who started out with 10,000 *yuan* spent 2,000 *yuan* on his personal consumption. Thus, after five years, his initial capital would be completely spent. But, through simple reproduction, after five years he still has 10,000 *yuan* as capital. This 10,000 *yuan* was no longer the capital he started out with, but the sum total of his continual extraction of surplus value in five years. Marx said,

> Apart then from all accumulation, the mere continuity of the process of production, in other words simple reproduction,

> sooner or later, and of necessity, converts every capital into accumulated capital, or capitalized surplus value.[57]

Since the capital of the capitalist is converted from surplus value created by the worker, it is entirely reasonable that all means of production expropriated from the capitalist should belong to the proletarian state if the working class has seized political power. This is merely taking back the wealth created by the labor of the ancestors of the working class.

Finally, from the process of simple reproduction, we can also see that capitalist reproduction not only reproduces various commodities, but also reproduces the capitalist relations of production. In the process of reproduction, the worker continuously produces the variable capital used for the purchase of labor power. When the production process ends, the worker is still an empty-handed hired laborer, and the capitalist still possesses all the means for the exploitation of the worker.

The Capitalist Expands Reproduction for the Sake of Extracting More Surplus Value

We assumed above that the capitalist spent all the surplus value on his personal consumption. Because of this, reproduction could only be carried on at the original scale. But, simple reproduction is not the characteristic of capitalist production.

The characteristic of capitalist production is expanded reproduction.

To carry on expanded reproduction, the capitalist cannot spend all the expropriated surplus value on personal consumption. He must reserve part of it for conversion into capital to buy new machines and equipment and to hire additional workers before he can expand the scale of operation and realize expanded reproduction.

Suppose the capitalist started out with 10,000 *yuan*, of which 8,000 *yuan* was constant capital and 2,000 *yuan* was variable capital, and that the rate of surplus value was 100 percent. When the production process was completed, the value of products would be 8,000c + 2,000v + 2,000m = 12,000 *yuan*. Further, suppose that the capitalist used half of the 2,000 *yuan* of surplus value for personal consumption and converted the other half for accumulation into capital. If the proportion between constant capital and

[57] Marx, "Capital," vol. 1, 570.

variable capital were kept constant, then from this 1,000 *yuan* of new capital, 800 *yuan* would go into constant capital, and 200 *yuan* into variable capital. In the second year, the total amount of capital would be increased to 11,000 *yuan*. Its composition would be 8,800c + 2,200v + 2,200m = 13,200 *yuan*. Compared with the value of the first year's products of 12,000 *yuan*, this capitalist realized expanded reproduction.

From capitalist expanded reproduction, we can see that expanded production can be carried out only because part of the surplus value has been converted into capital. If, under the condition of simple reproduction, the capital invested by the capitalist can be seen as converted from surplus value only after a period of time, then under the condition of expanded reproduction, the added capital can be seen as converted from surplus value right from the beginning.

Why does the capitalist not spend all of the surplus value on his personal consumption but instead carry out capital accumulation for expanded reproduction? Some bourgeois economists explained capital accumulation as the virtue of "abstinence" on the part of the capitalist, as if capital accumulation by the capitalist were for the good of society as a whole and involved a restraint of his desire for consumption.

Marx exposed the nature of "abstinence." Marx pointed out that the capitalist possessed an absolute "desire to get rich."[58] The greed of the capitalist for surplus value is limitless. Surplus value can be increased continuously only if the capitalist continuously accumulates capital, increases the amount of capital, and expands the scale of production. At the same time, capitalist competition also forces him to accumulate capital. Whoever has more capital is in an advantageous position with respect to the addition of equipment, the purchase of raw materials, and the adoption of new techniques. He is also more likely to increase labor productivity and to depress the individual labor time of a commodity below the socially necessary labor time, so as to win in the competition and not be swallowed up by the bigger capitalist. Competition becomes a source of pressure on every capitalist. The fear of failure and bankruptcy in competition forces the capitalist to engage in capital accumulation to strengthen his competitive power.

[58] Marx, "Capital," vol. 1, 589.

> Competition makes the immanent laws of capitalist production to be felt by each individual capitalist, as external coercive laws. It compels him to keep constantly extending his capital, in order to preserve it, but extend it he cannot, except by means of progressive accumulation.[59]

It can be seen that it is not "abstinence" but greed and fear that motivate the capitalist to convert part of the surplus value extracted from the worker into capital. The more the capitalist exploits, the larger the accumulated capital. The larger the accumulated capital, the more surplus value can be exploited. Therefore, capital accumulation is not only a result of the exploitation of the worker, but also a means by which the capitalist extends and expands his exploitation of the worker.

The Unemployment of Workers Is the Inevitable Result of Capital Accumulation

The Increase in the Organic Composition of Capital Leads to the Expulsion of the Worker by Machine

The process of capital accumulation is not only a process of increasing the total amount of capital. In this process, there is also the change in the composition of capital and the consequent adverse effect on the proletariat.

From the material side, the composition of capital is expressed as the proportion between means of production (plant, machines, equipment, raw materials) and labor power. There is a definite relation between the amount of means of production purchased and the number of workers employed. For example, there is a definite number of spindles a worker can manage using a certain amount of cotton each day. The level of this proportion depends on the technological level of production in society, the characteristics of various production spheres, and the degree of mechanization. It also depends on the technical equipment of various enterprises. Therefore, we can call this proportion the technical composition of capital.

The composition of capital can also be viewed from the value viewpoint. The value of means of production is expressed as constant capital, and the

[59] Marx, 588.

value of labor power is expressed as variable capital. The proportion between constant and variable capital is called the value composition of capital.

There is a close relation between the technical and value composition of capital. In general, the value composition of capital varies with the technical composition of capital.

> I call the value composition of capital, in so far as it is determined by its technical composition and mirrors the changes of the latter, the *organic composition* of capital.[60]

The formula for the organic composition of capital is c : v. For example, suppose a capitalist has 10,000 *yuan*, of which 8,000 *yuan* is constant capital and 2,000 *yuan* is variable capital. Then the organic composition of capital is 8,000c : 2,000v, that is, 4:1.

In the course of the development of capitalism, the organic composition of capital is not constant. To extract more surplus value and to gain an upper hand in competition, the capitalist must improve the technical equipment of the enterprise by substituting machines for hand labor or new machines for old machines. Thus, the capitalist must increase his capital in machine equipment. The substitution of machines for labor enables the worker to produce even more products in a given period of time with an even higher consumption of raw materials. The capitalist must also increase his capital for the purchase of more raw materials. Thus, with the continual accumulation of capital, the proportion of constant capital in the total capital constantly increases. On the other hand, the proportion of variable capital gets smaller all the time, leading to an increase in the organic composition of capital.

In general, the precondition for the increase in the organic composition of capital is the increase in individual capital. Capital can be increased in two forms: one is by capital accumulation, that is, an increase in the total amount of capital by the accumulation of individual capital; the other is by capital concentration, that is, the absorption of small capital by big capital through competition or the merger of several companies into a joint stock corporation so that capital that was once scattered is concentrated into larger capital. Capital accumulation and capital concentration inevitably increase the organic composition of capital.

[60] Marx, 608.

The increase in organic composition of capital has serious repercussions for the working class. If the organic composition of capital is constant, the accumulation of capital will increase the corresponding demand for labor power. That is, it will correspondingly increase the employment opportunities of the worker. But after the organic composition of capital is increased, the result of capital accumulation is no longer the same. It can increase the total demand for labor power. But this increase will be much smaller than the increase in constant capital. Under certain conditions, the total demand for labor power may even be lower than before. This is because the demand for labor power does not depend on the size of total capital but on the size of variable capital. For example, when the organic composition of capital is 4:1, it means that for every 100 *yuan* of total capital, 20 *yuan* can be used for hiring workers. But when the organic composition of capital is increased to 9:1, it means that for every 100 *yuan*, only 10 *yuan* is available for hiring workers. Thus, even if the total capital increases from 10,000 *yuan* to 15,000 *yuan*, the amount of variable capital decreases from 2,000 *yuan* to 1,500 *yuan*. This demonstrates that the increase in the organic composition of capital reduces employment opportunities for the worker. In capitalist society, the working class creates machines. But when the machines are used by the capitalist, a large number of workers are displaced and unemployed. The adoption of sewing machines by the capitalist led to the unemployment of many sewing workers. The adoption of packing machines led to the unemployment of many packing workers. The adoption of typesetting machines led to the unemployment of many typesetting workers. In the development process of capitalism, with the improvement in techniques and the increase in the organic composition of capital, employment opportunities for the laborers are correspondingly reduced and unemployment increases. This is called the expulsion of workers by machines.

Relative Surplus Population Is the Inevitable Outcome of Capital Accumulation

The increase in the organic composition of capital relatively reduces the demand for labor power. But in the course of capital accumulation, the supply of labor power increases absolutely. With the development of capitalist production techniques and the widespread adoption of machines, many labor operations were so simplified that many women and children could join the ranks of hired labor. At the same time, in the course of

capital accumulation, a large number of small commodity producers and small capitalists went bankrupt and had to sell their labor power to support themselves. The development of capitalism in the countryside also brought bankruptcy to a large number of peasants who flocked to the city to earn their living. All these factors contributed to an absolute increase in the supply of labor power.

Thus, on the one hand, the demand for labor power was reduced relatively. On the other hand, the supply of labor power increased absolutely. In the end, there always exists in capitalist society a large body of unemployed people, resulting in a relative surplus in population.

The so-called relative surplus population is "surplus" only in relation to the capital demand for it. It does not imply that the population is in absolute surplus such that it can no longer be supported by the means of livelihood produced by society. In fact, there is no such thing as an absolute population surplus because a person not only has a mouth that can consume food grain, but also two hands that can create certain material wealth. Once the laboring masses control their own destiny, they can advance toward the depth and width of production to create ever more means of livelihood for a more diversified life. Only in capitalist society, where the laborers cannot control their own destiny and the machines created by them are used as capital, are the workers displaced as relative surplus population. Therefore, Marx called the relative surplus population an outcome of "a special law of population under the capitalist mode of production." He pointed out, "surplus laboring population is a necessary product of accumulation or of the development of wealth on a capitalist basis."[61]

There are three basic forms of surplus population in capitalist society:

First, mobile surplus population. This refers to the unemployed population which has been temporarily displaced in the production process. This kind of unemployment is most common in industrial centers. In time of crises and after new machines and new techniques are adopted, some workers will be displaced. But in time of recovery and when industry further develops, many of these unemployed workers will be absorbed back into factories. Very few workers in capitalist countries can escape from unemployment at one time or another. Most people are employed off and on.

[61] Marx, 626.

Second, disguised surplus population, that is, surplus population in the countryside. After agricultural production has become capitalist and with the increase in the organic composition of capital, the demand for agricultural workers steadily decreases. Moreover, in agriculture this displacement of labor power is absolute. Unless new land is reclaimed, no additional labor power can be absorbed. Some of the laborers displaced by capitalist agriculture drift to the city. Others still cling to a small piece of land and barely support themselves through intensive cultivation and doing odd jobs. They may not be unemployed in form, but they are actually surplus in agricultural production. This is called disguised surplus population.

Third, static surplus population. These people perform household chores and do odd jobs. Though still belonging to the current labor force, their jobs are not stable. Their jobs often involve long hours and low wages. Their standard of living is depressed below the average level for the working class.

In capitalist society, in addition to the above three kinds of surplus population, there is a large number of very poor people who depend on welfare and begging for their livelihood. Among them are the aged, the weak, the handicapped, the orphaned, and vagabonds who have lost their labor capacity. They constitute the lowest stratum of the relative surplus population and their lot is the worst.

Relative surplus population is an inevitable outcome of capital accumulation. At the same time, these people become the lever of capital accumulation, or even a condition for the existence and development of the capitalist mode of production. The capitalist uses the existence of the unemployed workers as a trump card to increase oppression and exploitation of the currently employed. From the mouth of the capitalist, one can often hear such vicious words as, "It is more difficult to find a hundred dogs than to find a hundred workers." Why is the capitalist so brutal? Because outside the door of the plant there are thousands and thousands of unemployed workers. They are used by the capitalist to threaten the workers inside the plant and to depress their wages. At the same time, capitalism develops amidst competition and chaos and is characterized by sudden contractions and expansions. When production suddenly expands, the capitalist's demand for labor cannot be met by the natural increase of labor power. The capitalist requires a labor power "reservoir." Relative surplus population provides such a "reservoir." In this sense, we call the huge army of unemployed in capitalist society

an industrial reserve army. It is required by the existence and development of the capitalist mode of production.

Malthus's "An Essay on the Principle of Population" Is a Reactionary Fallacy in Defense of Capitalism

In capitalist society, the widespread existence of a huge army of unemployed is a "good" thing for the capitalist because it is conducive to exploitation. But it is also a shameful thing because it makes the so-called civilized country look very uncivilized. To remedy this situation, some intellectuals in the service of the bourgeoisie racked their brains to produce biased theories for the defense of the capitalist system. In the early nineteenth century, the reactionary "An Essay on the Principle of Population" cooked up by a vulgar English economist named Malthus was one such biased theory.

Malthus advanced a notorious argument. He said that population increases by the geometric progression (1, 2, 4, 8. . .), while the means of livelihood increases by the arithmetic progression (1, 2, 3, 4. . .). He argued that this is the basic reason for surplus population, unemployment, and poverty among the masses. This contention was intended to explain that unemployment and poverty are not the evils of the capitalist system, but a result of the law of nature. According to Malthus's theory, wars and plagues are a blessing to human society. In wars and plagues, a large number of people die, thus ameliorating the effects of surplus population and rendering the increase in population more compatible with the increase in the means of livelihood.

Facts are stronger than arguments. Malthus's reactionary "An Essay on the Principle of Population" does not hold water. How did the pseudoscience that purported to show the geometric increase of population and the arithmetical increase of the means of livelihood come into being? What really happened was that Malthus took the increase in population in America in one period as the basis for his rate of population increase. He also took the increase in food production for one period in France as the basis for his rate of increase in the means of livelihood. The rapid increase in the American population at that time was not mainly due to the natural multiplication of population, but to other factors such as immigration. As to the food production of France, if it was compared with the increase of population in France and not with the increase of population in America, then it did not lag

behind the increase in population, but exceeded the increase in population. In 1760, the population of France was 2.1 million. The average output of food grain per capita was 450 liters. Eighty years later in 1840, the population of France increased to 3.4 million, an increase of 62 percent. But the increase in food production was even faster. In 1840, the average output of food grain per capita was 832 liters, an increase of 85 percent. The data of many other capitalist countries also showed that the increase in population did not exceed the increase in the means of livelihood. On the contrary, the increase in the means of livelihood exceeded the increase in population. But, even so, the laboring people were very poor, and their lot miserable. Malthus's defense of the evils of the capitalist system by means of the so-called absolute surplus population was a futile effort.

The pernicious influence of Malthus's "An Essay on the Principle of Population" was widespread in the old China. Imperialists and Kuomintang reactionaries used Malthus's essay as a tool to oppose the Chinese people's revolution all along. Prior to liberation, they uttered nonsense like the Chinese people were poor because there were too many of them, and they attempted to blame nature for the evils of imperialism, feudalism, and bureaucratic capitalism. On the eve of national liberation, they again talked nonsense, complaining that China had too many people. According to them, the people's government could not solve the food problem and would not last more than a few months. Chairman Mao sternly refuted this reactionary fallacy. He said,

> The large population of China is a good thing. We know how to handle an even larger population. The solution is in production. . . . Revolution plus production can solve the food problem. It is a very good thing that China has a big population. Even if China's population multiplies many times, she is fully capable of finding a solution; the solution is production. . . . Revolution plus production can solve the problem of feeding the population.[62]

The experience of socialist China since its establishment has completely vindicated Chairman Mao's scientific judgment. Under the guidance of Chairman Mao's revolutionary line, unemployment has been eliminated in

[62] Mao, "The Bankruptcy of the Idealist Conception of History," 457.

China. The socialist economy flourishes, and the people's standard of living steadily increases. A poor and backward China has established a socialist country on its way to prosperity and growth. The imperialist fallacies have been proven thoroughly bankrupt.

Capital Accumulation Leads to the Impoverishment of the Proletariat

The Polarization Between the Rich and the Poor Is a General Law of Capitalist Accumulation

Capital accumulation has entirely different consequences for the bourgeoisie and the proletariat. To the bourgeoisie, the process of capital accumulation is the process of capital addition and concentration and a process of the bourgeoisie's wealth expansion. To the proletariat, the process of capital accumulation is a process whereby "machines displace workers," and a process whereby the ranks of the unemployed are swollen, the employed workers are subject to increasing exploitation, and the living conditions of the whole working class worsen steadily. The polarization between the rich and the poor in capitalist society during capital accumulation will not shift according to human will. On one end of society is wealth accumulation; on the other is poverty accumulation. Marx pointed out, *"This is the absolute general law of capitalist accumulation."*[63]

The revelation of this law by Marx is very significant. It tells us that the working and living conditions of the proletariat are determined by the capitalist relations of production. Under the capitalist system, the development of production will only lead to the impoverishment of the proletariat. This impoverishment is not only relative but also absolute.

The Steadily Declining Share of the Proletariat in the National Income Leads to Relative Impoverishment

National income is the sum total of the newly created value of the whole society in one year. In capitalist society, national income is first divided into the part that goes to the workers' wages and the part that is plundered by the

[63] Marx, "Capital," vol. 1, 638.

capitalists as surplus value. In the development of capitalism, what happens to the income shares that go to the workers and to capitalists respectively?

National income is wholly created by the laborers and increases steadily in the process of expanded reproduction. Under capitalism, the share of wages received by the proletariat steadily declines, and the share of surplus value received by the bourgeoisie steadily increases. This phenomenon is called the relative impoverishment of the proletariat. According to figures published by the United States government, the share of wages of American workers in the national income was 45.6 percent in 1843, 43.5 percent in 1866, 42.7 percent in 1891, 37 percent in 1938, 33.3 percent in 1945, and 29.7 percent 1956. From these figures, we can see that with capital accumulation, the income of the workers declined steadily in relative terms, while the wealth expropriated by the bourgeoisie increased steadily.

The Steady Deterioration of Labor Conditions and Living Conditions Leads to the Absolute Impoverishment of the Proletariat

In capitalist society, there exists not only the relative impoverishment of the proletariat, but also their absolute impoverishment. This is what Lenin pointed out:

> The worker is becoming impoverished *absolutely*, i.e., he is actually becoming poorer than before; he is compelled to live worse, to eat worse, to suffer hunger more, and to live in basements and attics.[64]

The major manifestations of the absolute impoverishment of the proletariat are as follows:

First, the existence of a large number of unemployed workers. Unemployment is the constant threat faced by the worker in a capitalist country. Once he is unemployed, he loses his source of income. His livelihood becomes a serious problem. This is an important indicator of the deterioration of the material living conditions of the proletariat. In the United States, the number of unemployed in 1945 was 1.1 million; in 1955, 2.654 million; in 1968, 2.8 million; and in 1971, it rose to 5 million. In England, the unemployment situation was also very serious. The number of unemployed

[64] V. I. Lenin, "Impoverishment in Capitalist Society," in *Collected Works*, vol. 18 (Moscow: Progress Publishers, 1975).

workers in 1952 was 500,000. By February 1972, it had increased to more than 1.6 million.

Second, the decline of real wages. The lot of the employed workers in a capitalist country is not any better. The wage of the worker is often below the value of labor power, so that it is difficult for the worker to maintain a normal livelihood. Sometimes through struggles with the capitalist, the nominal wage may be increased a little. But since widespread inflation exists in the capitalist countries, the increase in the money wage is often behind the increase in prices. In the end, not only is the real wage not increased, it may even decline. For example, according to official United States statistics, from December 1969 to December 1970 the wages of manufacturing workers increased by 2.6 percent. In the same period, the consumer price index rose by 5.5 percent. Therefore, the real wage of the manufacturing workers declined by 2.9 percent. Besides, there are many taxes in the capitalist countries that take away a substantial portion of the income of the laboring people. According to official United States statistics, in the thirty years between 1940 and 1970, the amount of taxation increased by sixteen times. The total private debt of the United States (including housing mortgages and consumer credit) was 197.8 billion dollars, averaging $1,133 per capita. At the end of 1970, the total private debt rose to 577.9 billion dollars, averaging $2,832 per capita. In 1970, repayment of debts and payment of interest of the American people amounted to an average of 22.3 percent of their annual incomes. Taxation, repayment of debts, and payment of interest amounted to about half of the annual income of the American people.

Third, poor living conditions. Because of low real wages, the worker in a capitalist country must put up with poor living conditions. Poor living conditions are especially pronounced with respect to housing conditions. Due to the anarchic conditions of production in capitalist society and the blind concentration of industrial production and population, the size of a few cities gets larger and larger, and the housing conditions of the worker steadily deteriorate. Marx pointed out,

> The faster the capital accumulation of an industrial city or a commercial city, the faster the inflow of human material available for exploitation, and the worse the temporary accommodations arranged for them. The more rapidly capital accumulates in an industrial or commercial town, the more rapidly flows the

> stream of exploitable human material, the more miserable are the improvised dwellings of the laborers.[65]

Marx and Engels commented several times in their works on the deterioration of the worker's housing conditions under capitalism and described the extremely poor conditions of the slum areas in big cities such as London. Today, the number of slums in the big cities of the capitalist countries is still increasing. In New York City, the biggest American city, the number of people living in slum areas was 1.664 million in 1950. By 1957, it had increased to 2.572 million. The total population of the United States in 1959 was about 180 million, of which 22 million lived in urban slums with 44 million people living in substandard dwellings.

Pollution hazards such as exhaust fumes, waste materials, and effluents further degrade the worker's housing conditions and adversely affect his health. The more developed industry is, the more serious the urban pollution is. The rich capitalist can live in their garden villas in the suburbs and leave the working masses behind to suffer. In some big cities of the capitalist countries that have serious air pollution, each inhabitant breaths a large amount of poisonous gases. In these cities, the incidence of emphysema, bronchitis, and asthma is very high, and the resulting casualty rate is correspondingly high. In Europe, the United States, and Japan, the number of workers who are dismissed because of emphysema is increasing.

In the United States, as far as medical care conditions are concerned, "the front doors of the hospital are wide open, but there is no entry for the sick who cannot afford to pay." The registration fee for one visit amounts to one third of the daily wage of a worker with medium income. The operating fee for appendicitis amounts to more than two months' wages. An ordinary worker's family must save for several months before they can afford the childbirth delivery fee. From 1965 to 1972, the annual increase in hospitalization fees was 12.3 percent on the average. The consulting fee increased by an annual average of 6.1 percent. Many workers go to work even when they are ill because they cannot afford to pay the consulting fee, and they die prematurely as a result.

Fourth, the excessive labor intensity and poor working conditions. With the development of mechanization and automation in enterprises, not only

[65] Marx, "Capital," vol. 1, 654–655.

are workers increasingly converted into appendages of machines, but labor intensity is also greatly increased. One American auto worker complained:

> In ancient Greece and the Roman Empire, even the unfortunate sailor could rest beside his oar for a while when the wind was favorable. Now, the worker working beside a conveyor belt cannot even take a breath when the machine parts come rolling one after another.

As a result of the adoption of the "acceleration system" to intensify exploitation and oppression of the worker, some workers in American plants lose their labor capacity after working for eight to ten years. Many more workers cannot adjust to fast work when they reach forty years old. Because of the fast working pace and the lack of labor protection facilities, accidents at work are numerous. The United States government had to admit that at least 85 percent of American workers work under the constant risk of injury. Every year 3 to 5 percent of American workers die or are injured in industrial accidents. Thus, the advancements in science and technology in the capitalist countries are achieved at the expense of the working class's steady impoverishment and misery.

It is irrefutable, as demonstrated by the above mentioned facts, that impoverishment does exist in capitalist society. The bourgeoisie and their agents hidden in the ranks of the proletariat attempt in vain to deny the existence of the proletariat's impoverishment by pointing to the phenomena of some temporary, local, and partial improvements.

First, we must analyze the question of the impoverishment of the proletariat from the class viewpoint. We must first eliminate those worker aristocrats in the ranks of the proletariat who have been bought by the bourgeoisie. A handful of worker aristocrats has indeed enjoyed a higher standard of living from the charity of the bourgeoisie. They are no longer members of the workers' ranks, but renegades of the proletariat.

On the issue of the impoverishment of the proletariat, we must analyze it from an historical and concrete viewpoint. Since the standards of living at different times and in different countries are not the same, it is impermissible to make a simple comparison of the present with the past. In the past, even an emperor could only use oil lamps. Today, most workers in the capitalist countries use electric lights. One cannot say that since the workers

have electric lights there is no poverty. Would it not be absurd to claim that the life of a worker today is better than that of an emperor?

On the issue of the impoverishment of the proletariat, we must take an overall perspective. The so-called overall perspective means that we should not judge the living conditions of the workers on the basis of an individual plant, a special locality, or a specific period. We should judge the living conditions of the working class over a long period of time. In other words, we must look at not only the living conditions of the employed workers, but also at the living conditions of the unemployed and semi-unemployed workers. We must look at not only the living conditions of the working class in the imperialist countries, but also at the living conditions of the working class in the colonies. We must look at not only the living conditions of the working class in times of illusory capitalist prosperity, but also at the working conditions of the working class in times of economic crisis. Then, it is not difficult to tell that while the living conditions of the workers might have improved in individual plants and localities and at some particular times, the conditions of the whole working class are steadily becoming poorer.

The Proletariat Is the Gravedigger of Capitalism

The process of capital accumulation is the process by which the bourgeoisie gets richer and the proletariat gets poorer. It is also a process in which the contradictions between the relations of production and productive forces of capitalism are increasingly acute. In the development process of the capitalist economy, scattered, isolated, and small-scale individual production is transformed into a large-scale social production. The development of social production under capitalism consists of two aspects. First, the capitalist plant is different from the small workshop, where the handicraftsman single-handedly completes the production process. In the capitalist plant, tens, hundreds, or thousands of workers are distributed in various workshops and sections. They complete the manufacture of commodities through division of labor and cooperation under the orders of the capitalist and his agents. Second, social division of labor steadily develops. Production becomes more specialized. The various departments and enterprises in social production are closely associated and dependent on one another. With the development

of intraplant[66] and social division of labor, production is "changed from a series of individual operations into a series of social acts, and the products from individual into social products."[67] Lathes, automobiles, cotton fabrics, and leather shoes are products of the joint labor of many workers. Nobody can say, "This is my product."

Production becomes social in nature. But the means of production and the products from social labor do not belong to society. They belong to the capitalist himself. Thus, contradictions between social production and capitalist private ownership arise. This is the basic contradiction of capitalism. Capitalist private ownership severely restricts the development of large-scale social production. Capitalist relations of production increasingly restrict the development of productive forces and become fetters to the development of productive forces. Only by demolishing private ownership and establishing socialist collective ownership and by substituting socialist relations of production for capitalist relations can this basic contradiction be resolved. Therefore, the extinction of capitalism and the emergence of socialism is an inevitable trend of historical development that cannot be changed by man's will.

But the historical process in which socialism replaces capitalism cannot be spontaneously realized. The bourgeoisie, which benefits from the capitalist system, will inevitably obstruct the social transformation. To realize this transformation, there must be a social force that crushes the resistance of the bourgeoisie. This social force is the proletariat. The proletariat is the representative of advanced productive forces. It is oppressed and exploited, but it is the most conscious class with the most thoroughly revolutionary nature. Under the education of Marxism, it will surely rise to overthrow the capitalist system. "*The contradiction between social production and capitalist appropriation became manifest as the antagonism between proletariat and bourgeoisie.*"[68] The proletariat matures and grows steadily in the process of capital accumulation.

The process of capital accumulation and expanded reproduction is not only the expanded reproduction of material means of livelihood, but also the expanded reproduction of capitalist relations of production. It produces

[66] Within one industrial plant or factory.—Ed. FLP

[67] Engels, *Anti-Dühring*, 297.

[68] Engels, 299.

bigger capitalists on the one hand and more hired laborers on the other. Therefore, the process of capital accumulation not only prepares the material conditions for the extinction of capitalism, namely large-scale production on a social basis, but also produces the gravedigger of capitalism—the proletariat.

> Not only has the bourgeoisie forged the weapons that bring death to itself; it has also called into existence the men who are to wield those weapons—the modern working class—the proletarians.[69]

The proletariat emerged with the appearance of capitalism and strengthened and became conscious in the process of capital accumulation. With the development of capital accumulation, the ranks of the proletariat gradually swell; with large-scale social production, organizational discipline is instilled in the proletariat, and with the impoverishment of the proletariat, the contradictions between the proletariat and the bourgeoisie steadily deepen. Experienced in class struggle and armed struggle with Marxism, the proletariat becomes a forward looking, selfless class richly endowed with revolutionary thoroughness.

In the process of capital accumulation, the great development of social production inevitably reaches a stage when it can no longer be accommodated in the capitalist bombshell. Marx confidently announced: "Thus integument is burst asunder. The knell of capitalist private property sounds. The expropriators are expropriated."[70] Capitalism will surely pass away, and socialism will triumph. This is an historical tendency of capital accumulation.

Major Study References

- Karl Marx, "Capital," vol. 1, part 7.
- V. I. Lenin, "Impoverishment in Capitalist Society."
- Mao Zedong, "The Bankruptcy of the Idealist Conception of History."

[69] Marx, Engels, *Manifesto of the Communist Party & Principles of Communism*, 40.
[70] Marx, "Capital," vol. 1, 750.

Review Problems

1. What conclusions can we reach by the analysis of simple reproduction and expanded reproduction?
2. What are the reasons for worker unemployment and the impoverishment of the proletariat in capitalist society?
3. Why do we say that the proletariat is the gravedigger of capitalism?

6

THE PROCESS OF THE MOVEMENT OF CAPITAL IS THE PROCESS OF EXPLOITING AND REALIZING SURPLUS VALUE

The Circular Flow of Capital, the Turnover of Capital, and the Reproduction of Social Capital

Capital must be in constant motion to play its role. It passes from the exchange process to the production process and then from the production process to the exchange process in endless repetition.

In the previous two chapters, we temporarily ignored the exchange process and looked at capital in the production process. In this chapter, we shall analyze the motion of capital and its inherent contradictions from the exchange viewpoint.

The Circulation of Capital Passes Through Three Phases and Takes Three Forms

The Three Phases of Capital Circulation Represent the Unity Between the Production Process and the Exchange Process

In its motion, capital passes successively through three phases and takes three corresponding forms.

In the first phase of capital's motion, the capitalist must first take out a certain amount of money to purchase means of production and labor force in the market. Using G to represent money, W commodities, A labor force, and Pm means of production, this process can be illustrated as follows:

$$G - W \begin{cases} A \\ Pm \end{cases}$$

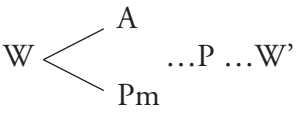
In this phase, the money in the capitalist's hands serves as a means of purchase and a means of payment. However, at the same time, it also serves as capital, because what the capitalist purchases are the labor force

and means of production needed to extract surplus labor from the laborer. Here money becomes money capital. Through the purchase of means of production and labor power, money capital is transformed into production capital. Without money capital, there is no production capital and no production of surplus value. The function of money capital is to prepare for the creation of surplus value.

In the second phase of capital motion, the capitalist engages in production by combining the means of production with the labor force. Thus, the exchange process of capital is terminated, and its production process is started. Through this process, labor power is consumed, raw materials are processed, equipment is worn down, and a certain amount of commodities is produced. Production capital is thereby transformed into commodity capital.

The commodity capital in this phase already embodies the surplus value created by the worker. It not only looks different from the commodities bought earlier but also has higher value than the original capital.

This process can be illustrated as follows:



Here P represents production capital in the production process. The dotted lines before and after P denote the termination of exchange and the beginning of production. W’ represents commodities with embodied surplus value.

In this phase, the means of production and the labor force not only play the role of factors of production but also the role of capital, because these means of production and labor force are combined in the hands of the capitalist for the production of surplus value. The function of production capital is the production of surplus value.

In the third phase of capital motion, the capitalist must take the commodities that have thus been produced and embodied with surplus value to the market for sale. Through the sale of commodities, commodity capital is again transformed into money capital. Thus, capital is converted back to the form of money.

This process can be illustrated as follows:

$$W' - G'$$

Here G' denotes money capital whose value has been augmented. It consists of both the value of capital advanced by the capitalist and of the realized surplus value. Therefore W' – G' is not only a transformation process in form between commodities and money, but more importantly, is also a process in which the surplus value embodied in the commodities and expropriated by the capitalist is realized. The function of commodity capital is to realize surplus value.

The three phases and three forms of capital show that capital in each of the phases and forms performs an independent function. After a certain function has been performed, it passes into another phase and takes another form. This capital, which goes through these successive transformation, is industrial capital. This so-called industrial capital not only includes manufacturing capital, but also the capital in other material production sectors such as agriculture and construction. This capital changes its form successively and passes through three phases to increase its value and then returns to its starting point. This motion is the circulation of capital.

Its entire process can be shown as follows:

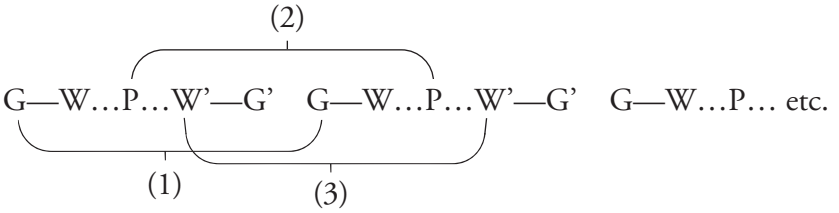
$$G - W \begin{cases} A \\ \\ Pm \end{cases} \quad \ldots P \ldots W' — G'$$

In the circulation of industrial capital, the first and third phases are exchange processes; the second is a production processes. The production process plays the determining role in these three phases because it is the only process that can produce surplus value. In the first and third phases, merely the form of capital is transformed; its value remains constant. However, the exchange processes are indispensable for the circulation of the industrial capital. Without the exchange processes, the capitalist would not be able to produce and realize surplus value. Therefore, the circular flow of industrial capital is the unity between the production and exchange processes. Because of this, the three phases of circulation in industrial capital must be interrelated, and capital must pass from one phase to another. If the circulation of capital is hindered in the first phase (G – W), it becomes hoarded money and cannot play the role of capital. If

its circulation is hindered in the second phase, there will be no production of surplus value. If its circulation is hindered in the third phase, then the surplus value created cannot be realized.

The Circulation of Industrial Capital Represents the Unity Among Three Circular Flows

To extract surplus value continuously, the capitalist must ensure the continuous circulation of capital. Thus, the formula for the circulation of industrial capital is endless:



The above formula shows that the continuous motion of industrial capital assumes not merely one, but three, circular flows—namely, (1) circulation of money capital: G…G'; (2) circulation of production capital: P…P; and (3) circulation of commodity capital: W'—W'. To ensure the continuous circulation of capital, the capitalist must ensure that his capital exists simultaneously in three forms and that the capital in its three forms circulates continuously according to the circulation flows. For example, say a capitalist has 60,000 *yuan* of capital. He divides it into three parts, with 20,000 *yuan* in the form of money capital, 20,000 *yuan* in the form of production capital, and 20,000 *yuan* in the form of commodity capital. They are made to circulate along their respective courses. Thus, while this capitalist transform 20,000 *yuan* of commodity capital into money capital, 20,000 *yuan* of production capital is being transformed into commodity capital and 20,000 *yuan* of commodity capital into production capital. If all 60,000 *yuan* were in one form, production could not be carried on continuously, but only intermittently. If the circulation of capital in any one of the three forms is hindered in its motion so that circulation is interrupted, for example, if commodities cannot be sold and commodity capital cannot be transformed into money capital, then the circulation of the whole capital is destroyed, and the motion of capital interrupted. Thus, the capitalist is forced to close down production.

The Turnover of Capital Is the Continual Production and Realization of Surplus Value

The Length of Production and Exchange Time Determines the Speed of Capital Turnover

The circulation of capital continues in endless repetition. The continuous circulation of capital is called the turnover of capital. Marx pointed out, "the circulation process proper, i.e., the entire circuit which, as a periodic process—a process which constantly repeats itself in definite periods—constitutes the turnover of capital."[71]

The turnover of capital passes through the production and exchange spheres. The period when capital is in the production sphere is called the production time of capital. The period when capital is in the exchange sphere is called the exchange time of capital. The sum of these two constitutes the turnover period of capital.

The production period of capital includes the following three parts:

First, the period when the means of production perform their function in production. This is primarily the labor time spent by the laborer on objects of labor to produce a certain product. The length of labor time is determined by two factors. One is the nature of the production sector. For example, a yarn mill can spin a certain amount of cotton into yarn in one day, but a shipyard takes several months or years to build a ship. Thus, the latter requires longer labor time than the former. Another is the labor productivity of the enterprise. Among enterprises producing the same kind of product, the enterprise with higher labor productivity takes a shorter time to produce the product. A longer time is required by enterprises with lower labor productivity. In some production sectors, the period when the means of production perform their function in the production process also includes time needed for natural forces to act on the objects of labor as well as labor time. For example, wine brewing requires time for fermentation, timber takes time to dry, and crops take time to grow.

[71] Karl Marx, "Capital," vol. 2, in *Marx & Engels Collected Works*, vol. 36 (London: Lawrence & Wishart, 1997), 349.

Second, the period when production is interrupted but the means of production still stay at the production sites. For example, when machines and equipment are idle at night or because they are out of order.

Third, the period when the means of production have already passed into the production sphere but not into the production process. For example, the time when raw materials are stored.

Among these periods, labor time is the most important. Only in this period can the worker create value and surplus value. Therefore, the capitalist always tries his best to shorten the other times in order to make production time approximate labor time and extract more surplus value from a given amount of capital in a given period of time.

The exchange period of capital includes both the time for the transformation of money capital into production capital, that is, the time when the capitalist purchases the means of production and labor force, and the time for the transformation of commodity capital into money capital—that is, the time when the capitalist sells his commodities.

The length of capital circulation is determined primarily by the supply and demand conditions in the market, the distance between the point of production and the market, and the conditions of transportation.

Because of the varying effects of the above factors on different production sectors and enterprises, the production period and exchange period of capital vary among them so that the turnover period of capital is not uniform.

Because of the differences in the turnover time of capital, the speed of turnover also varies (the speed of capital turnover is calculated on an annual basis). Suppose the capital of a certain capitalist takes one month to be transformed from money to production capital and the period from commodity to money capital and the capital production is three months. Then it takes four months for the capital to turn over once. Thus, the capital turns over three times a year. Further, suppose that the capital of another capitalist turns over once every half a year. Then the annual rate of capital turnover is two.

From the above analysis, one knows that the rate of capital turnover is determined ultimately by the production and circulation periods of capital.

The Effects of Capital Composition on the Rate of Capital Turnover

In the analysis above, we assume that every part of the production capital is transformed into commodity capital in one process. But, in fact, the nature and mode of circulation of the various parts of the means of production are all different. From this viewpoint, the composition of production capital can be divided into fixed and working capital.

Fixed capital refers to capital in the form of plants, machines, and equipment. It is paid for in one installment. Its material forms participate in the production process in its entirety and are used more than once. But its value is transferred to the new products gradually according to the rate of depreciation. Because of the special way in which the value of this capital is transferred, we call it fixed capital. For example, if one lathe costs 4,000 *yuan* and lasts for ten years, then every year 400 *yuan* of capital value is transferred to the products produced. When the products are sold, 400 *yuan* of capital value returns to the hands of the capitalist in the form of annual depreciation. The value of this lathe will be completely transferred in ten years.

Working capital refers to that part of the capital that exists in the form of raw materials, fuel, and auxiliary materials, or which is used to purchase labor power. Raw materials, fuel, and auxiliary materials lose their material forms in one production process, and their values are completely transferred to the new products in one process. When the products are sold, the total value of this capital returns to the hands of the capitalist in the form of money. Therefore, capital used to buy raw materials, fuel, and auxiliary materials is called working capital. That part of the working capital that is used to purchase labor power does not have its value transferred to the new products. And equivalent value in the new products is created by the new labor of the worker. Although this part of the working capital used to purchase labor power has this characteristic, its mode of value circulation is similar to the working capital used to purchase raw materials, fuel, and auxiliary materials. Because the value produced by the worker in the production process, which is equivalent to the value of labor power, is also transferred to the products in one process and returns with the sale of products, the capital used to purchase labor power is also working capital.

Now, we know that Marx classified capital into two categories. In the chapter on the production of surplus value, we talked about the classification of capital into constant and variable capital based on the different roles

capital plays in the production of surplus value. This classification makes us understand that surplus value is produced by variable capital and reveals the secret of the capitalist's exploitation of the worker. In this chapter, the classification of capital into fixed and working capital is based on the nature and mode of turnover of various parts of capital. This classification allows us to understand the various factors affecting the speed of capital turnover from the composition of capital.

These two classifications of capital can be illustrated as follows:

Role in the production of surplus value		**Nature and mode of turnover**
Constant capital	plants, other buildings machines, equipment,	Fixed capital
	raw materials, fuel, auxiliary materials,	Working capital
Variable capital	wages	

We mentioned above that the value of fixed capital is transferred gradually to new products according to its rate of depreciation. Their depreciation has direct effects on the size of the value of fixed capital being transferred and the speed of turnover. To further study the characteristics of fixed capital turnover, we must also analyze the depreciation of fixed capital.

The depreciation of fixed capital can be classified as visible or invisible according to the reasons for its occurrence. Visible depreciation is primarily the result of use in the production process and secondarily of the action of natural forces, such as the decay of timber and the corrosion of iron. Therefore, this depreciation is also called material depreciation. Invisible depreciation is due to the improvement in production techniques which reduces the socially necessary labor time to produce similar machines and thus reduces the value of the original fixed capital. It is also due to the appearance of new and better machines, leading to a decrease in the value of the original machines. The depreciation due to a decrease in the value of the original machines is called nonmaterial, or invisible, depreciation. To avoid such depreciation, the capitalist endeavors to lengthen working hours, raise labor intensity, and adopt shifts to accelerate the turnover of capital and increase

the exploitation of the worker in order to recover the value of fixed capital as soon as possible.

Because of the differences in the speed of turnover between fixed and working capital, the speed of capital turnover generally refers to the average speed of capital turnover. The general turnover speed of capital advanced is determined by the average turnover speed of various components of capital. The formula to calculate it is to divide the total capital advanced into the total capital turnover in one year. The following table shows the general turnover of capital advanced. All figures are hypothetical.

Components of production capital	**Value (*yuan*)**	**Number of turnovers per year**	**Total amount of production turnovers per year (*yuan*)**
Fixed capital	100,000	1/10	10,000
Plants	30,000	1/30	1,000
Machines	60,000	1/10	6,000
Small tools	10,000	3/10	3,000
Working capital	50,000	4	200,000
Total capital advanced	150,000	1.4	210,000

From the above table, we can see that dividing the total capital advanced, 150,000 *yuan*, into the total capital turnover, 210,000 *yuan*, gives us the turnover speed of the total capital advanced as being equal to 1.4. We can also see that the composition of production capital has an effect on the speed of capital turnover. The turnover speed of fixed capital is low, while that of working capital is high. If the share of fixed capital is large, the turnover speed of the total capital will be low. On the other hand, if the share of working capital is large, then the turnover speed of the total capital is high.

The Capitalist Tries His Best to Accelerate the Speed of Capital Turnover to Extract More Surplus Value

The speed of capital turnover has a direct bearing on the production of surplus value. The acceleration of the speed of capital turnover not only can reduce the amount of capital advanced, but can also accelerate the turnover of variable capital in working capital so that more surplus value is produced.

Suppose two capitalists both have 2,000 *yuan* of variable capital and the rate of surplus value is 100 percent for both of them. If the capital of A turns over once a month and the capital of B turns over once every six months, A can obtain 24,000 *yuan* of surplus value a year, but B can only obtain 4,000 *yuan* of surplus value a year. Even though their rates of surplus value are equal, the annual rates of surplus value (the ratio between the surplus value produced in one year and the total value of variable capital advanced in one year) are different:

$$\textbf{Capitalist A's annual rate of surplus value} = \frac{m}{v} = \frac{24{,}000}{2{,}000} = 1{,}200\%$$

$$\textbf{Capitalist B's annual rate of surplus value} = \frac{m}{m} = \frac{4{,}000}{2{,}000} = 200\%$$

Therefore, though the amount of variable capital advanced by capitalist A and capitalist B is the same, the speed of capital turnover for capitalist A is six times the speed of capital turnover for capitalist B. Consequently, the surplus value obtained is also six times as great.

The capitalist always tries his best to shorten the turnover time of capital—namely, the production time and exchange time, to accelerate the turnover of capital and obtain more surplus value. To achieve this objective, the capitalist lengthens the worker's labor time, raises labor intensity, and improves production methods in the production sphere to shorten production time. In the exchange sphere, he develops transportation, postal and telecommunications services, and improves business organization to shorten exchange time. However, the inherent contradictions of capitalism hinder the improvement of techniques and impose difficulties on the sale of commodities. Therefore, the capitalist's attempt to accelerate the turnover of capital is not always successful.

Capitalist Reproduction Is Realized Spontaneously Amidst Antagonistic Contradictions

Social Capital Is the Sum of Individual Capital

There exist numerous capitalist enterprises in capitalist society. Each enterprise's individual capital functions independently with respect to other capital to augment value. However, this individual capital is not mutually exclusive. It is interrelated and interdependent because every individual capital must be associated with other capital through the exchange process in order to augment value. Take the example of a yarn mill. It has to be associated with enterprises that supply spinning machines and cotton. On the other hand, it must also be associated with enterprises that consume its products, such as the weaving enterprises. Therefore, close and mutually dependent associations exist between various enterprises. Through these associations, the individual capital forms an organic whole. The sum of this associating individual capital constitutes the social capital. The sum of the movement of the individual capital constitutes the movement of social capital.

Our earlier analysis of the circulation and turnover of capital was conducted from the viewpoint of the reproduction of individual capital. It dealt primarily with the production and realization of surplus value. We have not analyzed where the capitalist sells his commodities, where he purchases his means of production, and where the capitalist and the worker purchase their means of subsistence. However, when we analyze the reproduction of social capital, things are different. Because the social capital already comprises all individual capital, material means consumed in its reproduction process can only be replenished from the total social product. Thus, whether the gross social product can replenish in kind the various inputs consumed in the current production, and if so, how, constitutes an important problem concerning how social reproduction proceeds. As Lenin pointed out:

> Now, however, the question is: where will the workers and the capitalists obtain their articles of consumption, where will the capitalists obtain their means of production, how will the finished product meet all these demands and enable production to

> expand? Here, consequently, we have not only "a replacement of value, but also a replacement in material."[72]

Therefore, the reproduction of social capital must be examined in terms of replenishment in value as well as in terms of replenishment in kind.

Marx clearly pointed out that the total social product of capitalism can be divided, in value terms, into constant capital (c), variable capital (v), and surplus value (m). In material terms, it can be classified according to its function in the reproduction process into means of production and means of consumption.

To correspond to the classification of products in kind, Marx divided the whole social product into two sectors: the first was the production of means of production (I)—namely, the production of machines, equipment and raw materials; the second was the production of means of consumption (II)—namely, the production of food, clothing and daily commodities. Within each category, many production departments were included.

Necessary Conditions for Simple Reproduction

To facilitate exposition, we assume that there are only the bourgeoisie and the proletariat in capitalist society. The production cycle is one year, and the total value of constant capital is transferred to new products in one production cycle. All commodities are sold according to their values, and there is no fluctuation in the values and prices of commodities—nor is there foreign trade. Under these assumptions, the realization of total social product under simple reproduction can be expressed as follows:

I. 4,000 c + 1,000 v + 1,000 m = 6,000
II. 2,000 c + 500 v + 500 m = 3,000.

Here we assume that in the first sector the constant capital is 4,000, the variable capital 1,000, and the surplus value 1,000. The total value of products is 6,000. Its material forms are the means of production. In the second sector, the constant capital is 2,000, the variable capital 500, and the surplus value 500. The total value of products is 3,000. Its materials are means of consumption.

[72] V. I. Lenin, "The Development of Capitalism in Russia," in *Collected Works*, vol. 3 (Moscow: Progress Publishers, 1977).

To continue reproduction, the products of both sectors must be realized. What is the realization of products? It is to say that things that have been consumed must be replenished in value terms and at the same time be replaced in kind. In common language, it must be possible to sell them and buy them back. In the following we will see how the products of these two sectors are realized.

First are the internal exchanges within the first sector. In the beginning of the year when the production process starts in the first sector, there are means of production valued at 4,000. Suppose at the end of the year when the production process is completed, all of them have been consumed. In order to carry on simple reproduction in the second year, new means of production valued at 4,000 must be replenished. Where can the capitalist obtain these means of production? They can only be obtained by exchanging commodities within the sector because only the first category produces means of production. For example, the capitalist of the machine-building plant buys iron and steel from the capitalist of the iron and steel mill, the capitalist of the iron and steel mill buys coking coal from the capitalist of the coking plant and machines from the machine-building plant. . . . Thus, through exchange within the first sector, 4,000 c can be replenished and exchanged both in value terms and in material forms. Just as Marx said, "it is an exchange of one natural form of constant capital for another natural form of constant capital, of one kind of means of production for other kinds of means of production."[73]

Next are the internal exchanges within the second sector. In the second sector, when the production process is completed at the end of the year, the worker receives 500 in wages to be spent on personal consumption. The capitalist gets 500 in surplus value. Under simple reproduction, there is no capital accumulation. The 500 in surplus value is also spent on means of consumption. Then, where can they buy the means of production they want? Only within the second sector because only the second sector produces means of consumption. Through internal exchanges within the second sector, that part of the product representing 500 v and 500 m can be realized in value terms as well as in material forms.

Finally, there are exchanges between the two sectors. After the above two types of exchanges, products valued at 1,000 v and 1,000 m still remain in

[73] Marx, "Capital," vol. 2, 423.

the first sector. In the second sector, products valued at 2,000 c still remain in the second sector. These two remaining parts of products cannot be realized within their own sectors because the 1,000 v and 1,000 m in the first sector, in value terms, should be used for personal consumption by the worker and capitalist. However, these products are means of consumption, not means of production. In the second sector, the 2,000 c in value terms should be used by the capitalist to replenish means of production consumed, but these are means of consumption, not means of production. How can these contradictions be resolved? They can only be resolved through exchanges between the two sectors. The result of these exchanges is that the worker and the capitalist in the first sector obtain their means of consumption and the capitalist of the second sector obtains means of production needed for reproduction the next year. The exchanges between these two sectors can be illustrated in the following chart:

I. 4,000 c + [1,000 v + 1,000 m] = 6,000

II. [2,000 c] + 500 v + 500 m = 3,000.

The result of the whole exchange process shows that under simple capitalist production there must be a given proportional relationship between the two sectors; namely, the sum of variable capital and surplus value of the first sector must be equal to the constant capital of the second sector in value terms. In other words, I (1,000 m) must be equal to II 2,000 c in the above example. Only by maintaining such a proportional relationship can simple capitalist reproduction be carried on. Therefore, I (v + m)=II c is the condition for the realization of social product under simple capitalist reproduction.

Necessary Conditions for Expanded Reproduction

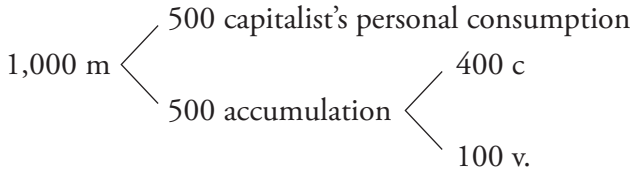
We know that the characteristic of capitalist reproduction is expanded reproduction. To carry on expanded reproduction, the capitalist cannot consume all his surplus value. He must continuously convert part of the surplus value into capital to expand the scale of production. To do so, the capitalist must use part of his newly created capital as constant capital to buy machines and raw materials needed for expanded reproduction. The rest is converted into variable capital to hire additional workers. Therefore,

to carry on expanded capitalist reproduction, the total annual products of the first sector must have surplus means of production in addition to those needed to replenish what has been consumed in the first and second sectors during the year. This condition can be expressed in terms of an inequality: I (c + v + m) > I c + II c. Both sides of the inequality contain I c, showing that means of production consumed in the first sector can be replenished from within the same sector. If we cancel out internal replenishments and concentrate on the relationship between the first and the second sectors, the above formula can be expressed as I (v + m) > II c. This is to say that the variable capital and surplus value of the first sector should be larger than the constant capital of the second sector. This is a precondition for expanded capitalist reproduction.

The following chart is used to show how the social product is realized under conditions of expanded capitalist reproduction:

I. 4,000 c + 1,000 v + 1,000 m = 6,000
II. 1,500 c + 750 v + 750 m = 3,000.

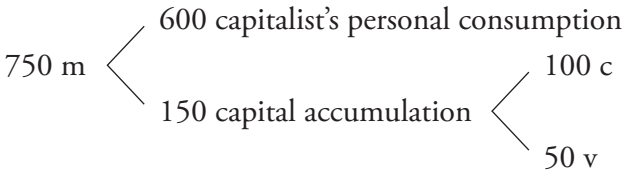
The above are hypothetical production figures for the first year. They meet the requirement for I (c + v + m) > I c + II c or I (v + m) > II c. Now that the capitalist wants to expand reproduction, he cannot spend all the extracted surplus value on consumption. Suppose the capitalist in the first sector spends half of 1,000 m on personal consumption and converts the other half as added capital in the same proportion as the original organic composition of capital, that is, 4:1 (4,000 c : 1,000 v). The distribution of 1,000 m is as follows:



We know that the 400 for added constant capital in the first sector is spent on means of production. Its material forms are also means of production. Therefore, they can be obtained through internal exchanges within the first sector. But the 100 for added variable capital in the first sector is used to hire additional workers who will spend it on means of consumption.

However, its material forms are means of production. Therefore, it must be exchanged with the second sector to obtain means of consumption.

Because the material forms of the added variable capital 100 in the first sector are means of production and must be exchanged with the second sector for means of consumption, this creates conditions for expanded reproduction in the second sector. But it also requires the second sector to carry on corresponding capital accumulation for expanded reproduction to meet the increase demand for means of consumption from expanded reproduction in both sectors. Suppose the capitalist of the second sector exchanges part of his surplus value (100 m) for means of production from the first sector to be converted into added constant capital and uses another 50 m as added variable capital in order to conform to the proportion of the original organic composition of capital in the second sector, namely 2:1 (1,500 c : 750 v). Then 750 m will be distributed as follows:



Through the above capital accumulation, the products of the two sectors are rearranged as follows:

I. (4,000 c + 400 c) +(1,000 v + 100 v) + 500 m = 6,000
II. (1,500 c + 100 c) + (750 v + 50 v) + 600 m = 3,000.

Thus, the capital of the two sectors is larger than the original capital advanced, and the conditions for expanded scale of production in the following years in both sectors are guaranteed.

Then, under the condition of expanded reproduction, how are the products of the two sectors realized?

Under the condition of expanded reproduction, the realization of social production is carried on in three aspects just as in simple reproduction: internal exchanges within the first sector, internal exchanges within the second sector, and exchanges between the two sectors. In terms of charts, it is:

I. (4,000 c + 400 c) + $\boxed{(1{,}000\ v + 100\ v) + 500\ m}$ = 6,000

II. $\boxed{(1{,}500\ c + 100\ c)}$ + (750 v + 50 v) + 600 m = 3,000

Through the above exchanges, the capital of each sector is larger than the original advanced. The composition of capital in the second year is as follows:

I. 4,400 c + 1,000 v = 5,500
II. 1,600 c + 800 v = 2,400.

If the rate of exploitation stays at 100 percent in this year, the production of the two sectors in the second year is:

I. 4,400 c + 1,100 v + 1,100 m = 6,600
II. 1,600 c + 800 v + 800 m = 3,200.

Compared with the first year, expanded reproduction has been realized.

The Contradictions of Capitalist Reproduction Are Antagonistic

Through the above analysis, we know the necessary conditions for the realization of social product under capitalist simple and expanded reproduction. But this is not to say that these conditions always exist in capitalist society. In fact, these conditions are frequently violated in capitalist society. Just as Lenin pointed out:

> The abstract theory of realization assumes and must assume the proportional distribution of the product between the various branches of capitalist production. But, in assuming this, the theory of realization does not, by any means, assert that in a capitalist society products are always distributed or could be distributed proportionally.[74]

This is due to the fact that in capitalist society, means of production and products are privately owned by the capitalist and the whole social production is governed by competition and chaotic production conditions. Thus, the proportional relationship between the two sectors and among production departments within each of the sectors is frequently violated. Because of the antagonistic contradiction due to the immense increase of productive forces in capitalist society and the relative decrease of effective demand from the laboring masses, the necessary proportional relationship between the

[74] V. I. Lenin, "Once More on the Theory of Realization," in *Collected Works*, vol. 4 (Moscow: Progress Publishers, 1977).

two sectors cannot always be maintained. Therefore, capitalist reproduction cannot but encounter all sorts of difficulties and obstacles.

There exists a series of antagonistic contradictions in the capitalist reproduction process. These contradictions in due course inevitably lead to economic crises.

Major Study References

- Karl Marx, "Capital," vol. 2, chapters 1, 2, 3, 7, 8, 20, 21.
- V. I. Lenin, "On the So-Called Market Question"[75]

Review Problems

1. How does the capitalist extract more surplus value through the circulation and turnover of capital?
2. What are the conditions for the realization of capitalist reproduction? Are these conditions always satisfied in capitalist society? Why?

[75] V. I. Lenin, *Collected Works*, vol. 1 (Moscow: Progress Publishers, 1977).

7

THE ENTIRE BOURGEOISIE EXPLOITS AND OPPRESSES THE WORKERS

The Division of Surplus Value

In capitalist society, the worker is subject to the exploitation and oppression not only of the capitalist of the enterprise to which he belongs, but also of the whole bourgeoisie, consisting of the industrial capitalist, the commercial capitalist, the banking capitalist, and the landed class. Industrial profit, commercial profit, banking profit, interest, and land rent are all extracted from the worker and are all transformed surplus value. Then, how do the various exploiting cliques divide up surplus value? And how is surplus value transformed into profit, interest, land rent, and other concrete forms? These are the problems we will be dealing with in this chapter.

Competition Among the Industrial Capitalists Leads to the Equalization of the Rate of Profit

Profit Is Transformed Surplus Value

The insatiable greed for surplus value is the nature of the capitalist. What the capitalist exploits is the surplus value created by the surplus labor of the worker. But in appearance, it is revealed as the capitalist's profit. What then is the distribution and connection between profit and surplus value?

We know that the capitalist must advance some capital in order to exploit the surplus value created by the worker. Of this capital, a part is used to purchase means of production, and the rest is used to purchase labor power for the capitalist production process. In Chapter 4, we stated that that part of the capital used to purchase means of production is constant capital, whose value remains unchanged in the production process. That part of the capital used to purchase labor power is variable capital, which realizes value augmentation in the production process and brings surplus value to the capitalist. Hence, surplus value is created by the working class and is a product of variable capital. But when the capitalist computes his rate of

profit, he compares the surplus value with the total capital advanced, as if surplus value is the product of the total capital advanced. Thus, "surplus value, whose magnitude hinges upon the degree of labor exploitation, [is] transformed into profit, whose magnitude depends upon the amount of the capital employed."[76]

Just as surplus value is transformed into profit, the rate of surplus value is transformed into the rate of profit. The ratio of surplus value to variable capital is the rate of surplus value. Its formula is: surplus value/variable capital, or m/v. The ratio of surplus value to total capital is the rate of profit. Its formula is: surplus value/total capital advanced, or m/c + v.

After surplus value is transformed into profit, the real source of surplus value is concealed, as if constant capital can also bring surplus value to the capitalist. And after the rate of surplus value is transformed into the rate of profit, the degree of exploitation of the worker by the capitalist is concealed. For example, a capitalist advances 10,000 *yuan* as total capital, of which 8,000 *yuan* is constant capital and 2,000 *yuan* is variable capital. Surplus value extracted in one year is 2,000 *yuan*. The rate of surplus value is 2,000/2,000, or 100 percent. But the rate of profit is 2,000/8,000 + 2,000, or 20 percent, much lower than the rate of surplus value. Therefore, the purpose of the capitalist in treating surplus value as the product of the total capital advanced is to conceal the real source of surplus value and the degree of exploitation of the worker.

Competition Among Capitalists of Various Sectors Equalizes Profit

To go after profit is the class nature of the capitalist. The intent of the capitalist is always to obtain the maximum amount of profit by advancing the smallest amount of capital. The capitalists not only cruelly exploit the worker, they also compete fiercely among themselves.

Competition among capitalists is carried on both among enterprises in the same sector and among sectors. In the competition among enterprises in the same sector, those capitalists adopting new techniques are in a favorable position. The labor productivity of their enterprises is high and the individual labor time is below the socially necessary labor time so that excess surplus value is obtained. This excess surplus value is transformed into excess profit which is pocketed by the capitalist who adopts new techniques. A dif-

[76] Marx, "Capital," vol. 3, 17.

ferent result is obtained in competition among sectors. It leads to a uniform rate of profit among them. The capitalists of various sectors divide up the surplus value created by the worker according to the principle of equal profit for equal capital.

Let us now analyze how competition among the capitalists of various sectors leads to a uniform rate of profit.

In capitalist society, the rate of profit varies among production sectors with their different organic composition of capital. The organic composition of capital is the ratio of constant capital to variable capital, and surplus value is only the result of the augmentation of variable capital. Hence, under the condition of a uniform rate of surplus value, the higher the organic composition of capital is, that is, the larger the share of constant capital and the smaller the share of variable capital, the smaller the surplus value given an equal amount of advanced capital. The rate of profit is also lower. On the other hand, the lower the organic composition of capital, the higher the rate of profit will be. Suppose shoemaking, spinning and weaving, and machine building are the three sectors of society. The organic composition of capital is 7:3 in the shoemaking sector, 8:2 in the spinning and weaving sector, and 9:1 in the machine-building sector. The capital of each of these three sectors is 10,000 (in units of thousands of *yuan* or ten thousands of *yuan* or any other convenient unit), and the rate of surplus value is 100 percent. To facilitate analysis, we further assume the rate of capital turnover in these three sectors is once a year. The value of constant capital is completely transformed in one year to products of that year. Thus, with a 100 percent rate of surplus value, the shoemaking sector obtains a profit of 3,000, the spinning and weaving sector obtains a profit of 2,000, and the machine-building sector obtains a profit of 1,000. The organic composition of capital is lowest in the shoemaking sector. Its rate of profit is 30 percent. The organic composition of capital is highest in the machine-building sector. Its rate of profit is the lowest, only 10 percent. The organic composition of capital in the spinning and weaving sector is in the middle with a rate of profit of 20 percent. It is lower than that of the shoemaking sector, but higher than that of the machine-building sector.

Such a condition of equal investment with unequal profit cannot exist for long in capitalist society. The capitalist always tries to invest capital in the production sector with the highest rate of profit. Therefore, the

above condition must undergo changes. First of all, some capitalists of the machine-building sector will withdraw from production and invest their capital in the shoemaking sector for a higher rate of profit. Such a transfer of capital greatly boosts the output of the shoemaking sector. As supply gradually exceeds demand, the price comes down. On the other hand, the output of the machine-building sector is gradually reduced. The supply of machines gradually falls short of the demand for them, and the price gradually goes up. A combination of capital transfers and price adjustments leads to a more or less uniform rate of profit. This is then the average rate of profit. It is the result of comparing the total societal surplus value with the total societal capital. If we take the three sectors as representing the total societal production, the total societal surplus value is 6,000, and the total societal capital is 30,000. The average rate of profit is 6,000/30,000 = 20 percent. The profit obtained according to the average rate of profit is called the average profit. Marx pointed out, "Average profit is the basic conception [according to which] capital in each sphere of production must share *pro rata* to its magnitude in the total surplus value squeezed out of the laborers by the total social capital."[77] The category of average profit reflects the relationship among the capitalists of various sectors in dividing up the surplus value created by the working class of society.

The formation of average profit further conceals the capitalist exploitative relationship. The transformation of surplus value into profit already confuses the source of surplus value. But the profit obtained by the capitalists in various production sectors is still equal to the surplus value created by the workers of the respective sectors. After the formation of average profit, the capitalists of various sectors divide up surplus value so that the profit obtained by the various sectors is no longer equal to their respective surplus value produced. Now, provided that each sector possesses an equal amount of capital, an equal amount of surplus value can be obtained. The size of profit is entirely determined by the size of the capital advanced. This further obscures the nature of profit and the exploitative relationship it reflects.

[77] Marx, "Capital," vol. 3, 207.

The Equalization of the Rate of Profit Transforms the Value of Commodities into Production Price

After the formation of average profit, the capitalist no longer sells commodities according to their values, but according to their production prices. Production price is equal to cost plus average profit. Based on the earlier assumptions, the formation process of production price is shown in the following table.

From the table, we can see that in the machine-building sector where the organic composition of capital is high, the production price of the commodity is higher than its value, while in the shoemaking sector where the organic composition of capital is lower, the production price is lower than value. Only in the spinning and weaving sector where the organic composition of capital is in the middle is the production price equal to value.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Production sector	**Constant capital**	**Variable capital**	**Surplus value**	**Commodity value** = (1) + (2) + (3)	**Average rate of profit (%)**	**Average profit** = [(1) + (2)] × (5)	**Commodity production price** = (1) + (2) + (6)	**Production price minus value** = (7) – (4)
Shoemaking	7,000	3,000	3,000	13,000	20	2,000	12,000	-1,000
Spinning and weaving	8,000	2,000	2,000	12,000	20	2,000	12,000	0
Machine building	9,000	1,000	1,000	11,000	20	2,000	12,000	1,000
Total	24,000	6,000	6,000	36,000	20	6,000	36,000	0

With the formation of average profit and the transformation of value into production price, market price no longer fluctuates around value, but around production price. Does the appearance of production price mean that the law of value no longer matters? No. From the viewpoint of the individual capitalists in various sectors, some sell their commodities at production prices above value and obtain more profit than the surplus value created by their sector, while others sell their commodities at production prices below value and obtain less profit than the surplus value created by their

sector. However, from the viewpoint of the whole society, the total value of commodities is equal to the total production price. The total average profit obtained by the industrial capitalists as a whole is equal to the total surplus value created by the industrial workers as a whole. Therefore, production price is merely a transformation of value.

Marx's theory about average profit tells us: in capitalist society, the worker is subject to the exploitation and oppression not only of the capitalist in his own enterprise, but also of the industrial capitalists as a whole.

The Commercial Capitalists Share in the Surplus Value Through Commodity Transactions

The Role of Commercial Capital Is to Realize Surplus Value

In the above analysis, we suppose the surplus value created by the working class was monopolized by the industrial capitalist. In fact, the industrial capitalist cannot monopolize it. He must transfer part of the surplus value extracted from the worker to the commercial capitalist. The commercial capitalist does not engage in commodity production; he merely advances capital to buy commodities in bulk from the industrial capitalist and sells them to help the industrial capitalist in realizing surplus value. This surplus value obtained by the commercial capitalist is called commercial profit.

Why does the industrial capitalist need the commercial capitalist to sell commodities for him, and why is he willing to share a part of the surplus value extracted with the commercial capitalist? Because with the development of capitalism, the volume of commodities produced by the industrial capitalist steadily increases, and the market for commodities steadily expands. If the industrial capitalist has to handle the business of commodity sales, he must establish a large commercial organization and hire a large number of shop assistants. This is not profitable for the industrial capitalist because a large amount of capital would have to be tied down to the exchange process, thus adversely affecting his scale of production and competitive power. If the sale of commodities is delegated to the commercial capitalist specializing in commodity transactions, he can benefit from the advantages of specialization in commodity transaction and save on exchange expenses. In addition, because of the existence of the independent activities of commercial capital, the industrial capitalist can sell his commodities to the commercial

capitalist in bulk and more quickly complete the transformation from commodity capital to money capital. Consequently, his capital can be active in the production sphere and play the role of productive capital longer for the extraction of more surplus value. Thus, though a part of the surplus value has to be transferred to the commercial capitalist, it is still to the advantage of the industrial capitalist after all. This is why commercial capital is separated from industrial capital.

Commercial Capital Also Participates in the Formation of Average Profit

By helping the industrial capitalist realize surplus value by investing in commerce, the commercial capitalist not only requires commercial profit, he also requires that this commercial profit not be lower than the average profit of industrial capital. Otherwise, the commercial capitalist would rather invest his capital in the production sector than engage in commerce.

Where does commercial profit come from? On the surface, it appears that commercial profit is brought about by the sale of commodities above their value. The bourgeoisie takes advantage of this illusion and says that commercial profit arises from exchange. This is a distortion of the source of commercial profit and a concealment of exploitation.

In fact, commercial profit is also a part of the surplus value extracted from the worker by the industrial capitalist. Because the industrial capitalist wants the commercial capitalist to sell commodities for him, he cannot sell his commodities according to their production price, but must sell below production price. The commercial capitalist then sells the commodities at production price to the consumers. In this way, a part of the surplus value extracted from the worker by the industrial capitalist is transferred to the commercial capitalist.

For example, suppose the industrial capitalist in society invests 40 billion *yuan* in a year, of which 30 billion *yuan* is constant capital, 10 billion *yuan* is variable capital, and 10 billion *yuan* is surplus value. Suppose the production cycle is one year and the value of constant capital is completely transferred to products in one year. Then, the total value of commodities, or the total production price, is 30 billion *yuan* + 10 billion *yuan* + 10 billion *yuan* = 50 billion *yuan*. The rate of profit is 10/40 = 25 percent. But the circulation of commodities must be handled by the commercial capitalist. Suppose the total value of commercial capital is 10 billion *yuan*. Then the total capital

in the production and exchange spheres is 50 billion *yuan*. The 10 billion *yuan* of surplus value must be shared equally between the 50 billion *yuan* of industrial and commercial capital. The average profit rate can no longer be 25 percent, but instead is 20 percent. According to the average profit rate of 20 percent, the industrial capitalist obtains 8 billion *yuan*, and the commercial capitalist obtains 2 billion *yuan*. That the commercial capitalist can obtain this 2 billion *yuan* of profit is because the industrial capitalist sells his commodities to the commercial capitalist at a price below their production price, that is, at the price of 48 billion *yuan* (40 billion *yuan* in cost and 8 billion *yuan* in profit). And the commercial capitalist sells the commodities according to the production price of 50 billion *yuan* and obtains a 2 billion *yuan* profit. Thus, the 10 billion *yuan* of surplus value created by the worker is shared proportionally according to the capital advanced by the industrial and commercial capitalists respectively.

The Commercial Capitalist Cruelly Exploits the Employee

The commercial employee is just like the industrial worker. He is a hired laborer and subject to the exploitation of the bourgeoisie. The difference between them is that the industrial worker produces surplus value in the production sphere for the capitalist under his supervision, while the commercial employee realizes surplus value for the capitalist in the exchange sphere under his supervision. Why do we say the commercial employee is subject to exploitation just like the industrial worker? This is because the commercial employee and the industrial worker earn their livings by selling labor power. The value of their labor power has to be determined by labor time needed to reproduce labor power. Although the commercial employee does not create value or surplus value through his labor connected with commodity transactions, the value of commodities and the surplus value embodied must be realized through his labor. Therefore, the labor time of the employee is also divided into necessary labor time and surplus labor time. The part of surplus value realized in the necessary labor time through the employee's sale of commodities goes to compensate the variable capital with which the commercial capitalist buys the labor power of the employee. In the surplus labor time, the employee works for the commercial capitalist for free in order to enable the commercial capitalist to share part of the sur-

plus value from the industrial capitalist as commercial profit. Therefore, the commercial employee, like the industrial worker, is exploited.

The exploitation of the employee by the commercial capitalist is equally cruel. To obtain more commercial profit, the commercial capitalist raises labor productivity by lengthening labor time and increasing labor intensity. He also resorts to deducting wages from the employee and other ruthless means to intensify exploitation. Take the example of the capitalists in the old Shanghai Xiedaxiang Silk Goods Company. In order to intensify exploitation of the employee, they set down 120 regulations. The employee was required to work sixteen to seventeen hours a day at high labor intensity. There were so many deductions from his wages that they were not sufficient for a minimum level of subsistence. Under the bloodthirsty extractions of the capitalist, the broad masses of employees, like the multitude of industrial workers, sell not only their labor power but also their lives.

The Financial Capitalists Share in Surplus Value Through Loans and Borrowings

The Source of Interest Is Surplus Value

In capitalist society, the financial capitalist, in addition to the industrial and commercial capitalists, also shares in the surplus value.

There are certain objective necessities for the existence of capital loans and borrowings because, in the capitalist reproduction process, the capitalist may be short of capital. For example, when products have not been sold but machines and raw materials have to be bought and wages paid, some money capital has to be borrowed. Sometimes, there may also be idle money capital. For example, before fixed capital is replaced, the capitalist may have some accumulated depreciation charges in money form. After commodities have been sold but before raw materials have been bought and wages paid, there may also be some idle money capital. Under these circumstances, those capitalists who possess money capital can lend the temporarily idle money capital to capitalists in need of money. The capitalists who borrow this money capital will use it to produce or sell commodities to extract or realize surplus value. Naturally, the owners of money capital will not lend it to other capitalists without any compensation. They will demand a certain amount of money from the borrowing capitalists as compensation for the loan. The

borrowing capitalist must share a part of the surplus value he extracts with the lending capitalist. This part of surplus value is called interest.

Money capital that is lent for interest is known as loan capital. The ratio of interest to loan capital is called the rate of interest. The highest level of the interest rate cannot exceed the average profit rate. If this is not so, the borrowing capitalists will not get any benefit from the loans and will not borrow. The source of interest is surplus value. However, the apologists of the bourgeoisie advance the false theory that "big money breeds little money" and say that "interest comes from money itself " to conceal the nature and source of interest and the capitalists' exploitative relations.

Bank Profit Is Obtained from the Difference Between the Borrowing and Lending Interest

In capitalist society, the borrowing and lending of money is largely done through the bank. By attracting deposits, the bank collects idle capital and funds that the people do not need for a period of time. It then lends the money to the functioning capitalist. The bank pays interest to attract capital and collects interest from loans. The lending interest rate is higher than the deposit interest rate. This difference between the borrowing and lending interest rates, after subtracting the operating expenses of the bank, constitutes bank profit. Like interest, bank profit also comes from the surplus value created by the worker in production. The banking capitalist shares in the surplus value created by the worker by obtaining the interest differential through borrowings and loans.

The purpose of the banking capitalist in advancing capital to operate the bank is to obtain profit. Therefore, bank profit cannot be lower than the average profit obtained by other functional capitalists. If bank profit is below average profit, he will not run the bank but will instead run plants and shops himself.

The Appearance of Stocks Is a Reflection of the Intensification of the Parasitic Nature of Capitalism

With the development of capitalist production, the scale of enterprises expands. The large amount of capital needed to run large enterprises cannot be afforded by individual capitalists. There arises a need for many individual capitalists to form joint stock corporations. The joint stock corporation is

an enterprise with pooled capital. It is an important means which big capital uses to control medium and small capital and to manipulate capital.

The joint stock company issues stocks, and those who purchase the stocks become stockholders. Stockholders have a right to share part of the enterprise's profit according to the amount of stock owned. Income from stocks is known as dividends.

The capitalist who owns stocks does not have to work. He can loaf all day long and lead an extravagant life on dividends. The stockholder may also speculate in stocks. The stock exchange is full of dishonest competition. The appearance of people who live on interest by clipping interest coupons and speculating in stocks reflects the intensification of the parasitic nature of capitalism.

The Landed Class Reaps Without Sowing

Capitalist Monopoly Operation of Land Leads to Differential Rent

Landowners are another exploitative class in capitalist society. They own land and rent it out to the industrial and agricultural capitalist in order to share in the surplus value. To reveal the nature of capitalist rent, we start from the two forms of capitalist rent—namely, differential rent and absolute rent.

Land is the basic means of production for agricultural production. But unlike other means of production, its quantity is limited. This limited quantity of land includes superior, medium, and inferior land with respect to fertility. In capitalist society, this limited supply of land leads to the capitalist's monopolistic operation of land.

With capitalist monopoly of land, some agricultural capitalists operate superior and medium land; other agricultural capitalists operate inferior land. Because the produce of the superior and medium land cannot fully satisfy the market demand, the price of produce must rise in response to the shortage of supply vis-a-vis demand. It will continue to rise until the agricultural capitalists who operate the inferior land can obtain an average profit. Marx pointed out, "The price of production on the worst soil. . . is always the one regulating the market price."[78] Thus, those agricultural capitalists

[78] Marx, "Capital," vol. 3, 651.

who operate the superior and medium land will obtain excess profit. This excess profit constitutes differential rent.

There are two forms of differential rent. One arises from the difference in fertility and location and is known as Differential Rent I. The other arises from successive investments on the same piece of land and is known as Differential Rent II.

Let us first take the example of two pieces of crop land of equal size but different fertility (see table below).

The capital invested in each of the three pieces of land is 200 *yuan*. Suppose the capital is completely transferred to products. The cost will be 200 *yuan* in each case. But labor productivity of the agricultural worker is different on land of different fertility. The agricultural output is 4,000 *jin*, 5,000 *jin*, and 6,000 *jin* respectively.[79] If the average profit is 20 percent, then the production price (cost + average profit) of the total output for each piece of land is 240 *yuan*. But because the output is different for the different pieces of land, the production price of unit output is different. With inferior land, it is 0.060 *yuan*. With medium land, it is 0.048 *yuan*. And with superior land, it is 0.040 *yuan*. The social production price in the market is determined by the unit production price of inferior land, that is, 0.060 *yuan* per *jin*. Thus, the agricultural capitalist who operates inferior land obtains 240 *yuan*. After deducting 200 *yuan* of cost, an average profit of 40 *yuan* remains. There is no excess profit or differential rent. The agriculturalists who operate medium and superior land obtain 300 *yuan* and 360 *yuan* respectively. After deducting 200 *yuan* as cost, they get 60 *yuan* and 120 *yuan* respectively as excess profit in addition to 40 *yuan* of average profit. This excess profit constitutes Differential Rent I.

[79] 1 *jin* = .6 kg and about 1.1 lbs.—Ed. FLP

				Individual Production Price		Social Production Price		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Type of land	**Capital invested**	**Average profit**	**Output (jin)**	**Total Output = (1) + (2)**	**Unit Output = (4) / (3)**	**Unit Output**	**Total Output = (6) x (3)**	**Differential I**
Inferior	200	40	4,000	240	0.060	0.060	240	0
Medium	200	40	5,000	240	0.048	0.060	300	60
Superior	200	40	6,000	240	0.040	0.060	360	120

Unit: *yuan*

Let us now take the example of continually investing on the same piece of crop land to explain the emergence of Differential II. For example, the agricultural capitalist who operates inferior land invests successively on the same piece of land. He invests 200 *yuan* the first time. The output of produce is 4,000 *jin*, and the average profit is 40 *yuan* with no excess profit or differential rent. If this capitalist invests another 200 *yuan* the second time to construct water control facilities, add fertilizers, buy new machines, hire more agricultural workers, and increase labor productivity, he may get 5,000 *jin* more of produce (that is, he invests 400 *yuan* in total and obtains 9,000 *jin*). With an unchanged social production price for produce, the total price of the 5,000 *jin* obtained from the second investment is 300 *yuan*. After deducting 200 *yuan* as cost and 40 *yuan* as average profit, he still has 60 *yuan* of excess profit. This 60 *yuan* is Differential Rent II.

We must point out here that the amount of rent was already determined when the agricultural capitalist signed a contract with the landowner. Therefore, within the current contract, the excess profit obtained from successive investment will accrue to the agricultural capitalist. But when the contract expires and is renegotiated, the landowner may again raise the rent. In the end, this excess profit will be transferred to the landowner in the form of Differential Rent II. Marx pointed out:

> Differential rent has the peculiarity that landed property here merely intercepts the surplus profit which would otherwise flow into the pocket of the farmer, and which the latter may

> actually pocket under certain circumstances during the period of his lease.[80]

Therefore, the agricultural capitalist always attempts to have a longer contract. But the landowner tries his best to shorten the duration of a contract. Both sides fight to obtain this excess profit. This contradiction between the agricultural capitalist and the landowner makes the agricultural capitalist plunder the fertility of the land as much as he possible can before the expiration of a contract.

Monopolistic Private Landownership Leads to Absolute Rent

Inferior land does not provide differential rent. But if the owner of inferior land does not get any rent, he would prefer to let the land remain uncultivated rather than let others use it. In fact, the agricultural capitalist who operates inferior land must also pay rent to the landowner. This rent arising from the monopoly of private landownership is called absolute rent.

If the agricultural capitalist who operates inferior land must also obtain an average profit, where does the rent come from?

In capitalist society, agricultural technology is always behind manufacturing technology. The organic composition of capital in agriculture is always longer than that of manufacturing. We know that surplus value comes from variable capital. Since the organic composition of capital is lower in agriculture than in manufacturing, an equal amount of capital can bring more surplus value in agriculture than in industry. Suppose the average organic composition of capital in manufacturing is 8:2 and the rate of surplus value is 100 percent. Then, in every 100 *yuan* of capital, there is 20 *yuan* in variable capital bringing about 20 *yuan* in surplus value. The average rate of profit is 20 percent. The value of commodities and the production price are 120 *yuan*. And suppose the organic composition of capital in agriculture is 6:4 and the rate of surplus value is 100 percent. Then for every 100 *yuan*, there is 40 *yuan* in variable capital bringing about 40 *yuan* in surplus value. The value of produce is 140 *yuan* and the rate of profit is 40 percent. In capitalist society, agricultural produce can be sold at its value (140 *yuan*). But the agricultural capitalist can only obtain an average profit equal to that of the industrial capitalist—namely, 20 *yuan*. The production price of produce

[80] Marx, 741.

is therefore 120 *yuan*. Now agricultural produce is sold above its production price. In addition to an average profit of 20 *yuan*, the agricultural capitalist still has 20 *yuan* surplus which is the difference between the value of agricultural produce and its production price. This constitutes absolute rent.

Why can agricultural produce be sold above its production price? This is because of the existence of monopolistic private landownership. In manufacturing, the organic composition of capital in various departments is not all the same. It is natural for departments with lower organic composition of capital to produce more surplus value. But as a result of interdepartmental competition and the transfer of capital, all industrial capitalists can obtain only an average profit. So industrial products can be sold only at their production price. But, agricultural production is different from manufacturing production. There is one obstacle in agriculture—namely, monopolistic private ownership, which prevents the unconditional transfer of capital to agriculture. This prevents the surplus value in the agricultural sector from participating in the process of profit equalization. And agricultural produce can be sold at a value higher than its production price.

Therefore, in agriculture, even inferior land can obtain more surplus value from an equal amount of capital. This surplus value is not shared with manufacturing. It remains in agriculture and is converted into absolute rent for the landowner.

Capitalist Rent Is Also a Part of Surplus Value

Although the formation of differential and absolute rent arises from different causes, their substance and source are the same. As a result of capitalist monopolistic operation of land, the price of produce is determined by the production price on inferior land. The agricultural capitalist who operates superior and medium land thus reaps excess profits. This excess profit has no connection with private landownership. Even if there is no private landownership, the agricultural capitalist who operates superior and medium land will still obtain this excess profit. Marx pointed out, private landownership "[the] transformation of surplus profit into ground rent. . . is the result of landed property."[81] As a result of the existence of private landownership, this excess profit is transformed into differential rent. Also because of the existence of monopolistic private landownership, the price of

[81] Marx, 725.

agriculture produce can be set at a value above its production price. Even the agricultural capitalist who operates inferior land can obtain excess profit which is transformed into absolute rent for the landowner. The source of differential rent and absolute rent is excess profit. This excess profit is created by the agricultural worker, just as is the whole surplus value in agriculture. The agricultural capitalist rents land from the landowner, buys means of production, hires agricultural workers to engage in production, and extracts surplus value from the agricultural workers. From this surplus value, the agricultural capitalist obtains an average profit. The surplus value over and above the average profit is transformed into rent. Therefore, the substance of rent is also surplus value.

However, the landowner and his spokesman, in order to conceal the exploitation of the agricultural worker by the landowner and the agricultural capitalist, seize upon the superficial differences between the output of produce from superior and inferior land to insist that "rent is brought but by land itself." This explanation is entirely groundless. Good and superior land only provide favorable conditions for the increase of labor productivity and a natural basis for the creation of surplus profit. But without the labor of the agricultural worker, even the best land cannot create any value. Marx pointed out, "All ground rent is surplus value, the product of surplus labor."[82] Marx's theory of rent thoroughly exposes the fallacious explanation of the landowner and his spokesman.

Capitalist rent and feudal rent are a result of private landownership, but their respective exploitative relations are different. Feudal rent is the total surplus labor or surplus produce that the feudal landlord obtains from the peasant. Capitalist rent is the surplus value over and above an average profit obtained by the agricultural capitalist from the agricultural worker. Feudal rent manifests the exploitative relation between the feudal landlord and the peasant. Capitalist rent manifests the exploitative relation between the landowner and the agricultural capitalist on the one hand and the agricultural worker on the other.

Through the above analysis, we can see that in capitalist society the bourgeoisie is divided into different exploitative groups. There are the manufacturing, agricultural, commercial, and banking capitalists. The landowner is another exploitative class in capitalist society. They are all foxes of the same

[82] Marx, 628.

ilk sharing among themselves the surplus value created by the working class and concertedly exploiting and oppressing the working class. Therefore, in capitalist society, the bourgeoisie is on top of the working class. The contradiction between the worker and the capitalist is the contradiction between the whole working class and the whole bourgeoisie. This is the basic contradiction of capitalist society. If the working class wants to liberate itself, it must unite as a class, take up guns to make revolution, overthrow the whole bourgeoisie, and destroy the capitalist exploitative relationship.

Major Study References

- Karl Marx, "Capital," vol. 3, chapters 1, 2, 9, 17, 21, 38, 45.
- Mao Zedong, "Analysis of the Classes in Chinese Society."
- Mao Zedong, "The Chinese Revolution and the Chinese Communist Party," chapter 2, sections 2, 4.

Review Problems

1. How do the various exploitative groups in capitalist society exploit the surplus value created by the working class?
2. What is the significance of Marx's theory on the division of surplus value?

8

THE INCURABLE DISEASE OF CAPITALISM

Economic Crises

Economic crises are the natural product of capitalist economic development. They are pronounced manifestations of the intensification of various contradictions in capitalist production, exchange, distribution, and reproduction. How do capitalist economic crises arise? What are their effects on capitalist development? We will talk about these problems in this chapter.

Economic Crises Are a Product of the Intensification of the Basic Contradictions in Capitalism

Capitalist Economic Crises Are Crises of Overproduction

Before capitalism (for example, in the long history of China's feudal society), there were also many social, economic, and livelihood crises. Because of the cruel exploitation of the peasant by the landlord class, the ravages of war, and natural calamities such as floods, droughts, insect pests, and hailstorms, agricultural production suffered serious damage, the laboring people lost their homes, and hundreds of thousands died of hunger and plagues. Social, economic, and livelihood crises at those times were characterized by insufficient food grain production. Capitalist economic crises are not characterized by insufficient production, but by overproduction. The most notable features connected with capitalist economic crises are: large quantities of commodities cannot be sold, factories close down, banks fold, values of stocks fall, unemployment figures rapidly increase, productive forces suffer severe damage, and the whole economy is paralyzed and chaotic.

Capitalist economic crises are crises of overproduction. But the so-called "overproduction" is not an absolute overproduction; it does not mean that things produced by society are more than what the masses can consume. In economic crises, the phenomena described below are widespread. Textile workers receive dismissal notices saying that there is an overproduction of yarns and fabrics without sales outlets so production has to be cut back

and workers dismissed. However, the textile workers and their families are inadequately clothed. Those who produce fabrics cannot afford them. Miners receive dismissal notices saying that there is an overproduction of coal necessitating production and employment cutbacks. Yet, the miners and their families have to shiver in the cold for lack of money to buy coal. Therefore, capitalist overproduction is relative overproduction. In other words, social production is excessive only in relation to the purchasing power of the masses. During economic crises, inventories pile up in the warehouses of the capitalist for lack of demand. Commodities may be rotting away or even artificially destroyed. On the other hand, the broad laboring masses are too poor to afford food and clothing and are struggling on the verge of starvation.

The economic crisis of overproduction is a special feature of the capitalist economy. Nevertheless, the possibility of economic crises is latent in the development process of the commodity economy from the beginning. When the commodity producer sells his commodities, he does not always immediately use the money obtained to buy means of production or required daily commodities. However, if he does not buy, then those commodity producers who trade with him cannot sell. Here dislocations between sales and purchases may arise, and the possibility of crises exists. However, when commodity production was carried on by petty commodity producers and based on individual ownership, the purpose of production was to trade for other commodities to maintain production and satisfy personal consumption needs. Therefore, sales were usually followed by purchases. At the same time, the productive forces were low, and the scale of production small.

Society's division of labor was not well developed and production interdependencies were not very close. Even if dislocations between sales and purchases arose, their effects were local and would not lead to economic crises affecting the whole society. Therefore, even though commodity production itself embodies the possibility of crises, the inevitability of crises can only be found in the capitalist economic system itself.

The Source of Economic Crises Lies in the Basic Contradiction of Capitalism

Economic crises in capitalist society are inevitable. This is determined by the basic contradiction of capitalism. Stalin pointed out:

> The basis, the cause, of economic crises of overproduction lies in the capitalist system of economy itself. The basis of the crisis lies in the contradiction between the social character of production and the capitalist form of appropriation of the results of production.[83]

Why does the basic contradiction of capitalism inevitably lead to economic crises?

First of all, the basic contradiction of capitalism inevitably manifests itself in a contradiction in which the productive forces greatly increase while the purchasing power of the laboring people relatively decreases. Capitalist large-scale social production is very different from individual handicraft production. Individual production is characterized by simple reproduction. Even under very favorable market conditions, its growth in production is slow. Capitalist production is production by big machines and is capable of rapid growth. The capitalist tries his best to expand production in search of more profit because the larger the scale of production, the more surplus value he can extract. At the same time, the capitalist must also try to improve his techniques and expand his scale of production in order to avoid being squeezed out by other capitalists. With the expansion of production, the standard of consumption must also be increased so that the increased production of commodities can be sold and social production continued. But under the condition of private ownership of the means of production, the capitalist always tries to reduce wages to the lowest possible level. The development of capitalist production and the adoption of new techniques inevitably keep a large number of workers outside the factory gates and expand the ranks of the unemployed. Capitalist competition inevitably renders a large number of peasants and handicraftsmen bankrupt so that small capital is squeezed out or swallowed by big capital. Thus, on the one hand there is an immense growth of production, and on the other hand there is a relative decrease in the purchasing power of the laboring people. This contradiction makes the economic crises of overproduction inevitable.

The basic contradiction of capitalism also inevitably leads to economic crises, because the contradiction inevitably manifests itself in a contradiction in which the production of individual factories is organized, while

[83] J. V. Stalin, "Political Report of the Central Committee to the Sixteenth Congress of the CPSU(b)," in *Works*, vol. 12 (Moscow: Foreign Languages Publishing House, 1949).

social production is chaotic. As production becomes social, the relationship and interdependency among production sectors and among various enterprises are increasingly close. For example, the cotton required by the textile mill is supplied by the agricultural sector, and spinning and weaving machines by the machine-building industry. Therefore, in a given period of time, there must be a unified plan and arrangement to determine the necessary amount of cotton, cloth, and spinning and weaving machines so that social production can be smoothly carried out. However, capitalist private ownership of the means of production divides the whole society into numerous autonomous capitalist enterprises. From the viewpoint of one enterprise, its workers are all controlled by one capital, and its internal production is organized. But from society's viewpoint, what and how much the various enterprises of different capitalists produce are the private business of individual capitalists. Nobody else can say anything about it. Therefore, the production of the society as a whole is carried on under anarchic conditions. Because social production is uncoordinated, individual capitalists cannot possible know the actual demand for a certain commodity. Provided that there is profit, capitalists will compete among themselves to expand production. At the same time, capitalist commercial activities may also create false demand that conceals the society's actual purchasing power. Even though production actually exceeds the purchasing power of the masses, as long as the market price continue to go up, commercial capitalists will still order from industrial capitalists, and financial capitalists will still extend credit to industrial and commercial capitalists to facilitate industrial capitalists to expand production, thus creating false prosperity in the market. This false prosperity conceals the existence and development of overproduction. When overproduction is finally exposed, it is revealed through an avalanche of economic crises.

Thus we see that the source of economic crises lies in the capitalist system itself and in the basic contradiction of capitalism in which production is social but means of production are privately owned. As long as capitalism exists, economic crises are bound to explode. To eliminate crises, the capitalist system must first be destroyed.

Marxist Theory of Economic Crises Demolishes All Fallacious Theories of the Bourgeoisie Designed to Conceal Crises

The bourgeoisie and its apologists harbor extreme fear and hatred of the scientific conclusions about capitalist economic crises reached by Marxism. They have racked their brains to fabricate various lies in a vain attempt to dissociate crises with the capitalist system in order to deceive the working people and maintain the capitalist exploitative system. For example, some of them attribute the source of crises to "underconsumption" and propose to use "consumption stimulation" to eliminate crises. In fact, underconsumption by the laboring people did not come into existence after the appearance of capitalism. It has been in existence ever since the human society was divided into the exploiting and the exploited classes. But overproduction appears only in capitalist society. It is, therefore, easy to see that economic crises cannot be explained by "underconsumption."

After the Second World War, the militarization of the national economy led to temporary false prosperity in some capitalist countries. The apologists of the bourgeoisie seemed to have grasped a lifesaving straw. They made the nonsensical statement that "those who hold the view that the capitalist countries would inevitably run into great economic crises are all mistaken." They saw the increasing participation of the governments of the capitalist states in national economic activities as being "automatic regulators" which would, to a certain extent, enable the development of the capitalist economy to "automatically tend toward stability." This is also a lie. We know that the capitalist state machinery serves the bourgeoisie. Whatever the bourgeois state does to militarize the national economy or to regulate economic life, it does through various measures in order to intensify the exploitation of the people so that the capitalist can get richer. As Lenin pointed out long ago:

> Both America and Germany "regulate economic life" in such a way as to create conditions of *war-time penal servitude* for the workers (and partly for the peasants) and a *paradise* for the bankers and capitalists. Their regulation consists in "squeezing" the workers to the point of starvation, while the capitalists are

> guaranteed (surreptitiously, in a reactionary-bureaucratic fashion) profits *higher* than before the war.[84]

The regulation of economic life in the bourgeois countries has not made the capitalist economy "automatically tend toward stability"—on the contrary, it has impoverished the laboring people and diminished the market while enriching the capitalists. The basic contradiction of capitalism has steadily intensified, and the economic crises of capitalism have become more serious.

The Worsening Tendency of Capitalist Economic Crises

Capitalist Economic Crises Explode Periodically

As long as the capitalist system exists, the basic contradiction of capitalism will play its role. Capitalist economic crises are not problems that break out once or twice, but inevitably appear periodically. Looking at history, we see that the first large-scale economic crisis appeared in 1825 in England. After that, economic crises appeared repeatedly in 1836, 1847, 1857, and 1867. They occurred on the average of once every ten years. After these, they continued to explode with ever greater severity.

The cycle of economic crisis is the period of time between two successive crises. It consists in general of the four phases of crisis, depression, recovery, and boom. Of these, the phase of crisis is straightforward. It is the end of the last cycle and the beginning of a new cycle.

The crisis phase: Crises often strike suddenly. Before their arrival, there is widespread false prosperity in the market, and "business is thriving" in various industries. Although production already exceeds actual needs, plants are still working at full speed to fill up warehouses and meet orders because of the credit system and active speculative activities. Suddenly, an economic crisis arrives due to a dislocation in one of the links in the capitalist economy. Once overproduction in one field is revealed and sales become difficult, other fields are soon affected, leading to a chain reaction. For example, production cuts or suspension in the automobile industry due to overproduction inevitably affect the coal, electric power, and trans-

[84] V. I. Lenin, "The Impending Catastrophe and How to Combat It," in *Collected Works*, vol. 25 (Moscow: Progress Publishers, 1974).

portation industries. Commercial speculators who initially help boost the false prosperity now turn around to unload their stocks at reduced prices, thus worsening the situation. Now the warehouses are overstocked, sales are difficult, and prices drop rapidly. To arrest the drop of prices, the capitalist may even resort to destroying large quantities of commodities. Under the blow of slow sales and falling prices, many medium and small enterprises go bankrupt, and many banks close down. Those plants that continue to operate reduce their scale of production. At this time, the number of unemployed workers from all industries rapidly increases, and the whole economic situation rapidly worsens.

The depression phase: After the stormy assaults in the crisis phase, the tide of insolvency among industrial and commercial enterprises subsides. Those enterprises that survive the crisis conduct their activities on a smaller scale. Although shops are brightly decorated and their salesmen shout loudly, business is still very poor. A large number of workers are still unemployed with no means of livelihood. Capitalist industry, commerce, and banking are in the doldrums. However, in this phase, social consumption is still carried on. Stockpiles of commodities, after much damage, are sold slowly at very low prices. Under the surface of the doldrums, factors promoting the recovery of production slowly accumulate.

The recovery phase: With the reduction in stockpiles, prices slowly recover, and profits increase gradually. The capitalists step up their exploitation of the worker on the one hand and improve techniques and purchase new equipment on the other. Thus, production in the first category such as electric power, iron and steel, and machine building is the first to expand step by step. Employment gradually increases in this category. And the increase in employment leads to an increase in demand for consumer goods, thus stimulating the development of production in the second category. In this way, production gradually recovers, and the number of unemployed decreases. The once depressed capitalist economy is again gradually on its way to recovery.

The boom phase: The basic characteristics of this phase are rapid sales of commodities in the market, high profit, quickening activities in production and exchange, and the revival of credit and speculative activities. There is widespread "prosperity" in the market. The capitalists all try hard to expand production. Thus, under the surface of widespread "prosperity," new factors

for another crisis steadily accumulate. Engels described this lively phenomenon of the capitalist economy:

> By degrees the pace quickens, it becomes a trot, the industrial trot passes into a gallop, and the gallop in turn passes into the unbridled onrush of a complete industrial, commercial, credit and speculative steeple chase, only to end up again, after the most breakneck jumps—in the ditch of a crash.[85]

Crisis—depression—recovery—boom—crisis characterizes the cyclical nature of economic crises. It also manifests the cyclical nature of capitalist production. It shows that capitalist production cannot progress continuously but can only advance on a zigzag course.

Capitalist Economic Crises Worsen Steadily

In the development process of capitalist production, economic crises repeatedly appear. But each crisis is not a simple recurrence of the previous crisis. Capitalist economic crises tend to worsen steadily. Especially after the Second World War, economic crises have become more frequent and more severe. This is manifest in the following aspects:

First, the cycle of economic crises has shortened and economic crises are becoming more frequent.

Before the Second World War, economic crises occurred once every ten years. In the twenty odd years after the Second World War, the cycle of economic crisis shortened markedly.

We can clearly see from the following tables that after the Second World War there were five economic crises in the United States and Japan. The average time between the first and the fifth crisis was less than five years in the United States and less than four years in Japan. After the Second World War, the cycle of economic crises markedly shortened because, under the rule of monopoly capital, the laboring people are subject to increasing exploitation, their purchasing power is reduced relatively, and problems of the domestic market are intensified. Furthermore, because of the external aggression and expansion of various imperialist countries, the contradictions between imperialism and the people of colonies and satellite countries are intensified. This promotes national revolutions in the colonies and satellite

[85] Engels, *Anti-Dühring*, 304.

countries and consequently reduces the size of the foreign markets. Sales become a chronic problem. Thus, the contradiction between production and consumption is steadily intensified. All these show that the basic contradictions of capitalism are becoming ever more acute, and the capitalist relation of production imposes an ever more serious obstacle to the development of the productive forces.

Second, the blind replacement of fixed capital makes the ratio of capitalist reproduction more out of balance. Before the Second World War, whenever economic crises exploded, investment in fixed capital usually dropped rapidly. However, after the Second World War, investment in fixed capital was generally higher than before the war. Even during crises, the level of investment still remained relatively high. In the fifth economic crisis in the United States after the war, investment in fixed capital not only did not fall, it went up. There was an increase of 3.5 percent between 1969 and 1970. In the fifth economic crisis in Japan after the war, investment in fixed capital in 1971 was 3.2 percent higher than in 1970.

The higher level of investment in fixed capital after the war shows that, on the one hand, monopoly bourgeoisie uses the state machinery to increase its exploitation of the laboring people and transforms the surplus value extracted from the worker into capital. This speeds up capital accumulation but also speeds up the impoverishment of the proletariat and further reduces the purchasing power of the people. On the other hand, it shows that investment in fixed capital in the United States after the war consisted primarily of military orders and demands related to armaments and war preparations. Not only was a large amount of social resources wasted, but also the first category of industries was expanded without any control. As a result, the ratio of social reproduction was even more out of balance and the contradiction of capitalist reproduction became more acute. And capitalist economic crises became more frequent and more severe.

Postwar Economic Crises—The United States

Crisis Period	Manufacturing output				Highest unemployment (10,000 persons)	Number of bankruptcies during manufacturing production reduction (units)
	Highest Crisis Period	Lowest uring Crisis	Reduction (percent)	Months of reduction		
First 1948–49	August 1948	July 1949	8.6	11	410	9,246
Second 1953–54	August 1948	July 1949	8.6	11	410	9,246
Third 1957–58	March 1957	April 1958	14.8	13	520	15,579
Fourth 1960–61	January 1960	January 1961	7.5	12	571	15,668
Fifth 1969–70	September 1969	November 1970	8.1	14	550	13,629

Postwar Economic Crises—Japan

Crisis Period	Manufacturing output				Highest unemployment (10,000 persons)	Number of bankruptcies during manufacturing production reduction (units)
	Highest Crisis Period	Lowest During Crisis	Reduction (percent)	Months of reduction		
First 1953–54	December 1953	August 1954	5.0	8	68	565
Second 1957–58	July 1957	June 1958	10.7	11	92	1,565
Third 1962	January 1962	December 1962	2.7	11	62	1,653
Fourth 1964–65	December 1964	May 1965	2.0	5	54	2,464
Fifth 1970–71	July 1970	May 1971	5.7	10	80	8,427

Third, manufacturing crises are interwoven and interact with agricultural crises, intensifying the whole economic crisis. Under the capitalist system, economic crises occur not only in manufacturing but also in agriculture. When agricultural crises explode, they are reflected in rapidly increasing stocks in the warehouse of the agricultural capitalist, falling wholesale prices, shrinking cultivated acreage, increasing unemployment of agricultural workers, falling wages among those still employed, and mass bankruptcy among individual farmers. It can be seen that agricultural crises, like manufacturing crises, arise because of overproduction and are caused by the basic contradiction of capitalism. As long as the capitalist system exists, agricultural overproduction crises are just as inevitable as manufacturing overproduction crises.

But, compared with manufacturing crises, agricultural crises last much longer. In the twenty-three years since the agricultural crisis exploded with the manufacturing crisis in 1948, agriculture has never been able to free itself from overproduction.

The intertwining and interaction between industrial and agricultural crises has become a serious problem in the postwar United States economy. Manufacturing crises lead to insolvency in a large number of enterprises, production cutbacks, unemployment, and falling wages. As a result, demand for agricultural products is reduced, aggravating the crisis of agricultural overproduction. At the same time, agricultural crises also damage agricultural production and impoverish agricultural laborers. Consequently, demand for agricultural means of production and manufacturing products is reduced and crises of manufacturing overproduction are intensified. Under the influence of manufacturing and agricultural crises, capitalist economic crises inevitably worsen.

Fourth, the crises of capitalist overproduction is interwoven with the fiscal and financial crisis. After the Second World War, at the same time the cycle of capitalist economic crises shortened, the explosion of fiscal and financial crises became more frequent. Fiscal and financial crises often occur along with economic crises. Fiscal and financial crises, like economic crises, are an inevitable result of a further intensification of the basic contradiction of capitalism. Their major features are: budgetary deficits, indiscriminate expansion of money supply, rising prices, balance of payments deficits, dwindling gold reserves, and currency devaluation.

After the Second World War, in order to free themselves of the worsening economic crises, the imperialist powers vainly attempted to resort to armament and war preparations to stimulate national economic growth. However, military expenses and production expenses of the defense industry rose steadily, leading to chronic budget deficits. To pay for the huge defense expenses, imperialist countries have tried hard to increase taxation, negotiate foreign loans, issue currency, and engineer inflation, leading to fiscal crises. From the fiscal year 1946 to 1971, the United States budget deficits amounted to 137.9 billion dollars. The public debt reached 424.1 billion dollars. Even United States government officials claimed in dismay that the "United States public debt was larger than those of all other countries combined." "If we converted these public debts into United States one dollar notes, they could form a belt 35 feet wide encircling the equator 1,520 times."

As inflation worsens, the value of money falls steadily, leading to ever rising prices. In the past, before the explosion of an economic crisis, in general the price level would fall. But since the Second World War, the capitalist countries have been bent on adopting the militarization of the national economy and have pursued a policy of inflation. As a result, prices not only have not fallen during crises, but have gone up instead. For example, there have been five economic crises in the United States since the Second World War. With the exception of the crisis in the 1948–49 period, prices in the other four periods all rose. This indicated that purchasing power fell. The devaluation of a currency inside a country inevitably affects its external credit standing. United States imperialism launched successive aggressive wars. With large increases in the army stationed overseas and in military expenditures, the huge outflow of United States dollars sent its international credit standing plummeting. Since the Second World War, financial crises have occurred repeatedly in the financial market of the capitalist world. Massive sales of United States dollars and rushes for gold have forced the United States government to devaluate the dollar twice: once at the end of 1971 and again in February 1973. The hegemony of the United States dollar in the capitalist world has disintegrated.

The concurrence of economic and financial crises has bogged down the capitalist economy in a deep quagmire. On the one hand, economic crises have led to a plunge in production and a steady impoverishment of the laboring people and have reduced the revenues of the capitalist countries,

resulting in large deficits in federal budgets and in balance of payments that aggravate fiscal and financial crises. On the other hand, with the fiscal and financial crises worsening, inflation, higher taxation, falling real wages, and relative reduction in the purchasing power of the masses have inevitably further aggravated the economic crises of overproduction.

We can thus see that the cyclical nature of capitalist economic crises forms a vicious circle which gets worse and worse. The inherent antagonistic contradiction in capitalism is further intensified. Crises on top of crises have shaken the whole capitalist world like so many wild rainstorms.

Economic Crises Undermine the Basis of Capitalist Rule

Economic crises further intensify the basic contradiction of capitalism. During crises, competition among capitalists becomes more acute. Many medium and small enterprises, unable to compete with big enterprises, are the first to go bankrupt. To pay off their debts, many medium and small enterprises are forced to be auctioned off at losses. A few big enterprises that are more competitive take the opportunity to buy in at low prices. Therefore, after each crisis in capitalist society, capital becomes more concentrated in the hands of a few capitalists. Concentration of production and capital is hastened. The increasing concentration of production and capital implies that the basic contradiction of capitalism—namely, the contradiction between social production and capitalist private ownership, is becoming more acute.

Economic crises intensify class contradictions in capitalist society. To reduce their own losses during crises, the capitalists inevitably take the knife to the laboring people. They dismiss workers en masse, cut wages, resort to inflation, increase taxation, and try their best to shift the burden of the crises onto the shoulders of the laboring people. At the same time, during crises, the exploitation of agriculture by capitalist manufacturing and of the rural areas by the urban areas also increases, resulting in mass bankruptcy among the peasants. Therefore, capitalist economic crises inflict severe hardship on the working class and other laboring people and intensify the contradiction between the workers and peasants on the one hand and the bourgeoisie and big landowners on the other, causing the proletariat's tide of struggle against

the bourgeoisie to go higher and higher. Thus, the foundation of capitalist rule is continually rocked.

Economic crises fully expose the transitory nature of the capitalist system, revealing the existence of antagonistic contradictions between capitalist relations of production and productive forces. The capitalist relation of production is too confining for the huge social productive forces. It severely restricts the development of productive forces. During crises, only after immense destruction of productive forces and drastic reductions in production can the contradiction between production and consumption be temporarily and forcibly resolved. But at the same time, factors leading to another crisis are gradually accumulating. In the development process of the capitalist economy, there is a tendency for economic crises to get worse. This indicates that the capitalist relation of production is decaying and must be replaced by another, new relation of production which can adapt to the developmental needs of new productive forces—namely, the socialist relation of production.

Major Study References

- Frederick Engels, *Anti Dühring*, part 3, chapter 2.
- V. I. Lenin, "The Lessons of the Crisis"[86]

Review Problems

1. What is the source of capitalist economic crisis?
2. Why do we say that economic crises hasten the downfall of capitalism?

[86] V. I. Lenin, *Collected Works*, vol. 5 (Moscow: Progress Publishers, 1977).

9

THE UNCHANGING NATURE OF IMPERIALISM

Imperialism Is Monopoly Capitalism

Before the 1870s, capitalism was in a stage of free competition. From the 1870s onward, free competition steadily developed into monopoly. At the end of the nineteenth century and in the beginning of the twentieth century, capitalism completed its transition from free competition to monopoly and developed into imperialism. Lenin gave a complete and precise definition to imperialism:

> Imperialism is a specific historical stage of capitalism. Its specific character is threefold: imperialism is monopoly capitalism; parasitic, or decaying capitalism; moribund capitalism.[87]

This chapter first deals with the basic attributes of imperialism as monopoly capitalism.

Lenin pointed out that there are five basic characteristics in the economic aspect of imperialism. They are:

> (1) cartels, syndicates and trusts—the concentration of production has reached a degree which gives rise to these monopolistic associations of capitalists; (2) the monopolistic position of the big banks—three, four or five giant banks manipulate the whole economic life of America, France, Germany; (3) seizure of the sources of *raw material* by the trusts and the financial oligarchy (finance capital is monopoly industrial capital merged with bank capital); (4) the (economic) partition of the world by the international cartels has *begun*. There are already over *one hundred* such international cartels, which command the *entire* world market and divide it "amicably" among themselves—until war redivides it. The export of capital, as distinct from the export of commodities under non-monopoly capitalism, is a highly characteristic phenomenon and is closely linked with

[87] V. I. Lenin, "Imperialism and the Split in Socialism," in *Collected Works*, vol. 23 (Moscow: Progress Publishers, 1974).

> the economic and territorial-political partition of the world; (5) the territorial partition of the world (colonies) is *completed*.[88]

Lenin's theory concerning imperialism is our telescope and microscope for understanding and reactionary nature of imperialism.

Monopoly Is the Deep-Rooted Economic Basis of Imperialism

Monopoly Is an Inevitable Development of Capitalism

The transition from free competition to monopoly is the most marked economic phenomenon in the development of capitalism into imperialism. Other characteristics of imperialism are all related to monopoly and developed on the basis of monopoly. Therefore, imperialism is often known as monopoly capitalism. The birth of monopoly capitalism passed through three basic stages.

In the first stage in the 1860s and 1870s, free competition in capitalism reached its zenith of development. In manufacturing, the electric motor, the internal combustion engine, and a new steel refining method were invented. The development of productive forces shifted the relative share of light and heavy industry in favor of heavy industry. With the development of heavy industry characterized by a higher organic composition of capital, concentration of capital was accelerated. Monopoly organizations began to emerge.

In the second stage after the explosion in 1873 of the most severe economic crisis in the nineteenth century, competition among enterprises became more acute. Medium and small enterprises closed down, making way for the extensive development of monopoly organizations. In the United States, in 1879 Rockefeller set up the first trust (the Standard Oil Company). In 1880, the total production of anthracite coal was monopolized by seven companies. However, monopoly was still not in a dominant position. Most monopoly agreements were short term and unstable. In the last thirty years of the nineteenth century, the steam turbine, the automobile, and the diesel locomotive were invented, one after another. Productive forces were highly developed. The relative share of heavy industry was further increased. Conditions for a transition to the monopoly stage were basically completed.

[88] Lenin, "Imperialism and the Split in Socialism."

In the third stage at the end of the nineteenth century and the beginning of the twentieth century, the accumulation and concentration of capital greatly accelerated. More and more capital was concentrated in the hands of big enterprises. Monopoly organizations rapidly developed to gain control over various major manufacturing sectors and formed the basis of all economic life. In the beginning of the twentieth century, United States monopoly organizations controlled 70 percent of the metallurgical industry, 66 percent of the iron and steel industry, 81 percent of the chemical industry, 85 percent of the aluminum production, 80 percent of the tobacco and sugar refining industries, and 95 percent of coal and oil production. From this time on, free competition capitalism grew into monopoly capitalism, and capitalism was transformed into imperialism. Hence, Lenin said, "monopoly is the fundamental economic feature, the *quintessence* of imperialism."[89]

The transition from free competition capitalism to imperialism has not changed the fundamental nature of capitalism. Its economic basis is still capitalist private ownership of the means of production. Its class contradiction is still the contradiction between the proletariat and the bourgeoisie. Longstanding economic laws such as competition and chaotic production are still playing their active roles. Chairman Mao pointed out:

> When the capitalism of the era of free competition developed into imperialism, there was no change in the class nature of the two classes in fundamental contradiction, namely, the proletariat and the bourgeoisie, or in the capitalist essence of society.[90]

In the imperialist stage, some new features emerged, intensifying and magnifying the existing contradiction of capitalism.

Monopoly Organization Guarantees the Extraction of High Monopoly Profits

Monopoly organization is either the largest capitalist enterprise or an alliance of capitalist enterprises. They control the production and distribution of certain products and set monopoly prices by virtue of their monopoly position in order to extract high monopoly profits. The economic pulses of capitalist countries are under their manipulation.

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[89] Lenin, "Imperialism and the Split in Socialism."

[90] Mao Zedong, "On Contradiction," in *Selected Works*, vol. 1, 296.

Monopoly organizations assume many forms: some are "short-term price agreements" in which various enterprises collude to fix prices; some are "cartels" in which the enterprises are independent in production but have agreements concerning how to share the market, set up quotas, and fix prices; some are "syndicates" in which the enterprises are independent in production but cooperate in purchasing inputs and selling final products; others are "trusts" in which the enterprises producing identical goods merge; and some are "consortia" which consist of enterprises of different trades (manufacturing and mining, trading companies, transport and shipping companies, as well as banks). The development of monopoly organizations of various kinds gradually controls all economic sectors and the economic pulses of capitalist countries. Especially since the end of the Second World War, social production and social wealth have been increasingly concentrated in the hands of a few monopoly capitalists. This is manifested by:

1) A continuous expansion in the size of enterprises and increasing monopolization. Take the United States as an example. There was only one company with capital assets exceeding one billion dollars in 1901. In 1960, this had increased to 96 companies. In 1970, it had again increased to 282 companies.

2) Increasing control of industrial fields by a few monopoly capitalists. In many industrial fields, a few big companies control a major share of the production or even the whole production. In the United States, in 1969, the big automobile companies monopolized 78.1 percent of the nation's total automobile production. In England, in 1970, one iron and steel company monopolized 93 percent of the steel output. In Japan, in 1970, seven big monopoly organizations controlled 95.5 percent of the total shipbuilding tonnages of the country. In France, in 1968, one electric power company controlled the electric power generation for the whole country.

3) Increasing concentration and monopolization of agricultural production. In 1939, there were 6.097 million farms in the United States. In 1959, this was reduced to 3.701 million. In 1971, only 2.800 million were left. An average of 90,000 farms went bankrupt each year. In fact, in the United States fewer than 50,000 big monopoly farms, or 2 percent of all the farms, produce and market more than 80 percent of the total United States agricultural produce.

4) Increasing diversification of the monopoly organization. In the past, many companies produced only one or two products. But by the end of the 1960s, their operations extended to many areas. For example, the United States International Telephone and Telegraph Company was established in 1920. During the first forty years, its primary business was to manufacture telecommunications equipment. But during the last decade, it has purchased 50 companies unrelated to telecommunications equipment. Its operations have extended to bread, artificial fibers, construction, hotels, and insurance. It controls 150 companies all over the world, and its distribution networks have spread over more than 100 countries and regions.

Though there are differences among various forms of monopoly organization and further changes may develop, their nature is identical. They all seek to guarantee high monopoly profit to the monopoly capitalist by monopolizing production and markets.

High monopoly profit is profit well in excess of average profit which is obtained by the monopoly capitalist through his monopoly position. Where does high monopoly profit come from? It still comes from the surplus value created by the worker in the monopoly enterprise. The monopoly organization adopts various blood and sweat labor systems to increase labor intensity and exploit the worker. In addition, the monopoly capitalist also transfers part of the income of the worker and other people into his own hands by raising prices of consumer goods. Taking advantage of his monopoly position, the capitalist depresses the purchasing price of agricultural produce and raises the selling price of manufactured products to extract part of the value created by the peasant. Through monopoly pricing, he grabs part of the profit of the capitalists outside the monopoly organization. By non-equivalent exchanges, the monopoly capitalist plunders the people of colonies, satellites, and other countries. This shows that what the monopoly organization gains in the form of high monopoly profit is exactly what the worker, the small producer, and the people of colonies and satellites lose. A small part is extracted from non-monopoly medium and small capitalists. From the viewpoint of the capitalist world as a whole, therefore, monopoly pricing has not changed the sum of the value nor the surplus value created in the capitalist world. In other words, monopoly pricing has operated within the sphere of the law of value; it has merely changed the form in which the law manifests itself. Similarly, the law of surplus value, the fundamental

economic law of capitalism, is still functioning in the monopoly stage; only its effects and forms have changed. Prior to the monopoly stage, it was manifested through the average profit; in the monopoly state, it is manifested through high profit.

The rise of monopoly profits implies that the working class and the laboring people are subject to increasingly heavier exploitation and that the exploitative measures of the monopoly capitalists have become more ruthless than before. From 1940 to 1949, the United States monopoly companies obtained an average of 24.356 billion dollars of high monopoly profit every year. From 1960 to 1969, this increased to 67.47 billion dollars. In Japan, the rate of surplus value in manufacturing amounted to 182 percent in 1930; it increased to 313 percent in 1954 and 345 percent in 1960. From these two sets of figures, we can see the acute polarization between the rich and the poor in the capitalist country.

Monopoly Leads to More Intense Competition

Free competition leads to monopoly. But monopoly cannot eliminate competition. On the contrary, it intensifies competition because competition is a product of capitalist private ownership. Monopoly has not changed the nature of capitalist private ownership and therefore cannot eliminate competition. This is especially true because means of production are increasingly concentrated in the hands of a few oligopolists. In order to eliminate their opponents, the monopoly organizations resort to any conceivable means to discourage their competitors. Competition becomes more acute and cruel. In the imperialist stage, life and death struggles among capitalists and capitalist cliques are manifested in the following ways:

Competition between monopoly organizations and non-monopoly organizations. Under capitalist conditions, no matter how concentrated production is, it is impossible to achieve absolute monopoly. A certain number of non-monopoly organizations always exists. Even in countries where monopoly capitalism is most developed, a large number of medium and small enterprises still exists. For example, in the United States, of her 4 million manufacturing enterprises, medium and small enterprises account for more than 3 million. Life and death struggles between monopoly and non-monopoly enterprises are inevitable.

Intense competition also exists among monopoly organizations in their fight for sources of raw materials, markets, and transportation facilities.

There also exists among various enterprises in the same monopoly organization competition for markets and higher production and sales quotas. This kind of competition may even lead to the disintegration of some monopoly organizations and results in new monopoly organizations and new competition.

In trusts and consortia, the struggle among various big capitalists for leadership, stock control, and share of profits never ceases.

Therefore, monopoly capitalism is not "organized capitalism" as the bourgeoisie and the revisionists claim. On the contrary, monopoly intensifies competition and aggravates the capitalist contradiction between social production and private ownership and between the organized production of individual enterprises and the chaotic conditions of social production. Lenin pointed out long ago,

> Monopolies, which have grown out of free competition, do not eliminate the latter, but exist over it and alongside of it, and thereby give rise to a number of very acute, intense antagonisms, frictions and conflicts.[91]
>
> In fact it is this combination of antagonistic principles, viz., competition and monopoly, that is the essence of imperialism, it is this that is making for the final crash, i.e., the socialist revolution.[92]

Financial Capital Is an Omnipotent Monopolist

Financial Capital Is Formed by a Merger of Banking Capital and Manufacturing Capital

The first economic attribute of imperialism is monopoly. The second is the formation of financial capital and the rule of financial oligopoly. With the emergence of monopoly in manufacturing, monopoly also appears in

[91] V. I. Lenin, *Imperialism, the Highest Stage of Capitalism* (Paris: Foreign Languages Press, 2020), 91.

[92] V. I. Lenin, "Materials Relating to the Revision of the Party Program," *Collected Works*, vol. 24 (Moscow: Progress Publishers, 1974).

the banking industry. When free competition is dominant, the bank serves as a middleman. It pools its idle funds in society for the use of manufacturing and commercial capitalists through short-term loans. With the arrival of the imperialist stage, the bank is transformed from a middleman into an all-powerful monopolist. Monopoly in the banking industry leads to a fundamental change in the relation between the bank and the manufacturing industry. Big banks infiltrate the manufacturing industry by purchasing manufacturing stocks. Manufacturing monopoly organizations infiltrate the banks by purchasing banking stocks. As a result, monopoly banking capital and monopoly manufacturing capital gradually merge to form financial capital.

> The concentration of production; the monopolies arising therefrom; the merging or coalescence of the banks with industry—such is the history of the rise of finance capital and such is the content of this term. . . . The characteristic feature of imperialism is not industrial but finance capital.[93]

The few largest capitalists who control a large amount of financial capital are the financial oligopolists. The chief means by which financial capital controls the national economy is the "participation system." Through a major joint stock company ("mother company") which the financial capitalist controls, stocks of other joint stock companies are purchased. Once their stocks are under control, they become "son companies." These "son companies" use the same method to control more "grandson companies." In this way, a relatively small amount of capital can control and manipulate capital many times the amount of the original capital. The national economy and most of the wealth created by the laboring people are thus under the control of a few financial oligopolists. In 1968, eighteen financial groups in the United States controlled capital assets worth 678.4 billion dollars. Of these, the Morgan and Rockefeller groups were the two biggest monopoly financial organizations. They had the most economic power and their influence covered the whole capitalist world. As of 1970, these two financial groups controlled capital assets totaling 330.4 billion dollars, representing about half of the capital assets controlled by the eighteen United States financial monopoly organizations and exceeding all

[93] Lenin, *Imperialism, the Highest Stage of Capitalism*, 47, 94.

the capital assets controlled by the financial monopoly organizations of England, France, Japan, and West Germany combined. Enterprises controlled by the Morgan group covered various departments of the national economy, especially basic industries such as iron and steel, electricity and gas, electronics, and chemicals. In public utilities and transportation, the Morgan group's position was even stronger, playing a vital role in the United States economy. Enterprises controlled by the Rockefeller group were more concentrated. Its five major oil companies controlled 94.1 percent of the oil extraction in the United States in 1967. The two groups exercise a decisive influence in the United States economy.

Financial Capital Directly Controls State Political Power and Other Superstructures

Lenin pointed out, "A monopoly, once it is formed and controls thousands of millions, inevitably penetrates into every sphere of public life."[94] To further exploit and oppress the laboring people for high monopoly profit, financial capital seeks control not only of the economic lifeblood of the state but also of state political power. Financial oligopolists bribe high level officials and state legislators to serve as their spokesmen for the control of the state machinery. Sometimes they personally occupy the leadership positions of the state. Take the postwar Eisenhower administration as an example. Eisenhower came into power with the support of the Rockefeller and Morgan groups. Of the 272 high level officials in his administration, 150 were big capitalists. Among them, Secretary of State Dulles was a trustee of the Rockefeller Foundation, Defense Secretary Wilson was a general manager of the General Motors Company, Gates, another defense secretary, was an important person in the Morgan group and served as the director of the Morgan Guaranty Trust Company in 1965, and Secretary of the Treasury Humphrey was a responsible official of the Hanna Mining Company, a major enterprise of the Cleveland group. The financial oligopoly controlled not only state political power but also various spheres of the superstructure. The newspaper, publishing, broadcasting, television, and movie industries were all under the control of monopoly capital and financial oligopoly. The Rockefeller group also owned the largest "philanthropic enterprises," various foundations, learned societies, museums, hospitals, "welfare organizations,"

[94] Lenin, *Imperialism, the Highest Stage of Capitalism*, 58.

and "cultural" centers. These were all tools used by the Rockefeller financial group to extend into various aspects of social life.

State Monopoly Capitalism Pushes the Relation Between Capital and Labor to the Ultimate

Engels once foretold that when capitalism develops to a certain stage, "In one way or another, with trusts or without, the state, the official representative of capitalist society, is [finally] constrained to take over the direction of production."[95] In the imperialist stage when the productive forces have been greatly developed, some monopoly capital groups are shown to be increasingly incapable of controlling the productive forces. Consequently, the phenomenon arises in which "[t]he monstrous oppression of the toiling masses by the state, which is merging more and more with the all-powerful capitalist associations, is becoming ever more monstrous."[96] This is state monopoly capitalism. State monopoly capitalism is monopoly capitalism based on capitalist ownership and the merger of monopoly capital with state political power.

The rapid development of state monopoly capitalism is a prominent feature of contemporary imperialism. Since the Second World War, imperialist countries have implemented so-called "nationalization" by having the state purchase private enterprises; or the state invests directly in so-called "state enterprises." These state monopoly capitalist enterprises constitute a very high proportion of capitalist enterprises. In 1968, the share of state monopoly capitalist enterprises in four major countries in Western Europe was as follows:

Countries	**Percentage share in staff and workers**	**Percentage share in assets**
France	11.2	33.5
West Germany	8.7	22.7
Italy	11.6	28
United Kingdom	8.5	17

The development of United States state monopoly capitalism had its own characteristics. During the Second World War, the United States govern-

[95] Engels, *Anti-Dühring*, 306.

[96] V. I. Lenin, *The State and Revolution* (Paris: Foreign Languages Press, 2020), 1.

ment established a large number of "state enterprises." After the war, they were sold to the monopoly capital groups at very low prices. At the same time, the United States government adopted the "blood transfusion" technique of supporting the monopoly capital groups by means of taxes extracted from the people.

The services rendered by the imperialist countries to the monopoly bourgeoisie, in addition to "nationalization" and "state enterprises," assumed the following forms, assuring the monopoly groups high monopoly profits: (1) Using federal treasury funds and the people's taxes to subsidize the capitalists when they undertook the risks of investment; (2) redistributing a large part of the national income in favor of the monopoly capital organization through state legislation and budgets; (3) creating facilities conducive to the monopoly capitalist's concentration and accumulation of capital and to his absorption of medium and small enterprises; and (4) though the means by which the imperialist countries serve their monopoly bourgeoisie are different, their objective is always the same—namely, the strengthening of the capitalist enslavement of the proletariat.

> The more productive forces [the modern State] takes over into its possession, the more it becomes a real aggregate capitalist, the more citizens it exploits. The workers remain wage-workers, proletarians. The capitalist relationship is not abolished, rather it is pushed to the limit.[97]

Contrary to the claims of the bourgeois apologists and the modern revisionists, state monopoly capitalism does not have any "socialist element" that can exercise planned leadership over the national economy. On the contrary, state monopoly capitalism has not changed the capitalist nature of relations of production at all. It is merely a tool of the imperialist countries to serve the monopoly organization and strengthen the rule of the financial oligopoly. State monopoly capitalism strengthens the exploitation of the working class and the laboring people by monopoly capital, strengthens the plunder of the people of the colonies by monopoly capital, accelerates armament and war preparations, and intensifies competition and chaos so that the inherent contradiction in capitalist society becomes more acute. It runs into increasing opposition from the proletariat and the broad laboring

[97] Engels, *Anti-Dühring*, 307.

people and, at the same time, goes a step further in preparing the material conditions for the proletarian revolution.

Capital Export Leads to World Domination by Financial Capital

Capital Export Is an Indication of Relative Capital Surplus

> Typical of the old capitalism when free competition had undivided sway, was the export of *goods*. Typical of the latest stage of capitalism, when monopolies rule, is the export of *capital*.[98]

Capital export exists in the pre-monopoly stage of capitalism, but it is widespread and significant only in the stage of monopoly capitalism. This is because the cruel exploitation of the domestic laboring people by the monopoly organization in the imperialist countries helps accumulate a large amount of capital. However, since almost all profitable business has already been monopolized inside the country, and high monopoly profit cannot be guaranteed in other, less developed, domestic sectors, a large amount of accumulated capital thus becomes "surplus capital." Where can profitable outlets be found for this "surplus capital"? In those developing countries where capital is scarce, wages are low, land and raw materials are cheap, and high profit can be obtained. Therefore, capital is exported for high monopoly profits through direct investment (loans), greedily exploiting the broad laboring people of the developing countries. Capital export has developed rapidly only since the beginning of the twentieth century. In 1970, the total capital export from major capitalist countries reached more than 300 billion dollars, an increase of more than five times over that of 1914.

Capital Export Is an Imperialist Tool to Exploit and Oppress the People of Various Countries

In the search for monopoly profits and external expansion, capital export is an important tool used by the monopoly capitalist to exploit and plunder the people of various countries, especially the peoples of the developing Asian, African, and Latin American countries. Take old China as an example. On the eve of the Anti-Japanese War, foreign capital in China totaled

[98] Lenin, *Imperialism, the Highest Stage of Capitalism*, 63.

4.3 billion dollars. Near the end of the war, it increased to 9.8 billion dollars, of which, the share of investment by Japanese imperialism was the highest, amounting to 6 billion dollars. This foreign capital controlled 70 percent of China's modern industry and transportation, 95 percent of the iron and steel and petroleum industries, and 75 percent of the electric power and coal industry. More than half of the food processing industry was operated by foreign capital. In 1945, after imperialist Japan surrendered, United States imperialism replaced Japanese imperialism as the dominant power in China. In 1948, the American imperialist investment in China (including so-called "United States aid") represented 80 percent of foreign investment in China. In terms of the invasion of foreign capitalism,

> apart from its disintegrating effects on the foundations of China's feudal economy, this state of affairs gave rise to certain objective conditions and possibilities for the development of capitalist production in China. [However,] it is certainly not the purpose of the imperialist powers invading China to transform feudal China into capitalist China. On the contrary, their purpose is to transform China into their own semi-colony or colony.[99]

The influx of a large amount of foreign capital on a long-term basis seriously undermined the social productive forces of China and brought extreme poverty to the livelihood of the Chinese people, reducing China to a semicolonial and semifeudal status.

After the Second World War, there was a large increase of capital export from the capitalist countries, and the United States became the largest capital exporting country. In 1914, the United States exported only 3.5 billion dollars of capital. In 1970, it rapidly rose to 155.5 billion dollars, an increase of more than forty three times in fifty six years. With the rapid increase in capital export, there were also large increases in the high monopoly profits of the monopoly capitalists. From 1950 to 1970, the profit from United States private direct investment in foreign countries amounted to 88.77 billion dollars, or 14 percent higher than the total United States private direct investment in foreign countries up to the end of 1970. Profit from investments made by imperialism in Asia, Africa, and

[99] Mao, "The Chinese Revolution and the Chinese Communist Party," 287–288.

Latin America was astonishingly high. For example, in 1970 United States direct investment in Asia, Africa, and Latin America accounted for 43.5 percent of the total profit from all foreign direct investment. At the present time, imperialism has become the greediest bloodsucker of the people over a large part of the world.

After the Second World War, in addition to further developing private capital export, the imperialist countries paid increasing attention to state capital export. The major form of this state capital export was foreign "aid." From mid 1945 to mid 1971, the total amount of United States foreign aid reached 149.6 billion dollars. This foreign "aid" was classified as so-called "grants" and "loans." "Grants" were nominally free, but in fact, they were the strings by which the grantee countries were controlled. Long ago, Chairman Mao exposed the reactionary political objective of United States imperialist "aid": "Money may be given, but only conditionally. What is the condition? Follow the United States."[100] In recent years, the proportion of loans from the imperialist countries is increasing, and the proportion of "grants" is correspondingly decreasing. These so-called loans all have interest rates exceeding 5 percent per annum. The highest rate reached 8 percent per annum. In addition, many political, economic, and military strings are attached. It is not only a bloodsucking straw but is also an important tool for the implementation of the aggressive and expansionary policies of imperialism and the fight for world hegemony.

Capital export from the imperialist countries inflicts severe hardships on the colonial and semicolonial countries and their people. However, the imperialists and revisionists try their best to defend these aggressive acts. They claim that capital export can "help" the economically underdeveloped countries reach economic prosperity. The Soviet revisionist renegades even unabashedly suggested that imperialism could spend all the money saved through total disarmament to "help" economically underdeveloped countries in Asia, Africa, and Latin America create a new era. All nations and people of the world who have been subject to exploitation and slavery have had their full share of the hardship brought about by the so-called "aid" of imperialism. The market is shrinking for such arguments of the Soviet revisionist renegades.

[100] Mao Zedong, "Farewell, Leighton Stuart!," in *Selected Works*, vol. 4, 441.

The International Monopoly Alliance Carved up the World Economically

The International Monopoly Alliance Is a Super Monopoly

The monopoly organizations of a country first carve up the domestic market. Under capitalism, the domestic market is closely related to the foreign market. With increasing capital export and the expansion of the international association and the sphere of influence of the largest monopoly alliance, a few large monopoly organizations of several countries can control most of the world's production and distribution of some commodities. These large monopoly organizations are comparable in power and may, out of self-interest and under certain conditions, make temporary international agreements and form alliances to set international monopoly prices, divide up sources of raw materials and distribution markets, limit production quotas, and thus form an international monopoly organization. These monopoly organizations exceed the boundary of one country. Lenin called them "super monopolies."

These super monopoly organizations appeared as early as the 1870s and developed rapidly in the twentieth century. After the Second World War, new international monopoly organizations were formed, and some old international monopoly organizations disintegrated. According to statistics, up to 1968 the total foreign capital assets (accounting value) of international monopoly companies amounted to 94 billion dollars. The annual production value of their foreign subsidiary companies was 240 billion dollars. The five largest international monopoly organizations were: the General Motors Company, the New Jersey Standard Oil Company, the Ford Motor Company, the British Dutch Shell Oil Company, and the General Electric Company. As a result of the rapid development of international monopoly companies, the monopoly financial groups' monopoly of world production and trade is strengthened. Some manufacturing fields in the capitalist world such as rubber tires, oil, tobacco, pharmaceuticals, and automobiles are almost completely controlled by international monopoly organizations. In recent years, there have been new developments in regional international monopoly alliances. The Common Market and the European Free Trade Area of Western Europe are, economically speaking, regional international monopoly alliances of sorts. Their development and expansion provide

checks and balances to the vain attempts of the United States and the Soviet Union to divide up the world.

The Struggle Among International Monopoly Alliances Is Intensifying

In the imperialist stage, the enormous development of monopoly organizations requires more supplies of resources and markets for commodities and more areas for capital investment. Take 1969 for instance: the proportion of raw materials that the United States imported from Asia, Africa, and Latin America was as follows: tin ore, 78.2 percent; manganese ore, 91.9 percent; copper ore, 78.2 percent; petroleum, 62.9 percent; chromium and others, 41.6 percent. The proportion of raw material imports by Japan, West Germany, and the United Kingdom from Asia, Africa, and Latin America was also high. The struggle for sources of raw material supply among international monopoly organizations, therefore, has become increasingly severe. To fight for oil in the Middle East, the monopoly capitalists of many countries tried every hard to get into this area, and consequently, the struggle was especially acute and complex.

The struggle among the monopoly organizations of various countries for markets to sell commodities is also very acute. After the Second World War, the United States dominated the capitalist world market for some time. Her total volume of exports accounted for one third of the total capitalist world exports. But with the rising economic power of Western Europe and Japan, the United States hegemony began to decline. In 1971, her share of the capitalist world exports was reduced to only 14.2 percent. In Asia, Africa, and Latin America, the monopoly organizations of Western Europe, North America, and Australia repeatedly engaged in intense struggle for markets. Faced with the influx of Japanese automobiles on the West Coast of the United States, Henry Ford II, the president of the Ford Motor Company, lamented: "This is only the beginning. These Japanese will soon invade the heart of America." Lenin pointed out profoundly:

> The capitalists divide the world, not out of any particular malice, but because the degree of concentration which has been reached forces them to adopt this method in order to obtain profits.[101]

[101] Lenin, *Imperialism, the Highest Stage of Capitalism*, 76.

The international monopoly alliance is originally an international monopoly organization set up by the monopoly capitalists of various countries to divide up the world market for high monopoly profits. But agreements and alliance among the monopoly capitalists of various countries to divide up the world are at best temporary and relative. Their pursuit of high monopoly profits guarantees that the struggle among them will go on forever. Imperialism and revisionism hold that the internationalization of capital will bring the possibility of peace to nations. This wishful thinking has been sharply criticized by Lenin. Lenin pointed out:

> The *forms* of the struggle [between the various capitalist combines] may and do constantly change in accordance with varying, relatively particular and temporary causes, but the *substance* of the struggle, its class *content*, positively *cannot* change while classes exist.[102]

The history of the last half century or so has fully confirmed Lenin's scientific judgment.

Competition Among the Imperialist Powers for the Division and Redivision of the World

Colonies Are Important Conditions for the Existence of Imperialism

In the imperialist era, the economic division of the world by monopoly capital must inevitably be followed by the territorial division of the world into colonies. The implementation of the colonial policy and the seizure of colonies began in the stage of primitive accumulation. But only in the imperialist stage has the "climax" of struggle for colonies begun, and the struggle to divide the world's territories among imperialist countries intensified. This is because:

First, colonies are the most important source of raw materials for imperialism. Monopoly leads to large-scale production. The larger the scale of production, the more raw materials are needed, and the more important it is to control the sources of raw materials. Lenin pointed out,

[102] Lenin, 76.

> The more capitalism is developed, the more strongly the shortage of raw materials is felt, the more intense the competition and the hunt for sources of raw materials throughout the whole world, the more desperate is the struggle for the acquisition of colonies.[103]

Second, colonies are the most profitable outlets for the capital exports of imperialism. In colonies, the monopoly organizations of the superpower can exploit and enslave the laboring people more ruthlessly. They can more easily eliminate competitors through monopolistic means and guarantee high monopoly profits for the exported capital.

Third, colonies are the most profitable sales market for the monopoly organizations. The superpower can use protective tariffs to guarantee their monopolist position.

Fourth, colonies are also military strategic bases in the struggle for world hegemony among imperialist countries. The superpower can establish a large number of military bases there, plunder large quantities of strategic materials, and recruit large numbers of soldiers to serve the military policies of imperialism.

In sum, colonies are important conditions for the existence of imperialism. "Colonial possession alone gives the monopolies complete guarantee against all contingencies in the struggle with competitors."[104] Therefore, the imperialist countries are always fighting for more colonies. After the 1870s, the struggle to divide the world's territories among the imperialist powers reached an extremely acute degree. Up to 1914, the colonies occupied by England, Russia, France, Germany, the United States, and Japan reached 65 million square kilometers, and they ruled 523 million people. Among them, the area of the colonies owned by the czar of Russia was second only to that of England. At that time, out of Russia's 22.8 million square kilometers, 17.4 million square kilometers were colonies. Lenin pointed out clearly, "The reactionary, predatory and slave-owner character of the war stands out in immeasurably more striking relief in the case of tsarism than it

[103] Lenin, 85.

[104] Lenin, 85.

does in the case of the other governments."[105] Czarist Russia was the "prison of peoples."[106]

China had long been fiercely carved up by the imperialist powers. From the latter part of the nineteenth century, the imperialist countries who invaded China marked out their respective spheres of influence according to their economic and military power in China and reduced her to a semicolony. For example, the provinces in the middle and lower reaches of the Yangtze River were under British influence; Yunnan, Guangdong, and Guangxi provinces were under French influence. After the Russo-Japanese War in 1905, the southern part of northeast China was brought under Japanese influence. In the process of imperialism's slaughter of China, czarist Russia was the first to "have placed their rapacious paws upon" our country.[107] The old czar and his government invaded China "like thiefs"[108] and occupied more than 1.5 million square kilometers of Chinese territory, equal to three times the area of France or twelve times that of Czechoslovakia.

The Division and Redivision of Colonies Inevitably Leads to Wars

To obtain high monopoly profits, imperialism must engage in aggression and expansion and fight for the division and redivision of world territories. The outcome of such competition is determined by the relative strength of the imperialist countries. The mightiest holds world hegemony. The highest form of resolving conflicts through strength is war. As long as imperialism exists, wars are inevitable. Imperialism fights for colonies and world hegemony and obtains high monopoly profits through wars. Lenin pointed out that currently, "war [is] engendered by imperialism."[109] The two world wars in the first half of the twentieth century were caused by the division and redivision of the world and the struggle for world hegemony among the imperialist powers.

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[105] V. I. Lenin, "Socialism and War," in *Collected Works*, vol. 21.

[106] V. I. Lenin, "The Revolutionary Proletariat and the Right of Nations to Self-Determination," in *Collected Works*, vol. 21.

[107] V. I. Lenin, "The War in China," in *Collected Works*, vol. 4.

[108] Lenin, "The War in China."

[109] V. I. Lenin, "The Draft Resolution Proposed by the Left Wing at Zimmerwald," in *Collected Works*, vol. 21.

Economic monopoly inevitably intensified the fundamental contradictions of imperialism and accentuated the political and economic crises of capitalism. To free themselves from political and economic crises, to reduce domestic class contradictions, and to save the capitalist system, the imperialist powers ran the risk of wars, engaging in moribund struggles. Chairman Mao pointed out, "The outbreak of the imperialist world war is the result of the attempt of the imperialist countries to extricate themselves from a new economic and political crisis."[110]

Once we understand the economic reality of imperialism, we will understand Lenin's famous statement that "imperialist wars are absolutely inevitable under *such* an economic system, *as long as* private property in the means of production exists."[111] United States imperialism prospered through wars. In the two world wars, the United States monopoly organization engaged in large-scale rearmament transactions and obtained windfall gains from wars. In the First World War, United States monopoly capitalists obtained 38 billion dollars as windfall profit; in the Second World War, they obtained 117 billion dollars as windfall profit and became the dominant power in the capitalist world. From then on, the United States monopoly bourgeoisie looked all the more to wars as shortcuts to prosperity and continuously waged aggressive wars. According to statistics, in the war of aggression in Korea, United States monopoly capital obtained 115.4 billion dollars as windfall profit; in the war of aggression in Vietnam, in 1964 and 1965 alone, the windfall profit amounted to 76 billion dollars. Every dollar in the pocket of the United States millionaires is stained with the blood of the laboring people. As long as imperialism exists, the source of modern wars exists. To eliminate wars, we must eliminate the imperialist system.

However, the imperialist and revisionist always fabricate all sorts of nonsense to deceive the people in order to protect the imperialist system. A typical absurdity is found in *On Super Imperialism*, a work which the head of the Second International, Kautsky, fabricated on the eve of the First World War. Purposely overlooking the fact that the external expansion and aggression of imperialism are determined by the substance of monopoly capitalism, he vigorously contended that those were the imperialists' conscious policies.

[110] Mao Zedong, "The Current Situation and the Party's Tasks," in *Selected Works*, vol. 2, 275.
[111] V. I. Lenin, "Preface to the French and German Editions," *Imperialism, the Highest Stage of Capitalism*, 4.

Hence, he alleged: "These policies of neo-super-imperialism would replace international financial struggles with international cooperation to exploit the world." As a result, a permanent peace would emerge. Pointedly exposing this fallacy, Lenin asserted:

> The only objective, i.e., real, social significance Kautsky's "theory" can have, is: a most reactionary method of consoling the masses with hopes of permanent peace being possible under capitalism, by distracting their attention from the sharp antagonisms and acute problems of the present times and directing it towards illusory prospects of an imaginary "ultraimperialism" of the future.[112]

Since the falsehood of Kautsky's *On Super Imperialism*, all revisionists have treated it as a most valuable treasure. They repeatedly propagated this "theory" under different guises and conditions. Headed by Brezhnev, modern Soviet Russian revisionists described certain relative, temporary agreements between the two contemporary superpowers as so-called "structures for permanent peace," vainly attempting to conceal the deep-seated contradictions between them and to deceive the people and tranquilize the opposition in order to facilitate their own imperialist expansion. Within imperialism, there is both competition and collusion. Collusion is for the purpose of larger competition. Competition is absolute and long term, and collusion is relative and temporary. Temporary agreements today set the stage for larger competition tomorrow.

Monopoly is the most deep-seated economic basis of imperialism. It determines the aggressive and plundering nature of imperialism and will not change. Just as Chairman Mao pointed out:

> When we say "imperialism is ferocious," we mean that its nature will never change, that the imperialists will never lay down their butcher knives, that they will never become Buddhas, till their doom.[113]

[112] Lenin, *Imperialism, the Highest Stage of Capitalism*, 122.

[113] Mao Zedong, "Cast Away Illusions, Prepare for Struggle," *Selected Works*, vol. 4, 432.

Major Study References

- V. I. Lenin, *Imperialism, the Highest Stage of Capitalism*, chapters 1, 6.
- Mao Zedong, "On New Democracy."[114]
- Mao Zedong, "Cast Away Illusions, Prepare for Struggle."

Review Problems

1. What are the basic characteristics of imperialism? Why do we say monopoly is the most deep-seated economic basis of imperialism?
2. Why do we say the nature of imperialism will never change? Criticize *On Super Imperialism* and its various, disguised versions.

[114] Mao, *Selected Works*, vol. 2.

10

IMPERIALISM IS THE EVE OF PROLETARIAN SOCIALIST REVOLUTION

Imperialism Is Decaying and Moribund Capitalism

After capitalism develops from free competition to the monopoly stage, its various contradictions intensify. These contradictions, like volcanoes, threaten the existence of imperialism. The life of imperialism is then limited. Despite its fierce facade, imperialism is a paper tiger. Imperialism is the eve of socialist revolution.

Imperialism Is Parasitic or Decaying Capitalism

The Stagnating Tendency of the Development of Production and Technology

When capitalism develops into imperialism, it begins to decay and decline. Imperialism is parasitic or decaying capitalism. The decaying nature of imperialism is brought about by monopoly rule. Monopoly is the economic basis of the decaying nature of imperialism.

The decaying nature of imperialism is primarily manifested in the serious obstruction of the development of productive forces by monopoly organization. It artificially prevents technical progress and ushers a stagnating tendency into the development of production and technology. Before monopoly, the capitalist cannot neglect technological advancement in his pursuit of excess profits at the expense of his competitors. In the monopoly stage, because the monopoly capitalist controls an absolute majority of some production sectors, he can obtain high monopoly profits by setting monopoly prices. Thus, the motive to adopt advanced technology is weakened to a certain degree. Under monopoly rule, the capitalist is afraid that advanced technology may weaken his monopoly position. He often artificially obstructs the development of new technology.

Why is the monopoly capitalist so afraid of advanced technology and why does he obstruct it? First, the widespread adoption of new technology and new equipment almost certainly reduces the cost of products and increases output. But it will also result in capital loss or the obsolescence

of his original machines and equipment and bring about invisible depreciation; second, the adoption of new technology and equipment will lead to competition from similar and cheaper commodities which may threaten his monopoly position. The monopoly capitalist often reduces production to maintain monopoly prices and extract high monopoly profits. Therefore, many new techniques and inventions beneficial to the development of production are put aside once their patents have been bought by the monopoly capitalist. For example, the technology of artificial petroleum is detrimental to the monopoly of the petroleum companies and has been put aside for exactly twenty years. The invention of atomic energy is a great scientific achievement, but it is used by imperialism to make atomic weapons for aggression and not fully used as motive power for industry.

The obstruction of the development of production and technology by monopoly results in a gradual decline in the rate of capitalist expanded reproduction. Take the United States as an example. Its industrial production increased by about 3.9 times during the thirty years from 1871 to 1900. But in the thirty years [sic] from 1901 to 1929, it increased by only 2.7 times. In the thirty years from 1930 to 1959, the average (annual) rate of increase in industrial production was only 4.4 percent. The decreasing rate of development in US production fully exposes the decaying nature of imperialism.

The appearance of a stagnating and decaying tendency in the development of production and technology in the imperialist stage does not mean that the development of production technology in the imperialist countries has come to a standstill. Lenin pointed out:

> It would be a mistake to believe that this tendency to decay precludes the rapid growth of capitalism. It does not. In the epoch of imperialism, certain branches of industry, certain strata of the bourgeoisie and certain countries betray, to a greater or lesser degree, now one and now another of these tendencies.[115]

This is because free competition leads to monopoly. But monopoly by no means eliminates competition. It only makes competition more acute or ruthless. In competition, various monopoly capital groups adopt violence, bribery, deception, and fraud to eliminate competitors. At the same

[115] Lenin, *Imperialism, the Highest Stage of Capitalism*, 128.

time, the relative economic strength among various major capitalist countries may change. Under the general tendency of frustrated development of productive forces, the position of some capitalist countries may deteriorate, but the position of others may improve. Therefore, in the monopoly stage, the development of production and technology in the imperialist countries suffers a general stagnating tendency. But this by no means precludes the possibility of more rapid development in the production technology of a particular period, individual, or sector.

In the imperialist phase, the production technology of individual countries may undergo more rapid development. But, it is often temporary and exceptional. Take Japan as an example. In the 1950–1971 period, Japan's national product increased by an average annual rate of more than 10 percent. This trend cannot long be maintained. This faster development of Japan's production was a result of substantial help from United States imperialism to the monopoly capital of Japan. The wars of agression against Korea and Vietnam by United States imperialism brought windfall profits to the monopoly capitalists of Japan. During the war of aggression against Korea in the 1950–53 period, United States imperialism paid Japan at least 2 billion dollars for military "special needs" orders. During the war of aggression against Vietnam, United States imperialism's payment to Japan for "special needs" amounted to 300-400 million dollars per year in the first half of the 1960s. From 1965 onward, it increased to 500-600 million dollars per year. United States imperialism also gave large quantities of loans to the monopoly capital of Japan, invested directly in Japan's heavy industry, and exported a large number of technical patents to Japan. At the same time, Japanese monopoly capital cruelly exploited the domestic laboring people and received large amounts of subsidies from the state budget. All these also contributed to the fast development of Japan's industry. The undervalued Japanese yen made Japanese goods very competitive in the world market.

The above shows that the factors that promoted the development of Japan's industry cannot last long. The fast development of the Japanese economy is not only temporary but also abnormal and without foundations. First, along with the blind development of Japanese industry, agricultural production steadily declined. After the Second World War, the production of wheat cereals in Japan plummeted, the production of beans decreased substantially, and rice production has declined since 1968. From 1960 to

1970, the self-sufficiency rate of Japan's food products fell from 90 percent to 73 percent. Second, raw materials are largely imported and commodities depend heavily on the export market. The import ratio of ten major items of raw materials, including copper, aluminum, iron ore, petroleum, and coal, was 71 percent in 1960 and increased to 90 percent in 1970. The export ratio of Japanese industrial products increased from 18.3 percent in 1950 to 31.1 percent in 1969, including 46.4 percent of synthetic fiber woven goods, 67.4 percent of sewing machines, and 68.9 percent of ships. These facts show that the foundation of Japan's economic development is very shaky. It is impossible to sustain development at present rates on a long-term basis. The tendency toward stagnation will inevitably dominate.

The Militarization of the National Economy Seriously Undermines the Social Productive Force

The militarization of the national economy runs into a blind alley that imperialist economic development must ultimately follow. It is an inevitable result of the development of the inherent contradictions of capitalism and is also a concrete manifestation of the increasingly decaying nature of imperialism. To reduce the contradiction between the growth of capitalist productive forces and inadequate effective demand for the laboring masses and to avoid economic crises and redivide the world to obtain high monopoly profits, imperialism madly expands rearmament to prepare for wars. An increasing amount of the national income is used to support a large army, make weapons, support war related research, and engage in imperialist wars of aggression.

The militarization of the national economy in the imperialist countries is first expressed in the increase of military expenditures. After the Second World War, the share of military defense expenditures in the United States budget steadily increased. From 1946 to 1970, direct United States military expenditures totaled 1.1 trillion dollars, averaging 45 billion dollars a year. In the 1972–73 fiscal year, direct military expenditures totaled 78.3 billion dollars. With 11.7 billion dollars as subsidies for veterans and 3.2 billion dollars for the space program, the three items added up to 93.2 billion dollars. It was also manifested in the increasing shares of industrial production and scientific research in armament industries and military scientific research. A large amount of the labor force was transferred from the

production sphere of social wealth to armament industries and military scientific research fields. In 1967–68, the level of employment in United States armament production in several sectors and its ratio to the total labor force were: 126,900 in electronic equipment, or 33.8 percent; 256,900 in radio equipment, television sets, and telecommunications tools, or 38.6 percent; and 615,900 in aircraft and accessories, or 72.4 percent. Of the total United States scientific and technical manpower, two thirds is related to armament and space research. In the United States labor force of 77 million (excluding armed forces), about 20 percent depends on armament orders from the Defense Department.

The general militarization of the national economy in the imperialist countries led to serious unfavorable consequences. In recent years, the United States has spent about 100 billion dollars on armament and aggression. The products are either used to murder people in the battlefield and destroy social wealth or, if stored away, soon become scrap. They may become "obsolete" before even leaving the plant when new weapons are invented. The militarization of the national economy has brought about strange results: the inflationary expansion of the armament industry and the deflationary contraction of civilian industries. In the past twenty years, the production of guided missiles, aircrafts, and space vehicles in the aeronautics and space industries in the United States has increased its value by six times. On the other hand, the development of civilian industries has been slow. Some industries have had to reduce production. Take the textile industry as an example. The output in 1970 was only 88 percent that of 1950. The policy of aggression and wars pursued by imperialism and the militarization of the national economy lead to an immense waste of manpower, goods, and wealth and to great destruction of social wealth. This is a notable feature of the decaying nature of imperialism.

The Bourgeoisie Increasingly Becomes a Stratum that Thrives Solely on Interest

The parasitic and decaying nature of imperialism is further manifested by the bourgeoisie's increasingly becoming a stratum that thrives solely on interest. This so-called stratum that thrives on interest refers to those who have lost all connection with the production process and "live on interest." The bourgeoisie has never been engaged in production labor and has led an extravagant life by exploiting the worker. In the stage of imperialism, the

parasitic nature of the bourgeoisie develops further. Capitalist enterprises are wholly managed by specialized managerial personnel. The bourgeoisie, especially the monopoly bourgeoisie, is completely divorced from the production process and lives a parasitic life solely on income from stocks and shares. Lenin pointed out long ago,

> imperialism is an immense accumulation of money capital in a few countries. . . Hence the extraordinary growth of a class, or rather, of a social stratum of rentiers, i.e., people who live by "clipping coupons," who take no part in any enterprise whatever, whose profession is idleness.[116]

For example, the income from dividends and individual interests in the United States in 1950 totaled 19.5 billion dollars. In 1963, it reached 50.3 billion dollars, an increase of 157 percent. The national income increased by only 102 percent in the same period. In 1970, the income from dividends and individual interest in the United States reached 89.7 billion dollars. The United States monopoly bosses lead extravagant lives with the income from exploitation. Some bosses of financial groups not only build villas, golf courses, and hunting grounds, using a lot of land for their own pleasure, but also show off their riches to each other. In 1964, one big United States monopoly capitalist named Ford spent half a million dollars for a party to celebrate his daughter's birthday. Not too long afterward, another big monopoly capitalist named Mellon spent a million dollars on a party to introduce his daughter to "society" to impress Ford. This incident fully exposed the parasitic nature of the monopoly bourgeoisie.

Another feature of imperialism is a rapid increase in capital export. With the increase in capital export, a few rich countries can become interest-earning countries that specialize in exploiting the people of colonies and satellite countries, being parasites on many economically underdeveloped countries. According to statistics, from 1950 to 1970 the interest from direct private United States investment reached 88.77 billion dollars, 14 percent higher than the total amount of direct private foreign investment up to the end of 1970. Direct United States investment in Latin America was 3 billion dollars in 1946 and increased to 11.7 billion dollars in 1969. But in these twenty-four years, interest derived from direct investment in Latin Ameri-

[116] Lenin, 103–104.

can countries that was paid to the United States alone amounted to 23.49 billion dollars, much higher than the net amount of direct United States investment.

United States' interest derived from overseas is largely remitted annually to the United States to be spent by a handful of monopoly bourgeoisie. In the 1960–1970 period, remitted interest reached 43.4 billion dollars. During this period, unremitted interest amounting to 19 billion dollars was used for reinvestment to increase foreign exploitation. Thus, with United States imperialism's annual increase in foreign investment and interest, its parasitic nature also increased yearly.

All this shows that capital export is a solid foundation for imperialism's oppression and exploitation of the majority of nations and countries and a solid foundation for the parasitic capitalism of a few rich countries.

The Appearance of Worker Elites Is Another Manifestation of the Parasitic Nature of Capitalism

The parasitic nature of imperialism is inevitably reflected in the labor movement. The formation of worker elites and the appearance of revisionism are reflections of the parasitic nature of imperialism in the labor movement. Lenin pointed out:

> The rentier state is a state of parasitic, decaying capitalism, and this circumstance cannot fail to influence all the social-political conditions of the countries affected in general, and the two fundamental trends in the working-class movement, in particular.[117]

The monopoly bourgeoisie plunders and exploits the proletariat of colonies, satellite countries, and their own countries to obtain large amounts of high monopoly profits. To suppress opposition from the toiling masses, they use a small part of the huge monopoly profits to bribe a number of scabs to become agents of the monopoly bourgeoisie. These are worker elites who get high salaries and live like the bourgeoisie, serving the monopoly bourgeois class. They mingle with the workers and specialize in selling out the interests of the working class and subverting worker

[117] Lenin, 105.

movements. These worker elites are loyal running dogs of the monopoly bourgeoisie of the imperialist countries.

High profits from monopoly capital is the economic basis of revisionism in the labor movement. Under imperialist conditions and with the appearance of the worker elites, a revisionist theory and line to protect imperialist rule emerges. The worker elites are bourgeois elements disguised as workers. Revisionism is a bourgeois class theory under the guise of Marxism. The worker elites and revisionists are the most treacherous hidden enemies in the labor movement, and they may be regarded as boils on the body. If these boils are not completely removed, imperialism will maintain its decaying condition for a longer period of time. But, Lenin pointed out, "the extraordinary rapidity and the particularly revolting character of the development of opportunism is by no means a guarantee that its victory will be durable […]."[118] Lenin further pointed out, "that the fight against imperialism is a sham and humbug unless it is inseparably bound up with the fight against opportunism."[119]

Toward Total Political Reaction and the Steady Increase in the Severity of Social Crises

In the stage of capitalist free competition, the bourgeoisie still uses "democracy," "freedom," "equality," and "universal love" as guises to conceal the truth of bourgeois dictatorship. In the stage of imperialism, these thin "veils" are steadily trimmed down. Whoever opposes oppression and exploitation will be cruelly suppressed. Lenin pointed out:

> The political superstructure of this new economy, of monopoly capitalism (imperialism is monopoly capitalism), is the change *from* democracy *to* political reaction. Democracy corresponds to free competition. Political reaction corresponds to monopoly.[120]

In the United States, not only people who oppose violence are suppressed, but people who championed nonviolence have also been slaugh-

[118] Lenin, 130.

[119] Lenin, 130.

[120] V. I. Lenin, "A Caricature of Marxism and Imperialist Economism," in *Collected Works*, vol. 23.

tered. In 1968, a black American minister named Martin Luther King was murdered by the United States imperialists because he opposed racial discrimination and fought for civil rights. In line with total political reaction, imperialism has also degenerated in its ideology and culture. In imperialist countries, publications and movies devoted to violence and sex have flooded the market. In California, there have been thirty companies specializing in making sex movies. In the capitalist world, strange clothing, modern dances, and "Beatles" music bands have been common, and exhibitions of "impressionist" art printed by monkeys have been much in vogue. International contests of women "crying" and crawling races for babies under a year old are reported to have taken place. The culture and art under imperialism have been rotten to the core. Criminal activities such as theft and robbery and gangsterism and drug abuse have reached crisis proportions.

Facing this rotten society, many youths perceive a spiritual void, feeling that life is empty and meaningless and without a future. Some United States historians think that the United States "faces a situation in which the people have lost faith in their ideals, system, and future" and "are plagued by numerous crises." Some are even more blunt: "Our crises, which are spiritual in nature, can be traced to the obvious failure of our self-inflating capitalist social system" (*Newsweek*, July 6, 1970). Amidst the profound contradictions of imperialism, a few progressive elements gradually wake up to accept Marxism and reestablish the Marxist party and organization, unite the masses, and engage in resolute struggle against the imperialist system.

The parasitic and decaying nature of imperialism that results from the basic characteristic of imperialism—namely, monopoly, reveals that imperialism is merely a paper tiger. It looks fierce, but in fact it does not have much strength. The masses are the ones with real power, not imperialism or reactionaries. Just as Chairman Mao pointed out, "from a strategic point of view, [imperialism and all reactionaries] must be seen for what they are—paper tigers."[121]

[121] Mao Zedong, "Notes on Talk with the American Correspondent Anna Louise Strong," in *Selected Works*, vol. 4, 89.

Imperialism Is Dying Capitalism

The Intensification of the Contradiction Between the Proletariat and the Bourgeoisie Within the Imperialist Countries

Stalin said: "Lenin called imperialism 'moribund capitalism.' Why? Because imperialism carries the contradictions of capitalism to their last bounds, to the extreme limit, beyond which revolution begins."[122] When capitalism develops into the monopoly stage, the basic contradictions between the proletariat and the bourgeoisie and the capitalist nature of society have not changed. However, in the imperialist stage, monopoly has not only pushed social production to a larger scale but has also brought about even more concentration of the private ownership of the means of production. The development of the basic contradictions of capitalism intensifies all external and internal contradictions of imperialism.

Chairman Mao pointed out,

> the contradiction between these two classes became intensified, the contradiction between monopoly and non-monopoly capital emerged, the contradiction between the colonial powers and the colonies became intensified, the contradiction among the capitalist countries resulting from their uneven development manifested itself with particular sharpness, and thus there arose the special stage of capitalism, the stage of imperialism.[123]

Because of the serious intensification of all external and internal contradictions in imperialist countries, imperialism becomes dying capitalism, and the eve of proletarian socialist revolution draws near.

To pursue high monopoly profits, the monopoly bourgeoisie doubles its efforts to exploit and plunder the workers and push millions of laboring masses to the brink of starvation. The monopoly bourgeoisie devises various intensive labor systems, raises labor intensity, worsens labor conditions, and indiscriminately and incessantly increases its exploitation of the workers. The bourgeoisie also consciously relies on inflation to reduce real wages and lower purchasing power. For example, in the 1963–1970 period, prices and the cost of living increased yearly in major capitalist countries because of

[122] J. V. Stalin, *The Foundations of Leninism* (Paris: Foreign Languages Press, 2020), 5.
[123] Mao, "On Contradiction," 296.

inflation. In this period, the United States' cost of living increased 26.8 percent. In Britain, it increased 35.3 percent; in France, 30.9 percent; in West Germany, 20.6 percent; and in Japan, 44.4 percent. Wages, however, did not increase sufficiently to offset inflation and the increasing cost of living. The livelihood of the laboring people worsened further. Through the government, monopoly capital plundered the laboring masses even more with excessive taxation. In the 1940–1970 period, tax revenue in the United States increased by sixteen times, from 16.5 billion dollars in 1940 (20 percent of the national income) to 278 billion dollars in 1970 (35 percent of the national income). Heavy taxation weighed down the laboring people, suffocating them.

To protect its economic interests, monopoly capital inevitably resorts to fascist dictatorship to intensify the suppression of the workers through the state machinery. Overall political reaction is a natural political reflection of a monopoly capitalist economy. To implement fascist dictatorship and to suppress the people, imperialism expands the reactionary government machinery to a horrifying extent. Take the United States, for example, where one out of every twenty people is an employee of the reactionary state machinery.

The ruthless economic exploitation and bloodthirsty political suppression of the proletariat by the monopoly bourgeoisie intensify the contradiction between the proletariat and the bourgeoisie. The heavier the oppression, the stronger the resistance. The daily awakening of millions of members of the proletariat and the laboring masses continuously wages revolutionary struggle against the capitalist system.

Since the Second World War, especially in recent years, strong and massive worker movements have come into existence. The struggle against imperialism is intensifying. According to obviously deflated official United States figures, in 1970 United States workers were on strike 5,600 times and 3.3 million workers participated. In 1971, both a nationwide strike involving 500,000 telephone workers and a strike involving 160,000 railway workers occurred. In the strikes, the workers changed the combat slogan to "oppose wars (of aggression), oppose poverty, oppose oppression," and they increasingly combined economic struggle with political struggle. According to official data from Britain (also obviously deflated), in 1970 there were 3,888 strikes with 1.65 million workers participating. In 1971, 13.5 million work-

days were lost in connection with strikes in Britain. The revolutionary struggles of the Japanese working class have also gathered strength. According to official Japanese statistics, the number of so-called "labor capital disputes" (actually struggles of the worker against the capitalist) increased from 1,345 in 1955 to 5,283 in 1969, an increase of 2.9 times. In the same period, the number participating increased from 3.748 million to 14.483 million, an increase of about three times.

The mushrooming development of worker movements is a revolt by a vital organ of imperialism. It promotes the further deterioration of capitalist economic and political crises and incessantly deals serious blows to the rule of monopoly capital. The fate of imperialism is increasingly precarious.

The Contradiction Between Imperialism and the Oppressed Nations Widens

"Colonies are conquered by fire and sword."[124] After it has seized colonies and semicolonies with force, imperialism ruthlessly exploits and enslaves these areas and nations. To exercise political control, it buttresses puppets, stations armed forces, and establishes military bases. To facilitate economic exploitation, it forcibly opens trading ports, controls customs and external trade, monopolizes money and finance, and forcibly seizes the rights to mine, operate factories, and navigate on inland waterways. To obtain high monopoly profits, the imperialist country ruthlessly exploits and oppresses the people of the colonies and semicolonies. The contradictions between imperialism and the oppressed nations are aggravated to an unprecedented degree. Imperialism controls the economic pulse of the colonies and semicolonies and colludes with local feudal power and comprador capital to restrict the development of their national economies. Imperialism also resorts to various measures to force the national economies of the colonies and semicolonies to be "simplified"—that is, to produce only a few commodities required by foreign monopoly organizations, and thus cause their economic development to be lopsided and abnormal. As a result, the economies of these areas cannot be independent or self-sufficient, but can only rely on imperialism.

Since the Second World War, new upsurges have been appearing continuously in the national liberation movements of Asia, Africa, and Latin America. Many countries and areas have freed themselves from the fet-

[124] Lenin, "Socialism and War."

ters of imperialism and colonialism and have started on their independent roads. However, imperialism will never automatically retreat from the large areas of Asia, Africa, and Latin America. In addition to their usual colonial measures, they have increasingly resorted to neocolonial measures and have vainly attempted, under the guise of economic "aid," to further their vicious scheme of controlling these newly emerging independent countries. Through "aid," the capitalists have sought to dump their surplus goods and have used "aid" as a means of selling commodities. Through "aid," they have sought to control the economic policies of the recipient countries and control the development of these national economies. When some countries have refused to buy this imperialist trick, the imperialists have resorted to aggression and subversion and have gathered reactionary forces to instigate coups d'états and overthrow progressive governments that have opposed imperialism and insisted on national independence.

The cruel plunder and bloodstained enslavement have widened and intensified the contradictions between the imperialists and the oppressed nations and peoples. From the day when the imperialist bandits set their feet on the sacred land of Asia, Africa, and Latin America, the oppressed nations and people who dearly treasure their freedom and independence have taken up stones, bows and arrows, spears, and artilleries to deal blows to imperialism. The heavier the exploitation and the tighter the oppression by imperialism, the more intense the resistance struggle of the oppressed nations and peoples has become. After the October Revolution, the national liberation movement ushered in a new historical era, constituting part of the proletarian socialist world revolution. The national liberation movement and the proletarian revolutionary movements in the imperialist countries are interrelated and mutually supporting. The colonies and semicolonies, once the reserve army of imperialism, have now become the reserve army of the proletarian world revolution. Just as Chairman Mao pointed out, "The revolutionary storms in Asia, Africa and Latin America are sure to deal the whole of the old world a decisive and crushing blow."[125]

[125] Mao Zedong, "Message of Greetings to the Fifth Congress of the Albanian Party of Labour," in *Selected Works of Mao Zedong*, vol. 9 (Paris: Foreign Languages Press, 2021), 300.

The Intensification of Contradictions Among Imperialist Countries

Imperialism's struggle to divide the world economically and territorially has intensified the contradictions among the imperialist countries. Their struggles for hegemony and territory and their mutual fighting and massacring will really help the oppressed and exploited nations rise up to revolt.

The increasingly uneven economic and political development among capitalist countries in the imperialist stage further intensifies the contradictions among the imperialist countries.

Lenin pointed out, "Uneven economic and political development is an absolute law of capitalism."[126] In the capitalist world, some countries develop faster, and others slower. Some countries even advanced by leaps and bounds in certain periods of time. The uneven economic development among capitalist countries inevitably leads to uneven political development. In other words, uneven economic development must inevitably lead to changes in the relative strength of the imperialist countries.

The law of uneven economic and political development has played a role in the whole history of capitalism. However, in the imperialist period, this uneven development of capitalism intensifies. In the second half of the nineteenth century, England, an old capitalist country, seized a great number of colonies and assumed a monopoly position in the world. Her relatively easy and complacent position of manipulating high profits from her territories all over the world lulled her into stagnation in technology and production. Meanwhile, armed with new technology, the capitalist countries that arose later, especially the United States and Germany, accelerated their development. In the 1880s, the United States had already caught up with England and had taken the lead in world industrial production, and by the early twentieth century, Germany had also surpassed England, assuming second place in world industrial production. The shift in the relative positions of economic strength brought about a relative shift in political power. Following the shift of the balance of power, the countries began to struggle to redivide their spheres of influence and colonies.

Since the Second World War, the law of uneven economic and political development among imperialist countries has continued to play a role. Its characteristics have been: the decline of the United States, the continued

[126] V. I. Lenin, "On the Slogan for a United States of Europe," in *Collected Works*, vol. 21.

decline of England, the rapid ascension of West Germany and Japan, and the substantial gains of Italy and France. In the twenty years from 1949 to 1969, the annual average growth rates in the national product of these countries were: the United States—3.9 percent in the first ten years and 4.3 percent in the second ten years; England—2.5 percent in the first ten years and 3 percent in the second ten years; West Germany—7.4 percent in the first ten years and 5.2 percent in the second ten years; France—4.5 percent in the first ten years and 5.9 percent in the second ten years; Italy—6.1 percent in the first ten years and 5.6 percent in the second ten years; Japan—more than 10 percent for the whole period. New and uneven conditions appeared in their relative strength in terms of industrial production, capital and commodity exports, and international financial positions. The intensification of uneven economic and political development among the imperialist countries inevitably intensified the struggles among them for markets and supply bases for raw materials and for outlets for capital exports.

The operation of the law of uneven economic and political development inevitably led to wars and slaughter among the imperialist countries, thus revealing their weak links. These then became favorable conditions for the proletariat and the revolutionary peoples to bury imperialism. In his study of the laws of imperialist development, Lenin arrived at an important conclusion: Because of their uneven economic and political development, the imperialist battlefront will be smashed at its weakest link, and socialist revolution will first triumph in one or several countries. Lenin not only created a revolutionary theory for our achievement of victory, he also set a brilliant example of how to carry out revolution. In the First World War, Russia was the focal point of all contradictions in imperialism at that time and was also the weakest link in the imperialist chain. Lenin seized this link and led the Russian proletariat to launch the great socialist October Revolution, overthrow the Russian bourgeois dictatorship with revolutionary violence, establish the world's first socialist country under proletarian dictatorship, and usher in a new era in human history. After the Second World War, the great victory of the national revolutions in China and other countries of Asia and Europe further confirmed the accuracy of Lenin's scientific theory.

The outbreak of the two world wars, the victorious march of the proletarian socialist revolutions, and the upsurge of national liberation movements further aggravated imperialism's political, economic, and social crises.

Although immense changes have occurred in the world, the imperialist period is not yet over. Chairman Mao often teaches us: we are still in the period of imperialism and proletarian revolution. Lenin's scientific analysis of imperialism based on the fundamental principles of Marxism is entirely correct. The basic principle of Leninism is not outdated; today it still remains the theoretical basis of our thought.

The life of imperialism will not be long. It is parasitic and dying capitalism on the eve of proletarian socialist revolution. But, it will never retreat from the historical stage of its own free will. The nature of imperialism determines that the closer it draws to the end of its life, the more desperately it will struggle for survival. We must realize that imperialism is basically weak, a paper tiger. We must cultivate a bold spirit, daring to struggle and be good at struggle. And we must unite the revolutionary peoples of the world to carry the struggle against imperialism to the end.

> Make trouble, fail, make trouble again, fail again. . . till their doom; that is the logic of the imperialists and all reactionaries the world over in dealing with the people's cause, and they will never go against this logic.[127]

Making trouble is an expression of the desperate struggle of imperialism; to be doomed to failure until its elimination is the inevitable destiny of imperialist development. No one can change this law of history.

Major Sturdy References

- V. I. Lenin, *Imperialism, the Highest Stage of Capitalism*, chapters 7, 10.
- V. I. Lenin, "Imperialism and the Split in Socialism."
- Mao Zedong, "Talk with the American Correspondent Anna Louise Strong."

Review Problems

1. Why do we say that imperialism and all reactionaries are paper tigers?
2. Why do we say that imperialism is the eve of proletarian socialist revolution?

[127] Mao, "Cast Away Illusions, Prepare for Struggle," 432.

11

SOVIET REVISIONIST SOCIAL IMPERIALISM JOINS THE RANKS OF WORLD IMPERIALISM

Social Imperialism Is Socialism in Name But Imperialism in Substance

In the process of imperialism's gradual extinction, there emerged in the mid-twentieth century, Soviet social imperialism. Under the leadership of Lenin and Stalin, Russia was once a great socialist country. But after Stalin passed away, the renegade clique of Khrushchev launched a counterrevolutionary coup, seized Party and government power, restored capitalism in a big way, and transformed the Soviet Union into a social-imperialist country.

During the First World War, Lenin denounced Kautsky, the head of the German Social Democratic Party at that time, as being a "'social-imperialists,' that is, Socialists in words and imperialists in deeds."[128] The renegade clique of Brezhnev, like Kautsky, is also social-imperialist. The only difference is that it not only peddles revisionism, but also defends imperialism. What is more, it controls state power and has transformed a great country created by Lenin himself into a social-imperialist country. Social imperialism is imperialism with a "socialist" label. The fact that it emerged in the Soviet Union, Lenin's homeland and once a great socialist country, makes it more deceptive and dangerous. It is a very vicious imperialism indeed.

State Monopoly Capitalism Is the Main Economic Basis of Social Imperialism

The Formation of the Soviet Union's State Monopoly Capitalism

Whether it is capital imperialism or social imperialism, they are identical in their basic economic characteristics. Their main economic basis is monopoly capitalist economy—namely, private and state monop-

[128] Lenin, *Imperialism, the Highest Stage of Capitalism*, 113.

oly capitalism. In social-imperialist countries, monopoly capitalism always takes the form of state monopoly capitalism. State monopoly capitalism is the main economic basis of social imperialism. This difference between social and capital imperialism is determined by the different historical conditions under which monopoly capital was created.

The monopoly capital of capital imperialist countries was formed gradually in the process of acute competition in the private capitalist economy through capital accumulation and concentration. There, private monopoly capitalism appeared first and existed on a large scale. Only after private monopoly capitalism had developed to a certain extent and when monopoly capital and state power had combined with the state machinery to serve monopoly capital did state monopoly capitalism arise. State monopoly capitalism in the social-imperialist country appeared when the people in power taking the capitalist road usurped the Party and government power in the socialist country and, in the process, transformed the socialist economy to restore capitalism.

After the Soviet renegade clique usurped the Party and government power in the Soviet Union, the Russian bourgeois privileged stratum greatly expanded its own political and economic power, assuming a dominant position in the Party, government, military, and economic and cultural spheres and forming a bureaucratic monopoly bourgeoisie that controls the whole state machinery and social wealth. This new bureaucratic monopoly bourgeoisie used the state power under its control to transform socialist ownership into capitalist ownership by those taking the capitalist road and to transform the socialist economy into a capitalist economy and a state monopoly capitalist economy.

The nature of a society's economy cannot be determined by its label, but by the ownership of the means of production. In other words, it must be determined by who owns the means of production, who allocates it, and whom it serves. After the renegade clique of Khrushchev and Brezhnev usurped Party and government power in the Soviet Union, it exercised total control over political and economic power and pursued a thoroughly revisionist line in the economic sphere. It extolled the "ruble as a measure of labor merit" and "the ability to earn a profit as the best criterion for evaluating Communist Party members in charge of operations and management." Under the support of the Soviet revisionist renegade clique, Liber-

man, an economist of revisionism, proposed a scheme of state enterprise management that relied on profit and material incentives, and the "experiment" was widely disseminated. Since Brezhnev succeeded Khrushchev, the "new economic system" has been instituted nationwide. The profit principle of capitalism has been legally affirmed to strengthen the exploitation of the laboring people by the bureaucratic monopolist oligarchy. With these "transformations," the means of production that formerly belonged to the people of the Soviet Union are now owned by and at the service of the new bureaucratic monopoly bourgeoisie. The workers and peasants of the Soviet Union have been deprived of their means of production and reduced once more to hired laborers. Although the Soviet Union may still carry the socialist label, the original socialist ownership system has in fact been transformed into an ownership system of the bureaucratic monopoly bourgeoisie.

In socialist society, the state operated economy based on socialist state ownership is a leading element in the national economy. Once the revisionist renegade clique usurps the leadership of the socialist economy, it is naturally transformed into a state monopoly capitalist economy. This is because the more productive forces the new bureaucratic monopoly bourgeoisie puts under state ownership representing its interests, the more it can control the whole society's wealth in the name of the "state." This way, it not only can continue using the state label to deceive the laboring people, but through state capitalism can also tightly control the national economy. Therefore, the outstanding characteristic of the Soviet Union's capitalist economy is that state monopoly capitalism controls and commands everything. This situation is rare in the capital imperialist country. In the capital imperialist country, although state monopoly capitalism has undergone sizable development, it has not yet reached the state that prevails in the Soviet Union. Because of exploitation and oppression, the Soviet working class, especially the mass of laboring people, has suffered heavily. Lenin once pointed out:

> Under private ownership of the means of production, all these steps towards greater monopolization and control of production by the state are inevitably accompanied by intensified exploitation of the working people, by an increase in oppression; it becomes more difficult to resist the exploiters, and reaction and military despotism grow. At the same time these steps inevitably lead to a tremendous growth in the profits of the big capitalists at

> the expense of all other sections of the population. The working people for decades to come are forced to pay tribute to the capitalists in the form of interest payments on war loans running into thousands of millions.[129]

As we read this passage by Lenin, it sounds like an accurate economic analysis of Soviet state capitalism. Nekarsov, a well-known Russian poet, denounced the black rule of the old czar in grief and anger, "In Russia, who can be happy or free?" Today in Russia, the children of the heroes of the October Revolution are suffering multiple hardships with no joy or freedom to speak of. But the bureaucratic monopoly bourgeoisie headed by Brezhnev plunder the state treasury, lead extravagant lives, exercise cruel and arbitrary rule, and extract the blood and sweat of the people of the Soviet Union at will. The bureaucratic monopoly bourgeoisie headed by Brezhnev is the class basis of social imperialism and a "personification" of state capitalism.

The Trust Is the Basic Form of the Monopoly Organization of Soviet Revisionism

An important form of organization in the state capitalism of Soviet revisionism is the "trust." The ways in which trusts are established differ from the monopoly organization of capitalist countries. They are formed by merging the big enterprises with many medium and small enterprises through the use of state coercion.

The trust as a form of monopoly organization developed rapidly in the Soviet Union. In 1961, there were only two such trusts. Ten years later, in June 1971, there were 1,400 such trusts with more than 14,000 enterprises and 7.7 million employees. Nearly one third of the mining enterprises were trusts. At the "Twenty-fourth National Congress" of the Soviet Union, Brezhnev exclaimed, "The policy to establish trusts and merged enterprises must be carried out more resolutely—in the future, they should become the basic economic accounting unit in social production." Following the order of the Soviet revisionist leadership group, since 1971 the trust system has extended its sphere of dominance to include all the Soviet Union's manufacturing sectors.

There are three basic types of Soviet revisionist trusts:

First, the absorbed enterprises "lose their independence and status as legal persons." The trust becomes "the basic economic accounting unit of social production" and possesses all the rights over its subordinate enterprises.

[129] Lenin, *Collected Works*, vol. 24.

Second, some absorbed enterprises lose their legal independence, while others "maintain relative independence."

Third, the absorbed enterprises are "still independent," but are administered by the trust.

Of the above three types of trusts, Soviet revisionism emphasized the development of the first type. It was modeled after that of Western monopoly capitalist enterprises and "used" their "organization system chart." Soviet revisionism publicized the trust as "embodying a compressed and dormant future structure of Russian industries" and as being a type of "special Russian consortium." The trust not only engages in production, but also deals with the supply of raw materials and the distribution of products. The difference between the trust and the Western monopoly capitalist enterprise is that the alliance between the Russian trust and state power is much closer. It is not only a basic economic unit, it also carries out part of the functions originally exercised by the General Control Bureau or even the Ministry of Control with respect to planning, production, supply, and distribution. Large and regional trusts are "not only an integrated production unit but also an economic management organ." There are no middle organs between the various ministries in charge of economic control and the trusts. The managers of the trust, like the secretaries and deputy secretaries of government ministries, are listed as "leading members of the national economy" of Soviet revisionism. They are important members of the bureaucratic monopoly bourgeoisie headed by Brezhnev. Therefore, the trust is an entity that unifies the state organ and the monopoly organization and is an important form in the administrative system of state monopoly capitalism.

Apart from the fact that the trust is a monopoly organization, the state enterprise of Soviet revisionism has long been capitalistic. In the state enterprise of Soviet revisionism, the working masses have long been reduced from being the masters of the enterprise to slaves of the bureaucratic monopoly bourgeoisie. The leaders of the enterprise are the agents of the leadership group of Soviet revisionism. According to the codes of the "Regulations of Socialist State Production Enterprises," the manager of the enterprise exercises the "power to recruit and dismiss personnel and makes decisions regarding rewards and punishment for the enterprise's personnel." He has the authority to determine the wages and bonuses of the staff and workers and to resell or rent the enterprise's means of production. In sum, even

without the trust, the manager and the plant director are already rulers possessing all the power in state enterprises, and the broad masses of workers are already slaves of the bureaucratic monopoly bourgeoisie. Now, with the trust as a monopoly organization, the bureaucratic monopoly bourgeoisie can further strengthen its control over the pulse of the national economy in the Soviet Union. This new style big bourgeoisie, using the state enterprises and trusts it controls and availing itself of the name of the state, has used taxation and surrendered profits to unrestrainedly plunder the fruits of Russian worker's labor in order to support the extravagant lives of a few monopoly capitalists, suppress the Soviet people, launch aggression, and pursue its social-imperialist policy.

While the renegade clique of Brezhnev was developing monopoly organizations in manufacturing and mining in a big way, various types of monopoly organizations were also developed in agriculture. They included: (1) the agricultural trust, which is a trust organization of specialized state farms such as the poultry, livestock, and vegetable trusts; (2) the agricultural trust, which is an organization of several state farms or collective farms or between state farms and collective farms; and (3) the agricultural industrial complex, also called the agricultural industrial joint enterprise, which is a trust by which the agricultural enterprise directly operates processing plants for agricultural produce. Through these agricultural monopoly organizations, the bureaucratic monopoly bourgeoisie strengthened their control and plundered the broad Soviet countryside.

The "Shchekino Experiment" Was the Model of the Oppressive System Implemented by Soviet Revisionist Monopoly Enterprise

The neo-monopoly capitalist bureaucrats, having put the national economy under their control and totally restored the capitalist hired labor system, stepped up their exploitation and oppression of the broad masses. Since 1967, the so-called "Shchekino experiment" has amply confirmed the restoration of capitalism in the Soviet Union.

Shchekino was a chemical enterprise located near Moscow which had more than 7,000 employees and produced chemical fertilizers and other chemical products. In August 1967, tailored to the demands of the Soviet revisionist bureaucratic monopoly bourgeoisie, the enterprise began a so-called "economic experiment to strengthen the employees' concern for

increasing production, raise labor productivity, and reduce the number of personnel." This "experiment" continuously increased the workers' labor intensity through the measures of concurrent jobs, combined categories of work, and expanded scopes of service, and achieved the goal of reducing personnel and raising labor intensity. At the same time, it was decided to freeze the enterprise's total wage fund for several years, and the wage fund thus saved by personnel retrenchment was left largely to the discretion of a handful of the privileged class in the enterprises. Brezhnev boasted that the "experiment" was a perfect remuneration model, and it has since been disseminated throughout the Soviet Union.

The heart of the "Schekino experiment" is to "reduce the labor force to increase labor productivity" in order to push the enterprise to "tap its potential." How was labor productivity increased? The "Shchekino experiment" proved that it could be achieved by increasing labor intensity. According to the statistics of June 1971, since the Shchekino chemical joint enterprise implemented this "experiment," more than 1,000 workers had been dismissed, or more than one-seventh of the total staff and workers. Of these, 68 workers, or 6 percent, were dismissed due to either greater mechanization or the consequent reduction in labor intensity, while more than 90 percent of the workers were dismissed because of an increase in labor intensity. Marx pointed out, "the whole capitalist system of production turns on the increase of this gratis labor by extending the working day or by developing the productivity, increasing the intensity of labor power, etc."[130]

In the imperialist stage, the extraction of unpaid labor from the worker by monopoly capital was increased by a hundred times. In capital imperialist countries, monopoly capital used so-called "scientific management methods" such as the "Taylor system" to force the worker to increase labor intensity by a big margin in order to increase the extraction of surplus value. The "Shchekino experiment" promoted by the renegade clique of Soviet revisionism was a carbon copy of the "Taylor system" which was strongly denounced by Lenin as a "blood and sweat sucking system." Its intent was to force one Russian to do several workers' jobs and maliciously extract more surplus labor and surplus value from him.

As of July 1971, the 121 enterprises that implemented the "Shchekino experiment" had already dismissed 65,000 people. At present, heavy unem-

[130] Marx, *Critique of the Gotha Program*, 22.

ployment has begun to emerge in the Soviet Union. This economic system of state monopoly capitalism of Soviet revisionism has already pushed the relationship between capital and hired labor to its limit. It has already met, and will continue to encounter, strong opposition from the Soviet working class and the broad masses of laboring people.

Soviet Revisionist "New International Relations" Is Another Name for Neocolonialism

Economic Unification Is a Major Measure of the Neocolonialism Launched by Soviet Revisionism

To pursue high monopoly profits, monopoly capital, while increasing exploitation of the people at home, inevitably expands externally. Through capital export and by adopting colonial policies, it plunders and enslaves the people of other countries. The monopoly capitalism of Soviet revisionism naturally is not satisfied with the exploitation of the Soviet workers and peasant masses and inevitably extends its paws to foreign countries. The first to be so affected are the "fraternal countries" of that "big socialist family."

The renegade clique of Brezhnev trapped some Eastern European countries and Mongolia into a so-called "big socialist family." The nominal relations between Soviet revisionism and the "fraternal countries" of this big family are "new socialist international relations." Actually, it is a cat and mouse relationship between the imperialist superpower and the colonies. The Soviet Union resorted to the most brutal and vicious means to tightly control these countries. Militarily, it stationed sizable armed forces in some countries in line with the "Warsaw Pact" and other bilateral agreements. It even openly mobilized several hundred thousand troops to invade Czechoslovakia. Politically, it bribed, sabotaged, and even used bayonets to set up puppet governments. Economically, it pushed the so-called "economic unification" through the "Council for Mutual Economic Aid" (COMECON). Some Eastern European countries and Mongolia are virtually under colonial rule and suffer shocking exploitation.

The intent of the "economic unification" promoted by the social imperialism of Soviet revisionism is to dissolve the national economic systems of COMECON members, create a monolithic, lopsided colonial economy, and "unify" the territories, populations, and resources of these coun-

tries with the social imperialism of Soviet revisionism. Soviet revisionism's "international division of labor" and "production specialization" are both subject to "economic unification," serving the purpose of realizing the above mentioned "economic unification."

One of the means used by Soviet revisionism to enslave the "fraternal countries" in the name of "economic unification" is to destroy the fuel and raw material industries of the COMECON member countries and to achieve a high degree of monopoly by Soviet revisionism. According to statistics released by COMECON and official Soviet revisionist sources, in the 1966–1970 period, the percentages of imported fuel and raw materials going from the Soviet revisionists to Bulgaria, Hungary, the German Democratic Republic, Poland, and Czechoslovakia were: 93 percent for petroleum, 61.9 percent for coal, 86.8 percent for iron ore, 97.5 percent for pig iron, and 64.3 percent for raw cotton. The high degree of monopoly by the Soviet revisionists in the supply of fuel and raw materials to the member countries determined the fate of these countries.

Another means used by Soviet revisionism to enslave the "fraternal countries" in the name of "economic unification" was to force the member countries to specialize in products required by the Soviet revisionists. For example, Poland was forced to develop the shipbuilding industry, Czechoslovakia to specialize in railway rolling stock, the German Democratic Republic to produce mining equipment, Bulgaria to produce vegetables and fruits, and Mongolia to specialize in the livestock industry to provide meat for the Soviet revisionist. This way, the "fraternal countries" were transformed into affiliated processing plants, orchards and vegetable gardens, and livestock ranches for Soviet revisionism.

To accelerate "economic unification" and more effectively control the member countries, Soviet revisionism set up a series of "supranational organizations" such as the "International Metallurgical Industry Cooperative Organization," the "International Chemical Engineering Industry Cooperative Organization," the "International Economic Cooperative Bank," and the "International Investment Bank." These "supranational organizations" are actually international monopoly organizations controlled by the state monopoly capitalism of Soviet revisionism. Through them, the vital departments of the national economies of the member countries are controlled by Soviet revisionism.

When Soviet revisionism had its hands at the throats of the "fraternal countries," coercing them to lopsidedly develop their economies in conformity with Soviet needs, it could plunder them through trade using monopoly and colonial rules. According to Soviet revisionist magazines, in 1970 Soviet revisionism accounted for 80 percent of Mongolia's total foreign trade, more than 50 percent of Bulgaria's, about 40 percent of that of the German Democratic Republic, and about one third of that of Poland, Hungary, and Czechoslovakia. Taking advantage of its dominant position, Soviet revisionism has cruelly exploited these countries by trading with them on unfavorable terms. The Soviet Union traded Mongolia one bicycle for four horses and one toy lamb for one live lamb. The Soviet import price for electric locomotives from Czechoslovakia was two fifths lower than the import price of the same item from West Germany. But the export price of iron ore from the Soviet revisionist to Czechoslovakia was more than twice as high as that to West Germany. The atomic reactors sold by Soviet revisionism to some Eastern European countries were at a price four times higher than in the international market. A former member of the Planning Commission of the German Democratic Republic complained that the annual loss suffered by his country from trading with the Soviet Union amounted to 2 billion marks.

Like capital imperialism, the social imperialism of Soviet revisionism exported capital to some Eastern European countries and Mongolia calling it "aid." Up to early 1971, Soviet revisionism exported capital totaling 2.15 billion rubles as long-term "loans." Through capital export, not only were large sums of money extracted in the form of interest, but the direction of development in the recipient countries was also controlled. Moreover, availing themselves of this exporting, they dumped large quantities of unmarketable commodities and equipment at high prices to obtain high monopoly profits.

While exporting capital, the Soviet revisionists, taking advantage of their predominate position in "economic unification" and under the pretext of the increasing demands by member countries for Soviet exports of raw materials, compelled some countries to provide the funds and manpower for the construction of Soviet plants and the exploration of Soviet mines. They engaged in naked plundering. For example, in 1966 Czechoslovakia was forced to furnish 500 million rubles to the Soviet revisionists

for the purpose of buying steel pipes and petroleum equipment to develop the Uzen oilfield.[131] In 1968, Czechoslovakia was again forced to furnish large quantities of trucks and large caliber piping to construct a pipeline for Siberian natural gas. Soviet revisionism even drafted several tens of thousands of laborers from Bulgaria to do hard labor, thus directly exploiting their surplus labor.

Lenin once denounced the old czar as

> not only [oppressing] those nine-tenths [of the Great-Russian people] economically and politically, but also demoralizes, degrades, dishonors and prostitutes them by teaching them to oppress other nations and to cover up this shame with hypocritical and quasi-patriotic phrases.[132]

The conduct of Soviet revisionism toward its neighboring countries today is even worse than that of the old czar. The so-called "international division of labor" and "production specialization" in the service of Soviet revisionist "economic unification" is a "division of labor" between the superpower and its colonies, like the one advocated by the old Japanese militarism under the slogan of "industrial Japan, agricultural China." The "big socialist family" of Soviet revisionism is merely a different name for an imperialist sphere of influence like the "new European order" of Hitler's Germany and Japanese militarism's "Greater East Asia Co-Prosperity Sphere."[133]

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[131] The original translation refers to the "Tuimen" oil field. Our research failed to locate the site in question, as no existing or former oilfield on the territory of the former USSR appears to bear this name. However, an oil reserve was discovered in 1961 in Uzen, Kazakhstan, which led to the construction of an extraction facility whose production began in 1965, or a year before the "fundraising" for the pipeline's construction described in the text.—Ed. FLP

[132] V. I. Lenin, "On the National Pride of the Great Russians," in *The Right of Nations to Self-Determination* (Paris: Foreign Languages Press, 2022), 131.

[133] The Greater East Asia Co-Prosperity Sphere (GEACPS) was a group of countries united by Japan for the purposes of creating a self-sufficient bloc during WWII. Although the slogan was "Asia for Asians," GEACPS was actually created to ensure Japanese political and economic hegemony in the region and for resource exploitation for the war.—Ed. FLP

Carrying out a Colonial Expansion Policy in Asia, Africa, and Latin America Under the Name of "Aid"

Because Soviet revisionism has transformed into social imperialism, it must also be subject to the laws governing imperialism. It naturally is not satisfied with colonial rule within the "big socialist family," but inevitably tries to monopolize more of the world's markets for its commodities, raw materials, and investment. Asia, Africa, and Latin America, with their abundant resources and backward economies, have been the natural objects of Soviet revisionist colonial expansion.

The renegade clique of Soviet revisionism says it offers "aid" to Asia, Africa, and Latin America. But in fact, under the guise of "aid," it attempts in every way to bring some countries of these regions into its own sphere of influence and to struggle with United States imperialism to win over the third countries.

"Soviet aid" is a trojan horse which breaks its way into the "aid" recipient countries on all sides, carrying harsh political and economic conditions. It consists mainly of "military aid," namely, the sale of outdated military hardware. By this means, it controls and interferes with the "aid" recipient countries militarily, politically, and economically. Soviet revisionism annually gives one billion rubles in aid to regions in Asia, Africa, and Latin America: 30 percent as "economic aid" and 70 percent as "military aid." The key areas are the Middle East and the Persian Gulf area; next in line is the South Asian subcontinent. Because the Middle East and the Persian Gulf areas possess immense strategic value and are rich in oil, Soviet revisionism tries very hard in many countries in these areas to establish naval and air bases, control the prospecting, extracting, refining, and transportation of oil, and monopolize the purchase of oil through "Soviet aid." The South Asian subcontinent possesses not only important strategic value but also abundant natural and human resources. Soviet revisionism has plundered the resources of these areas and interfered with their politics (through exports of military hardware and capital at unfavorable terms of trade) while waiting for favorable opportunities to establish military bases.

In the South Asian subcontinent, India has received the largest share of "Soviet aid." Her economic pulse has been in the hands of Soviet revisionism. As of the end of 1970, the percentages of Indian industrial production coming from enterprises receiving Soviet "aid" were as follows: 30 percent of

its steel output, 60 percent of its oil refining capacity, 85 percent of its heavy machines, 20 percent of its electricity output, 30 percent of its oil products, and 60 percent of its electricity generating equipment. In the "aid assisted" projects, engineering designs were monopolized and totally controlled during the construction phase by Soviet revisionism. Even in operation, it was still impossible for India to be independent of the control of Soviet revisionism. For the maintenance of equipment and the supply of parts and important materials, it had to rely on the Soviet revisionists. In addition, Soviet revisionism further controlled India's production by demanding that "Soviet aid" be repaid in kind. Some of India's leather shoe factories, garment factories, dye factories, leather factories, and light bulb factories were not set up to meet the India's consumption, but for export to the Soviet Union to repay debts. It was in these ways that Soviet revisionism sought to take advantage of India's raw materials and cheap labor and turn India into its affiliated processing plant under the guise of "aid." The Indian press exclaimed, "India is an egg that sits snugly in the Russian Basket."

The renegade clique of Soviet revisionism boasts that only by relying on Soviet "aid" and entering into "international division of labor. . . can the developing countries smoothly attain real political and economic independence and be capable of resisting imperialist power." This is indeed the greatest lie ever told. Even Soviet revisionism had to admit that the division of labor between her and the developing countries was "strongly affected by the preexisting division of labor." Its characteristic is "the exchange of industrial products, especially machinery for raw materials, tropical produce, and fuel." Over 95 percent of the Soviet revisionists' imports of rubber and 92 percent of their imports of cotton come from Asia, Africa, and Latin America. The Soviet revisionists trade their outdated machinery for oil from the Middle East, copper from Chile, tin from Bolivia, meat from East Africa, and uranium from Somalia. Is it not true that this pattern of "international division of labor" between the "industrial Soviet Union" and "agricultural Asia, Africa, and Latin America" is typical of the division of labor between a superpower and its colonies?

The renegade clique of Soviet revisionism boasts that the interest on its loans, 2.5 percent per annum, is much lower than that charged by the capital imperialist countries and that the loans are "selfless aid." In fact, Soviet revisionist loans are a disguised form of usury. The usurious interest rate

was concealed in the high prices charged for goods supplied. The Soviet loans extended to the countries of Asia, Africa, and Latin America had to be used for purchasing Soviet goods, consisting primarily of outdated weapons, old equipment, and unmarketable commodities. Not only were the products poor in quality and backward in technology, but they were also higher in price, some 20 percent, 30 percent, or even 100 percent higher than the prices on the international market. In addition, the Soviet revisionist social-imperialists often pressed the debtor countries for payment, compelling them to supply the Soviet Union with certain raw materials. It was reported that the Soviet Union had signed an agreement with a Middle Eastern country demanding that the latter pay its debts to the former in oil from 1973 through 1980 at prices 20 percent below the international market price. What is labeled as "selfless aid" is in fact cruel exploitation.

Verbally, the renegade clique of the Soviet revisionists have promised "total support" for the revolutionary struggles of the peoples in Asia, Africa, and Latin America. In reality, they have colluded with all the world's most reactionary powers to undermine the revolutionary struggles of these peoples and have pursued neocolonialism. They have supplied money and arms to help the reactionary groups of various countries massacre revolutionaries. They have dismembered Pakistan, supported the traitor clique of Lon Nol,[134] engaged in sabotage in many countries of Asia, Africa, and Latin America, used all means to support the reactionary groups of various countries in Asia, Africa, and Latin America in order to extinguish the people's armed struggle, suppressed national liberation movements, and acted as the military police of the world.

Soviet Revisionist Imperialism Is the Eve of a Second October Revolution

The Extreme Parasitic and Decaying Nature of Soviet Revisionist Social Imperialism

Soviet revisionist social imperialism is monopoly capitalism. It cruelly exploits and oppresses its laboring people and ferociously plunders and

[134] Lon Nol (1913–1985) was a Cambodian general who led a coup in 1970, establishing an anti-communist regime. His rule, marked by corruption and brutality, saw widespread civilian suffering, forced conscriptions, and war crimes against ethnic Vietnamese. His government collapsed in 1975, paving the way for the Khmer Rouge takeover.—Ed. FLP

enslaves the peoples of other countries, especially the broad masses in Asia, Africa, and Latin America. It is even worse than capital imperialism. However, like all imperialism, Soviet revisionist state monopoly capitalism is just a paper tiger. Because all monopoly capitalism is necessarily at the same time both parasitic and decaying capitalism, it is moribund capitalism. Soviet revisionist state monopoly capitalism is no exception. Whether in its economic or political aspects, Soviet revisionist state monopoly capitalism reveals its extreme parasitic and decaying nature in every possible way. It will soon be sent to a museum by the people of the Soviet Union and the world.

The extreme decaying nature of Soviet revisionist social imperialism has been primarily revealed in its stagnating economic development. The relation of production of Soviet revisionist state monopoly capitalism seriously hinders the development of social productive forces. When the Soviet Union was a socialist country, its industrial production in the ten year period of 1929–1938 increased by leaps and bounds at an average annual rate of 17.4 percent. When the Soviet Union turned to social imperialism, the average annual growth rate of industrial production in the ten year period of 1961–1970 declined sharply from 8.6 percent to 7.7 percent in 1971 and below 7 percent in 1972. Under the rule of the renegade clique of Khrushchev and Brezhnev, agricultural production in the Soviet Union was even worse. Serious agricultural crises erupted many times and large quantities of food had to be imported from the United States, Canada, and Australia. Owing to industrial recession, declining agricultural output, dwindling livestock, and inflation, severe shortages of commodities and tight market supplies were reported. The livelihood of the laboring people was impoverished.

The extreme decaying nature of social imperialism has also been revealed in its frantic efforts at military expansion and war preparations. To pursue external aggression and expansion, the bureaucratic monopoly bourgeoisie represented by the Brezhnev renegade clique has inevitably followed the Hitler-type policy of "more guns and less butter" to militarize the national economy. According to estimates, the military expenditures of the Soviet revisionists were three to four times higher than those admitted by official sources. The average annual military expenditure since the 1970s has reached 80 billion dollars, or more than 30 percent of the state budget. To fight for naval supremacy, Soviet revisionism has greatly expanded its navy. Military

expenditure on battleships has increased sharply year after year. According to estimates, the annual average expenditure in this area in the 1960s was 2 billion dollars. In 1970, it was increased to 3 billion dollars, or 0.9 billion dollars more than the United States spent on battleships in the same year. When large quantities of social wealth are not used to expand production to improve people's livelihood, but instead to expand armaments, prepare for war, and pursue external aggression and expansion, it constitutes the most pronounced manifestation of social imperialism's decaying nature.

The extreme decaying nature of Soviet revisionist social imperialism has also been revealed in its total political reaction and serious deterioration of social life. Chairman Mao pointed out that "[t]he Soviet Union today is a dictatorship of the bourgeoisie, a dictatorship of the grand bourgeoisie, a fascist German dictatorship, and a Hitlerite dictatorship."[135] Chairman Mao's analysis profoundly revealed the class nature and social origin of Soviet revisionist social imperialism, exposing its fascist nature and the lie of the Soviet revisionist renegade clique that the Soviet Union is "a country for all the people." When the Soviet revisionist renegade clique came to power, it tried very hard to strengthen its fascist dictatorship organ. It not only used the most modern scientific and technological means to equip its police and intelligence agencies to strengthen its suppression of the people, but also widely stationed secret agents in factories, farms, organizations, and associations to keep the masses in line. Today's Soviet Union is under a reign of white terror. Whoever dares to show discontent and resist the Brezhnev clique is watched, tailed, interrogated, or sent to a "mental asylum," concentration camp, or prison for the alleged crime of "slandering the Soviet Union or sabotaging the social order."

In addition to suppressing the people with naked violence, the renegade clique of Brezhnev has also used subtle measures to undermine the people by introducing the rotten culture, vulgar arts, and lifestyle from capital imperialist countries to poison the Soviet people. All the most ideologically backward, reactionary, and rotten things in the world have managed to find fertile soil in Soviet revisionist social imperialism.

Another manifestation of the extreme parasitic and decaying nature of Soviet revisionist social imperialism has been the much higher income of the

[135] Mao Zedong, "Some Interjections at the Leading Group of the Planning Commission's Report on the Third Five-Year Plan," *Selected Works*, vol. 9, 77.

bureaucratic monopoly bourgeoisie represented by the Brezhnev renegade clique than that received by the ordinary workers and peasants. The difference in income of more than 10 times, or even 100 times, was obtained through high wages, high bonuses, and various types of personal subsidies. This class has also taken advantage of its special economic and political privileges to serve its own selfish interests, engaging in corruption and leading extravagant, parasitic lives. Closely related to his bureaucratic monopoly bourgeoisie is a revisionist intellectual aristocracy. This revisionist intellectual aristocracy serves the bureaucratic monopoly bourgeoisie in the ideological sphere and leads an equally sensual, parasitic life. Sholokhov, an author known for his writing on the terror of war and bourgeois pacifism, became a billionaire. He owned not only a private car but also a private airplane. His bank deposits were so huge that even he himself lost track of them.

In sum, a rotten atmosphere characteristic of a decaying social system has pervaded the economic, political, and cultural spheres of Soviet revisionist social imperialism. This social system, like the poisonous fungus growing on a pile of cow dung, is devoid of vitality.

A New Historical Period of Opposing United States Imperialism and Soviet Revisionism Has Already Begun

The bloodstained oppression and exploitation of the laboring people at home, the cruel colonial rule over countries in the "big socialist family," and the aggressive expansion in various parts of the world have inevitably intensified the various contradictions that Soviet revisionist social imperialism faces at home and abroad.

Wherever there is oppression, there is resistance. The oppression and exploitation of the laboring people of the Soviet Union by the Soviet revisionist bureaucratic monopoly bourgeoisie inevitably meets the resistance of the Soviet laboring people.

The opposition of the Soviet people to the bureaucratic monopoly bourgeoisie takes many varied forms. The workers of many areas in the Soviet Union have resorted to slowdowns, negligence of duty, and strikes to show their discontent and opposition to the ruling clique of Soviet revisionism. In many places, the revolutionary masses have demonstrated many times, opposing the fascist dictatorship of Soviet revisionist authority. In various areas of the Soviet Union, people have frequently published underground

materials, distributed leaflets to protest the reactionary rule of the Soviet revisionist renegade clique, and exposed the hidden secrets of the Soviet revisionist privileged class. The heroic children of the October Revolution will never submit to the reactionary rule of the new czar of Soviet revisionism. Under the dark rule of the old czar, Lenin confidently pointed out that "the Russian proletariat has not flinched from any sacrifice to rid humanity of the disgrace of the czarist monarchy."[136] Today, the Soviet proletariat, peasants, and revolutionary intellectuals must answer Lenin's call and work for the overthrow of the new czar and the reestablishment of proletarian dictatorship.

Second, the contradiction between the countries and people being persecuted by Soviet revisionist neocolonialism and Soviet revisionist social imperialism has increasingly intensified.

The neocolonialist policy of "economic unification" pursued by Soviet revisionism and the enslavement and plundering of some Eastern European countries and Mongolia has furthered the development of anti-plundering and anti-domination struggles in these countries. The flagrant armed occupation of Czechoslovakia by the Soviet revisionists opened up the watchful eyes of some Eastern European countries and Mongolia and strengthened their struggle against Soviet revisionist social imperialism. Today, Eastern Europe is like a powder keg which may explode at some future date. The invasion of Prague by Soviet revisionist tanks did not demonstrate the might of the Soviet revisionist social imperialism; on the contrary, it was an omen of the beginning of the Soviet revisionist colonial empire's collapse.

Under the guise of "aid," Soviet revisionism frantically infiltrates, plunders, and invades the countries of Asia, Africa, and Latin America and sets itself in opposition to the people of Asia, Africa, and Latin America. The demonic paws of Soviet revisionist social imperialism have reached some countries in the Mediterranean and the Indian Ocean by establishing military bases, obtaining port privileges, and controlling and interfering with internal politics and foreign affairs. The Soviet fishing fleet cruises freely around the world, plundering and destroying fishing resources and encroaching on the territorial waters of other countries. The people of Asia, Africa, and Latin America are becoming more aware of the reactionary nature of Soviet revisionist social imperialism. They have solemnly pointed out that

[136] V. I. Lenin, "The War and Russian Social Democracy," in *Collected Works*, vol. 21.

the Soviet revisionist renegade clique, which has betrayed "the world's revolutionary peoples," is a "neocolonialist" and "another public enemy of the people of the world." The countries and people who are subject to aggression, control, interference, and ill treatment from Soviet revisionism and United States imperialism are uniting to victoriously launch an anti-imperialist and anticolonial struggle aimed particularly at the two nuclear superpowers, the United States and the Soviet Union.

Third, the frantic external aggression and expansion of Soviet revisionist social imperialism and its fight for commodity markets, supplies of raw materials, and investment outlets has intensified the contradictions among the imperialist countries to an unprecedented degree, especially those between Soviet revisionism and United States imperialism; the two nuclear superpowers wrestle for world hegemony.

Today, it is primarily the two nuclear superpowers, the United States and the Soviet Union, who are vying for world hegemony. The strategic point they are fighting for is in Europe because Europe is the heart of the capitalist world. The West always wants to push Soviet revisionism to expand eastward and divert this flood of disaster to China. But China is a tough piece of meat that has been resisting being bitten for many years. At present, Soviet revisionism, pursuing the strategy of feint attack, has stepped up its struggle in Europe. The Soviet revisionists have stationed two thirds of their army and air force to the west of the Urals. The Soviet revisionist navy has expanded rapidly in the recent decade. In 1970, it dispatched more than 200 battleships to three oceans and eight seacoasts in a global exercise to show off its naval prowess and stepped up its expansion toward the Mediterranean and the Indian Ocean. The struggle for world hegemony between the United States and the Soviet Union is the source of world unrest. The struggle has encountered intense resistance from the Third World and created increasing displeasure in Japan and the West European countries. The expanding internal and external difficulties of the two powers put them in an increasingly unenviable and helpless situation.

Imperialism means aggression and war. Soviet revisionist social imperialism is stationing troops along China's borders, attempting to turn China into its colony. We must follow Chairman Mao's teachings to "be prepared for war, be prepared for natural disasters, and do everything for the people," and to "dig deep caves, increase grain stocks, and never be aggressive" in

order to strengthen preparations against wars of aggression. We must be on the alert for the outbreak of an imperialist world war, especially surprise attacks from Soviet revisionist social imperialism. We must resolutely, thoroughly, cleanly, and totally annihilate all enemies who dare to invade us.

Chairman Mao pointed out,

> The revolutionary people of the world will never forgive the numerous evil and scandalous deeds committed by Soviet revisionism in collusion with United States imperialism. The peoples of various countries are standing up. A new era opposing United States imperialism and Soviet revisionism is dawning.[137]

In the struggle against the hegemony mentality and power politics, the Third World is awakening and growing. This is a big event in contemporary international relations. The characteristic of the contemporary international situation is perpetual chaos. "Strong winds foretell the coming storm." This is precisely the contemporary version of the world's basic contradictions which Lenin analyzed. All countries subject to aggression, sabotage, interference, control, and ill treatment from imperialism have become increasingly united, forming a broad united front and strengthening their struggle against imperialism and new and old colonialism, especially against the hegemony mentality of the two superpowers, the United States and the Soviet Union. Countries must be independent, nations must be liberated, and people must make revolution. These are irresistible historical tides which will sweep away the United States and the Soviet Union.

On the eve of the victory of the Anti-Japanese War, Chairman Mao foretold:

> The world will unquestionably take the road of progress and not the road of reaction. Of course, we must remain very much on the alert and reckon with the possibility of certain temporary or perhaps even serious twists and turns in the course of events; in many countries there are still strong reactionary forces which

[137] In the original text, this quote was cited from Mao Zedong's, "Talk at the First Plenum of the Ninth Central Committee of the Chinese Communist Party," in April 1969. However, the citation must have been an error, since it cannot be located in that article. We could not find it in any other English translation of Mao's work, so we opted to leave it as is.—Ed. FLP

> begrudge the people at home and abroad their unity, progress and liberation. Anyone who loses sight of this possibility will make political mistakes. The general trend of history, however, is already clearly decided and will not change.[138]

The presence of Soviet revisionist social imperialism is a temporary historical detour. But, like capital imperialism, it is weighed down by all sorts of contradictions: the contradiction between the Soviet revisionist bureaucratic monopoly bourgeoisie on the one hand, and the proletariat and all the laboring people of the Soviet Union on the other; the contradiction between Soviet revisionist social imperialism and the people of the colonies and the whole world; and the contradiction between Soviet revisionist social imperialism and capital imperialism, especially United States imperialism. All of these are becoming increasingly acute. Because of the existence and development of these contradictions, Soviet revisionist social imperialism will surely be discarded in the museum of history by the people of the Soviet Union and the world. Lenin asserted, "imperialism is the eve of the socialist revolution."[139] Soviet revisionist social imperialism is the eve of a second socialist October Revolution. Chairman Mao pointed out:

> The Soviet Union is a socialist country and the Communist Party of the Soviet Union was created by Lenin. Although the leadership of the Party and government of the Soviet Union is now usurped by revisionists, I would advise our comrades to firmly believe that the broad Soviet people, Party members, and cadres are good people and want revolution. Revisionist rule will not last long.[140]

Under the great banner of Leninism and with the support of the people of the world, the Soviet people, who have a glorious revolutionary tradition, will eventually bury Soviet revisionist social capitalism. Their success will once again allow the brilliance of proletarian dictatorship, socialism, and Marxism Leninism to shine over the land of the Soviet Union.

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[138] Mao Zedong, "On Coalition Government," in *Selected Works*, vol. 3, 192.

[139] V. I. Lenin, "Preface," in *Imperialism, the Highest Stage of Capitalism*, 1.

[140] *Renmin ribao* [*People's Daily*], June 11, 1967.

> Let the ruling classes tremble at a Communistic revolution. The proletarians have nothing to lose but their chains. They have a world to win.
>
> Working men of all countries, unite![141]

Major Study References

- V. I. Lenin, "The Tasks of the Third International."[142]
- Mao Zedong, "Talk with the American Correspondent Anna Louise Strong."
- Mao Zedong, "Message of Greetings to the Fifth Congress of the Albanian Party of Labour."

Review Problems

1. How does one recognize the nature of Soviet revisionist social imperialism from the basic economic characteristics of imperialism?
2. Why will the rule of the Brezhnev renegade clique in the Soviet Union not be long?

[141] Marx, Engels, *Manifesto of the Communist Party & Principles of Communism*, 70.

[142] V. I. Lenin, *Collected Works*, vol. 29 (Moscow: Progress Publishers, 1974).

12

SOCIALIST SOCIETY USHERS IN A NEW ERA IN HUMAN HISTORY

Socialist Society and Proletarian Dictatorship

More than a hundred years ago, Marx and Engels, the teachers of the worldwide proletarian revolution, analyzed the emergence, development, and decline of capitalist relations of production and concluded scientifically that the proletariat would certainly overthrow the bourgeoisie and all exploiting classes, that proletarian dictatorship would certainly replace bourgeois dictatorship, that socialism would certainly replace capitalism, and that communism would certainly be realized in the end. They called on the proletariat of the world to unite with the broad laboring masses and take up arms to struggle fearlessly for the demolition of bourgeois state machinery, the establishment of proletarian dictatorship, and the realization of socialism and communism. In the past hundred years and more, the proletariat of the world has marched forward persistently under the brilliance of Marxism without fearing sacrifice. They have turned the scientific socialist ideal into a shining reality over a large area of the world. "In the end the socialist system will replace the capitalist system. This is an objective law independent of human will."[143] Socialist society under proletarian dictatorship and established through violent revolution is a fundamental negation of the exploitative capitalist system and all exploitative systems. It ushers in a new era of human history.

[143] Mao Zedong, "Speech at Moscow Celebration Meeting," in *Selected Works of Mao Zedong*, vol. 7 (Paris: Foreign Languages Press, 2021), 412.

Proletarian Revolution and Proletarian Dictatorship Are the Preconditions for the Emergence of Socialist Relations of production

Socialist Relations of Production Cannot Emerge Within Capitalist Society

The transition from one societal form to another in human society is impelled by the basic social contradiction—namely, the contradiction between the relations of production and the productive forces and between the superstructure and the economic substructure. Marx pointed out:

> At a certain stage of development, the material productive forces of society come into conflict with the existing relations of production or—this merely expresses the same thing in legal terms—with the property relations within the framework of which they have operated hitherto. From forms of development of the productive forces these relations turn into their fetters. Then begins an era of social revolution. The changes in the economic foundation lead sooner or later to the transformation of the whole immense superstructure... [N]ew superior relations of production never replace older ones before the material conditions for their existence have matured within the framework of the old society.[144]

The material conditions for socialist relations of production—socialized production and the proletariat acting as the gravediggers of capitalism steadily develop under capitalist conditions. When capitalism develops into imperialism, the death knell of capitalism is sounded, and the time for proletarian socialist revolution has come.

We already know that in human history, slavery, feudalism, and capitalism are all exploitative systems based on private ownership of the means of production. The replacement of one of these three social and economic systems by another always takes the form of a new private ownership system replacing an old private ownership system. Under these conditions, new relations of production can gradually emerge within the old society. For example, capitalist relations of production emerged gradually at the end of

[144] Marx, "Introduction to a Critique of Political Economy," 263.

the feudal society. Even under these conditions, a new private ownership system, in order to become a dominant economic basis of society, must rely on the newly emerging exploitative class that represents this private ownership system to launch revolutions, seize political power, and engage in life and death class struggle. This is a time-tested law.

Socialist relations of production are relations of production based on public ownership. They cannot possibly emerge within capitalist society. The socialist public ownership system is fundamentally opposed to the capitalist ownership system in which the means of production are privately owned. To implement the socialist public ownership system of the means of production implies the expropriation of the bourgeoisie's means of production. This cannot be carried out in capitalist society under bourgeois dictatorship. The bourgeois state machinery and its whole superstructure exist for the protection of the capitalist private ownership system. The bourgeoisie will never allow socialist relations of production to emerge from within capitalist society. All fallacious arguments that "capitalism can peacefully pass into socialism" championed by new and old revisionists are totally contrary to the facts. These are "theories" that serve to preserve the capitalist system and forbid the proletariat to rise up and rebel. With the development of capitalism, the path to complete societal revolutionary transformation is clear. It is: *"The proletariat seizes state power and to begin with transforms the means of production into state property."*[145]

The fundamental issue of revolution is political power. Chairman Mao pointed out that "political power grows out of the barrel of a gun."[146] Only by overthrowing the bourgeois state machinery and establishing proletarian dictatorship through revolutionary violence can the proletariat establish and develop relations of production based on socialist public ownership after socialist nationalization of the capitalist economy and socialist transformation of the individual economy. Thus, proletarian revolution and proletarian dictatorship become the preconditions for the emergence of socialist relations of production.

The Paris Commune of 1871 was the historically significant debut of the proletariat overthrowing the capitalist system with revolutionary violence. Although the Paris Commune failed, the principle of a commune

[145] Engels, *Anti-Dühring*, 308–309.

[146] Mao Zedong, "Problems of War and Strategy," in *Selected Works*, vol. 2, 206.

survived. The Paris Commune experience demonstrated that the proletariat must destroy the bourgeois state machinery, that is to say, "the working class cannot simply lay hold of the ready-made State machinery and wield it for its own purposes."[147]

Lenin's leadership in the October Revolution was a brilliant implementation of the Marxist theory of violent revolution. The October Revolution experience demonstrated that in the period of imperialism and proletarian revolution, as long as there is a sizable proletariat, as long as there are masses suffering under oppression, and as long as there is a mature proletarian party that is capable of formulating a Marxist line based on the national revolutionary conditions and is able to correctly lead the proletariat, the poor, and the suffering peasants by uniting all forces that can be united to wage a persistent struggle against the class enemy, it is possible to overthrow bourgeois rule through armed revolution even in the most backward capitalist country and thereby establish a socialist country under proletarian dictatorship.

The cannon fired in the October Revolution has brought the Chinese people Marxism-Leninism. The great Chairman Mao formulated a general line for China's new democratic revolution by combining the universal truth of Marxism-Leninism and China's revolutionary situation. The general line was: "It can only be and must be a revolution against imperialism, feudalism and bureaucrat-capitalism waged by the broad masses of the people under the leadership of the proletariat."[148]

Under the guidance of this revolutionary line, the path of establishing strongholds in the countryside and the rural areas and besieging, and finally seizing the urban areas was followed. After a prolonged period of revolutionary war, the Chinese people overthrew the reactionary rule of imperialism, feudalism, and bureaucratic capitalism, demolished the old state machinery, and established the People's Republic of China under democratic dictatorship—that is, proletarian dictatorship. The birth of the People's Republic of China was another great event in world history after the October Revolution.

The experience of the Chinese revolution demonstrated that in the period of imperialism and proletarian revolution, if the proletariat of the colo-

[147] Karl Marx, *The Civil War in France* (Paris: Foreign Languages Press, 2021), 61.

[148] Mao Zedong, "Speech at a Conference of Cadres in the Shanxi-Suiyuan Liberated Area," in *Selected Works*, vol. 4, 232.

nial and semicolonial countries could only seriously combine the universal truth of Marxism-Leninism with the actual revolutionary conditions of their countries, firmly grasp the leadership power of democratic revolution, and lead the people to victory in this revolution, it was entirely possible to enter the stage of socialist revolution immediately after completing the anti-imperialist and anti-feudal task.

The triumphs of the October Revolution and the socialist revolution in China are the great victories of the Marxist theory of armed revolution. New and old revisionists always maliciously attack armed revolutions. They champion the fallacy of "peaceful transition," which is nothing but a replica of the "Way of Magnanimity" preached by the philosopher Confucius, a spokesman for the then decadent slave-owning class in China.[149] The "principles of magnanimity" have never been magnanimous at all, and the bourgeoisie has always used reactionary forces to oppress the proletariat. The so-called "way of loyalty and reciprocity" was merely a hoax that the exploiting class used to paralyze the revolutionary spirit of the laboring people. The present day bona fide disciple of Confucius, Lin Biao, even picked up such dust covered weapons as "one who wields virtue prospers, one who wields force perishes," vainly attempting to restrict the freedom of the proletariat and to oppose the use of revolutionary violence against the reactionary class. With respect to the consistent fallacy opposing revolutionary violence championed by domestic and foreign revisionists, Chairman Mao solemnly pointed out:

> The seizure of power by armed force, the settlement of the issue by war, is the central task and the highest form of revolution. This Marxist-Leninist principle of revolution holds good universally, for China and for all other countries.[150]

This is a universal law of proletarian revolution.

The Crux of the "Productivity First Theory" Is Its Opposition to Proletarian Revolution and Proletarian Dictatorship

The most fundamental betrayal of Marxism by the new and old revisionists is their opposition to proletarian revolution and proletarian dic-

[149] Confucius's principles of magnanimity: "True to the principles of our nature and the benevolent exercise of them toward others."—Ed.

[150] Mao, "Problems of War and Strategy," 201.

tatorship. The tattered banner hoisted in their opposition to proletarian revolution and proletarian dictatorship is often the reactionary "productivity first theory."

The revisionists Bernstein and Kautsky of the Second International tried very hard to champion the idea that owing to the development of the productive forces, capitalist countries with highly developed industries would "gradually give rise to" the socialist economic system. It was not necessary to resort to violent revolution. Capitalist countries with underdeveloped industries, colonies, and satellite countries must first "develop" their productive forces. Without highly developed productive forces, the proletariat could not wage revolution. This was an early version of the "productivity first theory" in the international communist movement. This fallacy treated social transformation purely as an issue of the development of the productive forces. It completely ignored the effect of the relations of production on the development of the productive forces and the effect of the superstructure on the economic base. It ignored the fact that in a class society, social transformation must go through violent class struggle before this theory of historical materialism can be realized.

The founder of Marxism dealt a firm blow to the "productivity first theory" of the revisionists. Engels pointed out:

> According to the materialist view of history, the determining factor in history is, in the final analysis, the production and reproduction of actual life. More than that was never maintained either by Marx or myself. Now if someone distorts this by declaring the economic moment to be the only determining factor, he changes that proposition into a meaningless, abstract, ridiculous piece of jargon.[151]

In the proletarian revolution of Russia, people like Trotsky and Bukharin again picked up this worn "productivity first theory" in a vain attempt to oppose the Russian proletariat's triumphant advance against the capitalist system. They insisted that economically backward Russia was not qualified to establish socialism. This type of nonsense was soundly criticized by Lenin. Lenin asked:

[151] Frederick Engels, "To Joseph Bloch. September 21–22, 1890," in *Marx & Engels Collected Works*, vol. 49 (London: Lawrence & Wishart, 2001), 34.

> Why cannot we begin by first achieving the prerequisites for that definite level of culture in a revolutionary way, and then, with the aid of the workers' and peasants' government and Soviet system, proceed to overtake the other nations?[152]

In the course of China's democratic and socialist revolutions, successive leaders of the revisionist line, from Chen Duxu to Liu Shaoqi and Lin Biao, all borrowed the reactionary "productivity first theory" from the Second International revisionists and Trotskyites. They said that China's economy was backward and that the proletariat could seize political power only after capitalism was highly developed. This in effect would eradicate China's revolution and keep China in her semicolonial and semifeudal status. Chairman Mao has countered this position with this observation: "In the absence of political reforms all the productive forces are being ruined, and this is true both of agriculture and of industry."[153] Referring to the semicolonial and semifeudal status of China's old society, Chairman Mao pointed out: China's revolution must proceed in two steps. The first step is the new democratic revolution. The second step is the socialist revolution. These are two different, and yet related, revolutionary processes. The democratic revolution is the necessary preparation for the socialist revolution. The socialist revolution is an inevitable trend of the democratic revolution. This totally and thoroughly demolishes the conspiracy of people like Chen Duxu who vainly attempted to obstruct the revolutionary flood by resorting to the reactionary "productivity first theory."

Chairman Mao said:

> True, the productive forces, practice and the economic base generally play the principle and decisive role; whoever denies this is not a materialist. But it must also be admitted that in certain conditions, such aspects as the relations of production, theory and the superstructure in turn manifest themselves in the principle and decisive role.[154]

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[152] V. I. Lenin, "Our Revolution," in *Collected Works*, vol. 33 (Moscow: Progress Publishers, 1973).

[153] Mao, "On Coalition Government," 239.

[154] Mao, "On Contradiction," 306.

The history of the international communist movement has demonstrated that the line of demarcation between Marxism and revisionism in the proletarian struggle for political power lies in whether one persistently follows the dialectical materialist theory of the unity of the relations of production and the productive forces and the unity of the superstructure and the economic substructure—or whether one pushes the reactionary "productivity first theory."

Socialist Society Is a Fairly Long Historical Stage

Socialist Society Is a Period of Struggle Between Declining Capitalism and Emerging Communism

What kind of a society is the socialist society that is established through proletarian revolution? What are its basic characteristics?

Marx pointed out:

> Between capitalist and communist society lies the period of the revolutionary transformation of the one into the other. There corresponds to this also a political transition period in which the state can be nothing but *the revolutionary dictatorship of the proletariat*.[155]

The period described by Marx as "a period of revolutionary transformation from the former to the latter" and "a political transition period" is the historical period of socialism. The society in this period is socialist society under proletarian dictatorship.

In socialist society, the public ownership system of the means of production replaces the private ownership system. The laboring people control the fate of the socialist economy and become the masters of society. Marxist ideological education gradually liberates millions of laboring people from the influence of the old society to progress along the socialist and communist paths. From this aspect, socialist society already possesses some elements of communist society. But socialist society is merely a preliminary stage of communist society, not a completely communist society. Just as Marx pointed out:

[155] Marx, *Critique of the Gotha Program*, 25.

> 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 birth marks of the old society from whose womb it emerges.[156]

This is to say, in various aspects of socialist society, there still remain some capitalist traditions and influences; the bourgeoisie and all exploiting classes have been overthrown, but their influence on economics, politics, and ideology will exist for a long time. The disparities between the worker and the peasant, the urban and the rural areas, and mental labor and physical labor, which are left over from the old society and the remaining legal rights reflecting these disparities will persist for a long time. Consequently, the whole historical stage of socialist society "has to be a period of struggle between dying capitalism and nascent communism."[157]

This nature and characteristic of socialist society determine that socialist society will not be a short and temporary period, but a fairly long historical stage.

Before the socialist revolution, the revolutions to replace slavery with feudalism and feudalism with capitalism merely constituted the substitution of a new exploitative system for an old exploitative system. The proletarian socialist revolution is fundamentally different. It will thoroughly eliminate all exploitative systems among men, all classes and class disparities, and the remaining bourgeois legal rights reflecting these disparities. This revolution is richer, wider, and more complex than any other revolution in history. The goal of communism can be realized in the end only through long-term struggle and by gradually creating favorable conditions.

To eliminate classes, socialist society must make a thoroughly clean break from all customary influences of the traditional concept of private ownership and the old society. The specter of Confucius, who stubbornly defended slavery in China more than two thousand years ago, has been used by the exploiting classes of various historical periods to consolidate their reactionary rule. Today, the reactionary thought of Confucius is

[156] Marx, 14.

[157] V. I. Lenin, "Economics and Politics in the Era of the Dictatorship of the Proletariat," in *Collected Works*, vol. 30 (Moscow: Progress Publishers, 1974).

still used by the bourgeoisie and revisionists as an ideological weapon to restore capitalism. It is a long and complex task to solve the issue of whether socialism or capitalism will win out in the sphere of political ideology. Chairman Mao pointed out:

> To ensure the success of socialist construction and to prevent the restoration of capitalism, it is necessary to carry the socialist revolution through to the end on the political, economic, ideological and cultural fronts. The complete victory of socialism cannot be brought about in one or two generations; to resolve this question thoroughly requires five to ten generations or even longer.[158]
>
> The final triumph of building a socialist country not only depends on the efforts of its own proletariat and the broad people, but also on the triumph of world revolution, the global elimination of exploitative systems among men, and the liberation of the human race.[159]

We are still in the period of imperialism and proletarian revolution. The final triumph of the socialist revolution will be won only after a series of difficult, complex, and long-term class struggles in the world.

Correctly understanding the nature and characteristics of socialist society, correctly understanding that socialist society is a fairly long historical stage, and drawing a line between scientific socialism and all kinds of fake socialism has great significance for the success of the proletariat of all countries in their socialist revolution and for the struggle to prevent capitalist restoration after the victory of the revolution. The victory of socialism over a large area of the world will force its enemies to disguise themselves as socialists. They will hoist various "socialist" banners to deceive the world and win fame for themselves. In the contemporary period, there is the "developed socialism" served up by Brezhnev, the "real socialism" peddled by Lin Biao, and so forth. People like Brezhnev vainly hope to hide themselves behind "developed socialism" in order to increase their exploitation and oppres-

[158] Mao Zedong, *On Khrushchov's Phoney Communism and Its Historical Lessons for the World: Comment on the Open Letter of the Central Committee of the CPSU (IX)*, (Beijing: Foreign Languages Press, 1964).

[159] *Hongqi* [*Red Flag*], 1969, no. 5.

sion of the laboring people in their own country and unscrupulously restore capitalism. Abroad, they step up aggression and expansion in their futile attempt to achieve world supremacy. The so-called "developed socialism" is a new form of bureaucratic monopoly capitalism, that is, social imperialism. The "real socialism" peddled by people like Lin Biao was merely a disguise. His reactionary program was Confucius' "restraining oneself and restoring the rites." He clamored that "of all things, this is the most important." His intention was to conspire to sabotage China's socialist system under the proletarian dictatorship and to restore capitalism. The so-called "real socialism" was in fact real capitalism. This company of renegades vainly attempted to mix the genuine with the fictitious in order to paralyze the revolutionary spirit of the broad masses of people. But, Marxist scientific socialism cannot be faked. Once it is compared with the nature and characteristics of socialist society as explained by Marxism, it is easy to expose the various brands of fake socialism.

The Theory of the Basic Contradictions in Socialist Society Is the Theoretical Basis for Continuing Revolution Under Proletarian Dictatorship

After proletarian dictatorship was established in China, Chairman Mao laid down a general line for the Party in the transition period.

> Within a fairly long period of time, socialist industrialization is to be gradually realized in the country, and socialist transformation of agriculture, the handicraft industry, and capitalist industry and commerce by the state is to be gradually realized.[160]

According to this general line, China had basically completed the socialist transformation of the ownership system of the means of production in 1956. In this situation, is socialist society still a historical process of the motion of contradictions? What are the basic contradictions in socialist society? Are these contradictions mainly manifested in the contradiction and the struggle between the proletariat and the bourgeoisie? It is exactly in these questions that fundamental differences exist between Marxism and modern revisionism.

The Soviet revisionist renegade clique flatly denies that contradictions exist in socialist society from beginning to end. It flatly denies that these

[160] *Hongqi* [*Red Flag*], 1971, nos. 7–8.

contradictions are mainly manifest in the struggle between the proletariat and the bourgeoisie. It flatly denies that it is exactly the unity and struggle between opposites that propels the development of socialist society. Its intent is to conceal its nefarious countenance of totally restoring capitalism and implementing fascist dictatorship. The company of Liu Shaoqi and Lin Biao followed in the footsteps of the Soviet revisionists. After the great victory achieved in China's socialist transformation of the ownership system of the means of production, they fabricated nonsense claiming that "there was a contradiction between the advanced socialist system and the backward social productive forces." They vainly attempted to use this nonexistent "contradiction" to negate the ever-present contradiction between the relations of production and the productive forces, between the superstructure and the economic substructure. To cover up their conspiracy to restore capitalism in China, they denied that the main contradiction in Chinese society was the contradiction between the working class and the bourgeoisie. Faced with this revisionist countercurrent, Chairman Mao has advanced the great theory about the basic contradictions in socialist society based on the fundamental principles of Marxism and the accumulated experience of the international communist movement. Chairman Mao pointed out that the universal law of unity and struggle between opposites in nature, human society, and human thought is equally applicable to 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.[161]

Chairman Mao's theory about the basic contradictions in socialist society succeeds, defends, and develops Marxism-Leninism. It has dealt a fatal blow to modern revisionism and has effectively armed the proletariat and the broad laboring people.

The socialist relations of production correspond to the development of the productive forces. It permits the productive forces to develop rapidly at a speed that is not possible in the old society. The state system and law under proletarian dictatorship and superstructures such as the socialist ideology that are guided by Marxism also conform to the socialist economic basis,

[161] Mao Zedong, "On the Correct Handling of Contradictions Among the People," in *Selected Works*, vol. 5, 377.

namely socialist relations of production. This is the fundamental aspect. But there is another aspect of the contradictions in socialist society between the relations of production and the productive forces and between the superstructure and the economic basis. The correspondence and contradiction with one another among the various aspects of the basic contradictions of socialist society propels socialist society forward.

In order to correctly understand how the relations of production correspond to and contradict the productive forces in socialist society, it is necessary to make a concrete analysis of the relations of production in socialist society.

During a certain period of time in socialist society, there still exist non-socialist relations of production. With regard to the ownership system, for example, the joint state and private enterprises in China were basically socialist in nature. But during a certain period of time, the capitalist could still obtain a fixed interest. In other words, exploitation and remnants of capitalist private ownership still existed. After the fixed interest was abolished, there were still remnants of individual economy in the urban and rural areas for a fairly long period of time in socialist society. In the aspect of interpersonal relations, opposition between classes representing the capitalist relations of production and the laboring people still existed. With regard to the distribution of personal consumption goods, high salaries were still paid to the capitalist and bourgeois experts whose services were retained for a period of time. These high salaries did not embody the socialist principle of from each according to his ability and to each according to his labor, but were in fact a form of redemption. All these nonsocialist relations of production were not only in conflict with the development of the productive forces, but also with socialist relations of production. In the development process of socialist construction, these nonsocialist relations of production must gradually be transformed.

On the other hand, the socialist relations of production themselves also undergo a development process from an imperfect state to a more perfect state. In socialist society, "Communism *cannot* as yet be fully ripe economically and entirely free from traditions or traces of capitalism."[162] The establishment of the socialist public ownership system was a fundamental negation of the private ownership system. But this does not imply that the issue

[162] Lenin, *The State and Revolution*, 97.

of ownership is completely settled. The consolidation and perfection of the socialist state ownership system and the socialist collective ownership system by the laboring masses must undergo a long process during which the proletariat and the bourgeoisie fight for economic leadership. The socialist collective ownership system must also undergo a process of transition from a small collective ownership system to a large collective ownership system and finally to a socialist state ownership system. With regard to interpersonal relations in socialist production, there still exist disparities between the worker and the peasant, the urban and rural areas, and mental and physical labor and also bourgeois legal rights left over from the old society that reflect these disparities. Distribution of consumer goods according to labor is still a bourgeois legal right. These bourgeois legal rights will exist for a long time in the socialist stage. The proletariat must accept them and at the same time create favorable conditions for their retirement from the historical stage.

At the same time, with the rapid development of the productive forces, conditions in which some aspects of socialist relations of production are no longer compatible with the development of the productive forces must be adjusted and streamlined in time.

But, in the final analysis, the central problem of perfecting socialist relations of production cannot but be a process of struggle in which the emerging communist factors gradually triumph over the declining capitalist tradition and influence.

To understand how the superstructure of socialist society corresponds to and contradicts the economic substructure, it is also necessary to conduct a concrete analysis of the superstructure in socialist society. In socialist society, there exists a bourgeois ideology. In the superstructure of socialist society, for example, the existence of certain representatives of the bourgeoisie in the state organization, certain bureaucratic styles of work, and certain imperfections in the state system are all in conflict with the socialist economic substructure. Only by continually resolving these contradictions can the superstructure further meet the need to consolidate and develop the socialist economic foundation.

The basic contradictions in socialist society are fundamentally different in nature and condition from the contradictions between the relations of production and the productive forces, between the superstructure and the economic substructure in the old society. The basic contradictions of

capitalist society are manifested as violent oppositions and thrusts. These contradictions can only be resolved through violent revolution by the proletariat, the overthrow of the bourgeois dictatorship, and the elimination of capitalist relations of production. The contradictions between socialist relations of production and the productive forces, between the superstructure and the economic substructure are an entirely different matter. The process of continual emergence and resolution of these contradictions are also the process of transition from socialist society to the communist society. In this process, workers, peasants, and other laboring people who are the ruling class, are not overthrown by any opposition power. They still remain the masters of society. The public ownership system is not destroyed, but is developed to a higher stage. In this sense, the contradictions of socialist society "are not antagonistic and can be ceaselessly resolved by the socialist system itself."[163]

The conformity and contradiction between socialist relations of production and the productive forces, between the superstructure and the economic substructure constitute a continuous dialectical process that propels socialist society continuously forward.

Chairman Mao's theory on the basic contradictions in socialist society is the theoretical basis for the continuous revolution under proletarian dictatorship. Chairman Mao pointed out:

> In China, although socialist transformation has in the main been completed. . . remnants of the overthrown landlord and comprador classes [still exist], there is still a bourgeoisie, and the remolding of the petit bourgeoisie has only just started. . . . In this respect, the question of which will win out—socialism or capitalism—is not really settled yet. . . . 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.[164]

[163] Mao, "On the Correct Handling of Contradictions Among the People," 377.
[164] Mao, 393.

This, then, is the first clear cut conclusion drawn from the theory and practice of the international communist movement: After the socialist transformation of the ownership system of the means of production is basically completed, there still exist classes and class struggle. The proletariat must continue revolution and pursue the socialist revolution on the political, economic, ideological, and cultural battlefronts to the very end.

Firmly Adhere to the Basic Line of the Party for the Whole Socialist Historical Stage

Chairman Mao teaches us that "everything depends on whether or not the ideological and political line is correct." To insist on continuous revolution under proletarian dictatorship, the proletariat needs a correct line.

Based on a detailed analysis of the basic contradictions in socialist society and his theory of continuous revolution under proletarian dictatorship, Chairman Mao formulated for our Party a basic line for the whole socialist historical stage:

> The socialist society is a fairly long historical period. In the socialist historical stage, there still exist classes, class contradictions, class struggle, the struggle between the socialist and the capitalist roads, and the danger of capitalist restoration. We must be fully aware of the protracted and complex nature of these struggles. We must be on the alert. We must conduct socialist education. We must correctly understand and handle class contradictions and class struggle, correctly distinguish contradictions with our enemies from contradictions among the people and handle them accordingly. Otherwise, our socialist country will go the wrong way and deteriorate, and restoration will appear. From now on, we must talk about it every year, every month, and every day so that we can have a clearer appreciation of this issue and a Marxist Leninist line.[165]

This proletarian revolutionary line formulated by Chairman Mao reveals the objective law governing class struggle in the socialist period and is the only correct line for realizing the basic program of the Party. This basic line is a brilliant beacon that shines over the historical route of continuous rev-

[165] *Hongqi* [*Red Flag*], 1967, no. 10.

olution for the whole Party, the whole country, and the whole people under proletarian dictatorship.

The protracted nature of class struggle in socialist society is due to the inevitable reflection of the struggle between emerging communist factors and declining capitalist tradition and influence on the class relations. The overthrown exploiting class still survives and continues to contest the proletariat in their every possible attempt to recover their lost "heaven." Spontaneous forces among the petty bourgeoisie can also lead to a new bourgeoisie. Because of the influence of the bourgeoisie and the encirclement and corrosive influence of the petty bourgeoisie, some degenerate elements, persons in power taking the capitalist road, and spokesmen for the bourgeoisie may emerge in the working class, Party and government organizations, and in cultural and educational departments. At the same time, imperialism and social imperialism always try hard to convert socialist countries into capitalist countries or even colonial or semicolonial countries. International class struggle will inevitably be reflected in the socialist countries. In the process of continually perfecting the socialist relations of production and superstructure, communist factors in relations of production and the superstructure will be gradually strengthened and capitalist tradition and influence will gradually be swept away. This will certainly promote the continual consolidation of the socialist economic substructure and the continuous development of the productive forces.

The proletariat and the broad laboring people under its leadership are the representatives of socialist relations of production. They firmly adhere to the socialist road and always firmly adhere to the Marxist theory of continuous revolution and the stage theory of revolutionary development. They promote the continuous consolidation and perfection of socialist relations of production and the superstructure. The bourgeoisie and its agents inside the Communist Party are the representative of capitalist relations of production. They insist on taking the capitalist road and always try hard to transform socialist relations of production into capitalist relations of production. Therefore, in the whole socialist historical stage, the struggle between the proletariat and the bourgeoisie and the struggle between the socialist and the capitalist roads always exist objectively and cannot be changed by human will. This is to say, the struggles are inevitable. Though people may want to

avoid them, it is not possible. The proletariat can only gain victory by taking advantage of favorable conditions.

Class struggle in socialist society develops in wavelike motions with peaks and troughs. This is due to a difference in the conditions of class struggle and not to whether there is class struggle or not. The history of socialist society tells us that class enemies and all monsters and demon spirits will show themselves. Chairman Mao pointed out:

> Great disorder across the land leads to great order. And so once again every seven or eight years. Monsters and demons will jump out themselves. Determined by their own class nature, they are bound to jump out.[166]

The law of class struggle requires that there be a big struggle every few years. Only after repeated contests and with the gradual wane of the reactionary class can the proletariat finally complete the great historical task of eliminating the bourgeoisie and all exploiting classes.

Class struggle in society must necessarily be reflected in the Party and is manifested as a struggle between the two lines inside the Party. The substance of the basic Party line is "to apply Marxism and not apply revisionism." The basic Party line tells us that the struggle against revisionism is a long-term struggle. In the last twenty and more years, the struggle between our Party and the four anti-Party cliques headed by Gao Gang, Rao Shushi, Peng Dehuai, Liu Shaoqi, and Lin Biao was a struggle against revisionism. Chairman Mao personally launched and led the Great Proletarian Cultural Revolution. It was a great revolution in the superstructure, a great political revolution under the condition of proletarian dictatorship. It could also be called the second revolution of China.

In the Great Proletarian Cultural Revolution, Chairman Mao led the whole Party, the entire armed forces, and the whole people to destroy the two bourgeois command headquarters headed by Liu Shaoqi and Lin Biao. This bunch of renegades and traitors conspired to usurp the supreme power of the Party and the state and sought to fundamentally transform the basic Party line and policy for the whole socialist historical stage in

[166] Mao Zedong quoted by Wang Hongwen, "On the Revision of the Party Constitution," in *The Tenth National Congress of the Communist Party of China (Documents)* (Beijing: Foreign Languages Press, 1973), 43.

order to transform the Marxist Leninist Party into a revisionist fascist party, sabotage proletarian dictatorship, and restore capitalism. The substance of their revisionist line is extreme Right. Their counterrevolutionary conspiracy has been crushed by the hundreds of millions of revolutionary people of China. The Great Proletarian Cultural Revolution has won a great victory. Revolution is still developing, and struggle is still continuing. In the historical stage of socialist society, the struggle between the two lines inside the Party that reflects class struggle will exist for a long time. Chairman Mao pointed out:

> The present Great Cultural Revolution is merely the first one. There will be many more afterward. . . . Who will win out in revolution can be determined only after a fairly long period of time in history. If it is not handled well, capitalist restoration is possible at any time. All the Party members and the whole people should not think that things will be all right after one or two, or three or four, great cultural revolutions. Make doubly sure that vigilance will not be relaxed.[167]

Socialist Society Constitutes the Beginning of People Consciously Creating History

The Great Soaring Leap in the History of Human Development

The proletariat and the laboring people continue revolution under the proletarian dictatorship in order to make the superstructure serve the socialist economic substructure, to make relations of production conform to the development of the productive forces, and to consciously transform society and nature according to the economic law of socialism. This is a giant stride in human history.

There are several thousand years of written human history. But, before the birth of socialist society, this long period of history was merely a "prehistorical period" in human society. The producer was enslaved not only by nature but also by the means of production which he manufactured. "It is not the producers who dominate the means of production, but the means

[167] *Hongqi* [*Red Flag*], 1967, no. 7.

of production that dominate the producers."[168] That is to say, the exploiting class, which controlled the basic means of production and thus state political power, maliciously oppressed and exploited the broad laboring people and reduced them to dark and miserable lives. The proletarian socialist revolution is a spring thunder that has shaken human history. It has brought an end to the "prehistorical period" and has ushered in a new era in history in which people consciously create history.

This material basis for the great leap in human history lies in the transformation of private ownership of the means of production into socialist public ownership after the proletariat and the laboring people have seized political power. In socialist society, public ownership of the means of production makes the laboring people, who are the majority of the people, the masters of the state and enterprises. Only when the laboring people have become the masters of social relations can they become the masters of nature and consciously transform the world and create history under the guidance of Marxism.

Naturally, compared with an advanced communist society, socialist society is only the beginning of an era in which people consciously create history. In addition to the limits imposed on the developmental level of the productive forces and on our knowledge of the physical world, the main obstacle lies in the continuing existence in socialist society of the bourgeoisie and its ideological influence and of disparities between the worker and the peasant, the urban and rural areas, and mental and physical labor. Therefore, although the proletariat and the broad laboring people control state political power and the basic means of production, their conscious, activities in transforming the world and creating history are still restricted by history. Nevertheless, "the important thing is that the ice has been broken; the road is open, the way has been shown."[169] The proletariat will finally shape a communist new world through socialist society and in its own image.

[168] Engels, *Anti-Dühring*, 322.

[169] V. I. Lenin, "The Fourth Anniversary of the October Revolution," in *Collected Works*, vol. 33.

Fully Exploit the Initiating Role of the Superstructure, Consciously Make Use of the Objective Law

In socialist society, people begin to consciously create their own history. This does not mean that people can create history at will. It simply means that for the first time people of the entire society can consciously identify and make use of the objective law to serve the interests of the proletariat and the broad laboring people.

"For the purpose of attaining freedom in society, man must use social science to understand and change society and carry out social revolution."[170] Economic laws are objective laws governing the development of social economy and are not subject to change according to human will. People cannot "transform" or "create" objective laws. But, people are not entirely helpless before objective laws. In socialist society, people can correctly identify them, rely on them, make use of them, and lead the destructive forces of certain laws into another direction or restrict their scope of operation. On the other hand, a larger scope of operation is given to laws that are constructive, in order to achieve the purpose of transforming the objective world.

Under different social systems, the forms to which economic laws apply possess different characteristics. In capitalist society, because the means of production are privately owned, production is carried on under blind competition and chaotic conditions. Therefore, economic laws always play an alien role in capitalist society. Socialist society is based on public ownership of the means of production. The laboring people are the masters of social economic relations. This makes it possible for people to consciously practice economic laws. Just as Engels once foretold,

> The objective extraneous forces which have hitherto dominated history now pass under the control of man himself. It is only from this point that man will himself make his own history fully consciously, it is only from this point that the social causes he sets in motion will preponderantly and ever increasingly have the effects he wills.[171]

[170] Mao Zedong, "Speech at the inaugural meeting of the Natural Science Research Society of the Border Region," *Quotations from Chairman Mao Zedong* (Beijing: Foreign Languages Press, 1966).

[171] Engels, *Anti-Dühring*, 312.

The establishment of a system of public ownership of the means of production makes it possible for people to identify and consciously operate according to the economic laws. But, to turn this possibility into reality, struggle is inevitable. The efforts of the proletariat to operate according to economic laws and laws of society to accelerate the transformation of socialist society into a communist society will certainly meet violent resistance from the bourgeoisie and other decadent social forces, especially interference and sabotage from the revisionist line. The process of conscious application of socialist economic laws is the process of struggle between the proletariat and the bourgeoisie, between the Marxist line and the revisionist line. At the same time, people must also resolve "the contradiction between the objective laws of economic development of a socialist society and our subjective cognition of them" in practice.[172] This represents another process. It is necessary to start from practice, conduct investigations and research, go from no experience to experience and from a little experience to a lot of experience, and gradually overcome impulses and raise consciousness. This process of understanding cannot be divorced from the transformation process of people's world outlooks.

People with the proletarian world outlook can more correctly identify the laws of development governing socialist economy. Firm adherents to the bourgeois outlook can never correctly identify the laws of development governing socialist economy. Therefore, this process of understanding is also a process of destroying the bourgeois world outlook and establishing the proletarian world outlook. Those viewpoints that regard the conscious application of economic laws in socialist society as an easy matter that requires neither hard work, nor the overcoming of resistance from the bourgeoisie and from interference from the revisionist line, nor struggle between the two world outlooks are wrong. These are viewpoints that advocate: let nature takes its own course, or let us extinguish class struggle.

In socialist society, to consciously apply objective economic laws, it is necessary to fully exploit the active aspect of the superstructure.

The immense capability of the socialist superstructure is manifested mainly in the leadership of the proletarian political party. The proletarian political party is established according to Marxist revolutionary theory and revolutionary style. It is good at comprehending objective laws governing

[172] Mao, "On the Correct Handling of Contradictions Among the People," 404.

historical development, assimilating the wisdom of the masses, grasping the general trend of historical development, and formulating correct theory, programs, lines, and general and specific policies based on actual conditions in the various stages of social development. These correct theories, programs, lines, and general and specific policies come from the masses and return to the masses, leading them to victory in their struggle. The Communist Party of China uses Marxism-Leninism-Mao Zedong Thought as a theoretical basis for its guiding thought. That the Party's theory of revolution, especially its theory about continuous revolution under proletarian dictatorship, and the Marxist line and general and specific policies formulated by the proletarian political party can be so invincible is because the theories correctly reflect the objective laws governing the economic development of society.

"Without a revolutionary theory, there can be no revolutionary movement."[173] It is therefore important to seriously study the Marxist theory concerning continuous revolution under proletarian dictatorship in order to guide us to correctly identify, and operate according to, the economic laws governing socialist society.

Party leadership is ultimately leadership by the Marxist line. Only by grasping revolution in the superstructure, including the ideological sphere, and making sure that the ideological and political lines are correct, can a Marxist party lead the proletarian revolutionary enterprise from victory to still greater victory.

The state political power of proletarian dictatorship under the leadership of the Communist Party plays an immense role in guaranteeing the thorough implementation of the basic Party line and in organizing and leading the socialist economy. By exercising its own state political power, the proletariat can unfold socialist revolution on the economic battlefront, establish and develop socialist relations of production, plan, organize, and lead the whole national economy, develop social productive forces, and unfold socialist revolution on the political, ideological, and cultural battlefronts in order to consolidate the socialist economic basis by continually perfecting the socialist superstructure. Continuous revolution under proletarian dictatorship requires full exploitation of this initiating role of the state political power of proletarian dictatorship. These conditions cannot be created under bourgeois dictatorship. Bourgeois revolution comes to an end as soon as

[173] V. I. Lenin, *What Is to Be Done?* (Paris: Foreign Languages Press, 2021), 24.

the bourgeoisie seizes political power. Although the bourgeoisie tried hard to use political power and other parts of the superstructure to protect capitalist relations of production, the steady deterioration of capitalist relations of production led to a corresponding reaction in bourgeois political power. This kind of protection was merely a moribund struggle. As far as the socialist revolution is concerned, the seizure of political power by the proletariat is merely the beginning of revolution. Socialist relations of production undergo a regenerating process with the development of the productive forces. The state political power under proletarian dictatorship, promoting such a regeneration and propelling the development of the productive forces, is, in the end, the most powerful weapon by which the proletariat continues socialist revolution. With this weapon, the proletariat can now crush the resistance of the bourgeoisie and other reactionary forces, unite the whole laboring people around itself, triumphantly unfold the Three Great Revolutionary Movements—of class struggle, production struggle, and scientific experiment—promote the rapid development of social productive forces, and promote the steady consolidation and perfection of the socialist economic basis and superstructure, in order to make socialist society advance along the basic Party line, until the realization of the highest ideal of communism.

Major Study References

- Karl Marx, *Critique of the Gotha Program*.
- V. I. Lenin, "Economics and Politics in the Era of the Dictatorship of the Proletariat."
- Mao Zedong, "On the Correct Handling of Contradictions Among the People."

Review Problems

1. Why do we say violent revolution is the universal law of proletarian revolution? What is the crux of the "productivity first theory"?
2. How do we understand socialist society? How do we interpret Chairman Mao's theory about the basic contradiction of socialist society as being the theoretical basis for continuous revolution under proletarian dictatorship?

3. Why do we say that the focal point of the struggle between the proletariat and the revisionist leaders in the whole socialist historical stage lies in whether the basic Party line is firmly adhered to or whether it is changed? How can the activating role of the superstructure be fully exploited and the objective economic laws be consciously applied?

13

THE SOCIALIST SYSTEM OF PUBLIC OWNERSHIP IS THE BASIS OF SOCIALIST RELATIONS OF PRODUCTION

The System of Socialist State Ownership and Collective Ownership by the Laboring Masses

After the proletariat seizes political power, it is necessary to systematically transform the system of private ownership of the means of production into a socialist system of public ownership in order to eliminate the causes of capitalism and all other exploitative systems and to establish a socialist economic basis. This is an important step in consolidating proletarian dictatorship and defeating capitalism with socialism.

The Socialist System of State Ownership Is the Main Economic Basis of Proletarian Dictatorship

The Proletariat and the Laboring People Must Control the Means of Production

In the past several thousand years, the fundamental reason for the exploitation and oppression of the laboring people by the slave owner, the feudal landlord, and the capitalist was that the means of production were not in the hands of the laboring people.

> At a certain level of well-being. . . the old common ownership of the land. . . disintegrated. . . . At the stage of the "economic order" which had now been attained. . . prisoners [of war] acquired a value; they were therefore allowed to live and their labor was made use of. Thus, instead of dominating the economic situation, force was on the contrary pressed into the service of the economic situation. *Slavery* had been invented.[174]

Successive generations of laboring people launched various forms of struggle in an attempt to take the means of production into their own

[174] Engels, *Anti-Dühring*, 195.

hands, but for historical reasons, all their attempts failed. In capitalist society, the proletariat nurtured and tempered by capitalist big industries began to emerge. This class lost all control over the means of production. Aside from the chains on his neck, the worker had absolutely nothing else. With the increasing intensification of the contradictions between the private character of capitalist ownership of the means of production and the social character of production, the possibility of the proletariat controlling the means of production developed.

However, the exploiting class is never willing to give up exploitation. They not only abused the state machinery to protect their private ownership of the means of production, but also concocted all sorts of fallacies in the ideological sphere. For example, they said that the poverty of the worker was due to the rapid increase in population, the lack of a "just and reasonable principle of distribution," and so forth, vainly attempting to deceive and dupe the laboring people so they would not touch the bourgeois ownership of the means of production or control the means of production. The revolutionary teachers of the proletariat denounced this sort of fallacy. They pointed out that the root cause of the exploitation and enslavement of the laboring people was that the means of production were not in the hands of the laboring people but were instead in the hands of the exploiting class. The first sentence in the "Gotha Program" written during the workers' movement of Germany in the 1870s under the influence of Lassalle was: "Labor is the source of wealth and all culture." On the surface, "labor" was accorded a very high position, but Marx at once saw the theoretical error of this statement. He pointed out that labor could create wealth and culture only by combining with the means of production.

Without the means of production and without ownership of the means of production, what would happen to labor? Marx sharply 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 objective conditions of labor.[175]

The theory of Marxism, concerning the necessity for the proletariat to replace the system of private ownership under capitalism by the system of

[175] Marx, *Critique of the Gotha Program*, 9.

public ownership under socialism before it can free itself, has theoretically and politically smashed the exploiting class's insane capitalist conspiracy to forever monopolize the means of production and to exploit and enslave the laboring people. It has pointed out the correct direction of struggle for the proletariat.

The development of capitalist society makes it possible for the proletariat and the laboring people to collectively possess the means of production. To fully realize this possibility takes a fairly long historical process. The proletariat must first crush the bourgeois state machinery and establish a proletarian dictatorship before it can "eliminate the cause of poverty and sow seeds of wealth," transform the system of private ownership of the means of production into a system of public ownership, and take the means of production into its own hands. Only starting at this point will all exploitative systems be fundamentally negated and will the proletariat and the laboring people be liberated economically and be on the socialist road to common prosperity. On this road, there will still be plenty of struggles. Only by persistently and firmly holding the fate of the socialist economy in its own hands can the proletariat create favorable material conditions for the elimination of all classes and class disparities and the realization of the great ideal of communism. Once the means of production are lost and the fate of the socialist economy is passed into the hands of the bourgeoisie and its agents in the Party, the socialist economy will deteriorate and the proletariat and the laboring people will once again become "shivering and hungry slaves." This possibility exists throughout the whole historical stage of socialist society.

Confiscation and Redemption Are Ways to Establish the System of Socialist State Ownership

Marx and Engels pointed out as early as over a hundred years ago that after the proletariat seizes political power, it "will use its political supremacy to wrest, by degrees, all capital from the bourgeoisie, to centralise all instruments of production in the hands of the State, i.e., of the proletariat organised as the ruling class."[176]

Because of the highly developed social nature of the productive forces under capitalism, it requires a social center that will centrally operate the departments and enterprises in order to overcome the contradictions that

[176] Marx, Engels, *Manifesto of the Communist Party & Principles of Communism*, 55.

may arise between the socialization of production and the [inherited] capitalist private ownership. This social center is the socialist state under proletarian dictatorship. Only by first establishing a socialist system in which the state owns the means of production and the proletariat and the laboring people hold firmly to the economic life line through their own state apparatus can the capitalist exploitative system be completely eliminated.

Then, what are the means by which the proletariat can transform the bourgeois ownership of the means of production into a socialist system of state ownership? According to the experience of the international communist movement and the Chinese experience, after the proletariat seizes political power, big enterprises are immediately socialized, while medium and small enterprises are gradually transformed.

In general, after the proletariat seizes political power, all enterprises, big or small, coexist. Big capital represents the most reactionary form of relations of production, controlling the lifeblood of the national economy and seriously impeding the development of social productive forces. It is also the main economic substructure of bourgeois reactionary rule. Immediately after the seizure of political power, if the proletariat fails to control the national economy and lets the big capitalists take it over, the proletariat can never consolidate its power. In summing up the experience of the Paris Commune, Lenin pointed out that one of the two mistakes that buried the brilliant achievements obtained by the Paris Commune was that big enterprises like the bank, which affected the life pulses of the national economy, had not been seized by the proletariat. Therefore, big capital must be immediately confiscated by the socialist state. Big capital in China was the bureaucratic capital. This was the comprador and feudal state monopoly capital possessed by the bureaucratic bourgeoisie headed by Chiang Kai-shek. Chairman Mao made a penetrating analysis of the reactionary nature of this capital and pointed out:

> During their twenty-year rule, the four big families, Chiang, Song, Kong and Chen, have piled up enormous fortunes valued at ten to twenty thousand million US 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.[177]

In the light of the reactionary nature of bureaucratic capital, our Party clearly stipulated early in the process of the democratic revolution the policy of confiscating bureaucratic capital and "the confiscation of this capital and its transfer to the people's republic led by the proletariat."[178]

This confiscation of bureaucratic capital was gradually realized with the victorious development of the liberation war. The confiscation of bureaucratic capital, which accounted for 80 percent of the fixed capital assets in China's manufacturing and transportation industries before the liberation, eliminated the major portion of China's capitalist economy and put the proletarian political power in control of the lifeblood of the national economy. The economic basis of socialism was thus established, creating favorable conditions for the development of the socialist revolution and socialist construction.

After the proletariat seizes political power, confiscates big capital, and establishes a socialist economic basis, it is possible to gradually subject medium and small capital to socialist transformation through reclamation and transform the capitalist system of ownership of the means of production into a socialist system of state ownership. The class natures of medium and small capital are the same as that of big capital. They are all embodied in the relation of the laboring people being exploited by the capitalist; they have interests contrary to those of the laboring masses and are the objects of socialist revolution. However, there is still some difference among them, because medium and small capital often possess the strong desire to develop capitalism but at the same time can also be coerced into reclamation by the proletariat under certain conditions. Marxism believes that "under certain conditions the workers would certainly not refuse to buy out the bourgeoisie."[179] Once the proletariat has seized political power and has controlled the lifeblood of the national economy, it will be advantageous to the proletariat

[177] Mao Zedong, "The Present Situation and Our Tasks," in *Selected Works*, vol. 4, 161.

[178] Mao Zedong, "Report to the Second Plenary Session of the Seventh Central Committee of the Communist Party of China," in *Selected Works*, vol. 4, 367.

[179] V. I. Lenin, "'Left-Wing' Childishness," in *Collected Works*, vol. 27 (Moscow: Progress Publishers, 1974).

if these capitalists can be coerced to accept a reclamation policy of the proletariat and transform their capitalist enterprises into socialist enterprises.

In China, the national bourgeoisie possessing medium and small capital assumed a dual character. In the period of democratic revolution, it assumed a revolutionary character as well as a compromising character. In the period of socialist revolution, it can be coerced into accepting socialist transformation, but it also has the strong reactionary desire to develop capitalism. The industrial and commercial enterprises operated by this class, played a dual role in the reconstruction period of China's national economy. They played a constructive role in increasing production needed by the national economy and the people's livelihood, enlarging economic exchanges between the urban and rural areas, and maintaining employment. But they also exploited the worker and did anything for profit, thus playing a negative role in socialist reconstruction and the people's livelihood. In the light of the dual character of the national bourgeoisie and the dual role of the national capitalist economy, our Party formulated a policy to utilize, restrict, and transform national capitalist manufacturing and commercial enterprises—namely, utilizing their constructive role in the national economy and the people's livelihood, restricting their negative role, and gradually transforming them into a part of the socialist state economy.

The socialist transformation of capitalist manufacturing and commercial enterprises in China was conducted through various forms of state capitalism. This state capitalism was "capitalism which we shall be able to restrain, and the limits of which we shall be able to fix"[180] by the state under proletarian dictatorship. The primary form of China's state capitalism consisted of processing, ordering, unified procurements, and contract marketing in manufacturing and of purchasing and distribution by commission in commerce. In this form, the capitalist economy could be restricted to a certain extent in its direction of production and operation and in the degree of exploitation. Even so, this form did not change the nature of possession and control over the means of production by the capitalist and could not fundamentally resolve the antagonistic contradiction of the capitalist relations of production obstructing the development of the productive forces. With the development of China's social productive forces, the objective requirement was to turn primary state capitalism into advanced state capitalism—name-

[180] V. I. Lenin, "Eleventh Congress of the RCP(B)" in *Collected Works*, vol. 33.

ly, joint state-private operation. In joint state-private enterprises, the state sent cadres to do leadership work. They managed the enterprise by relying on the working masses and in accordance with state plans. This in effect forced the capitalist to give up his control of the means of production in the enterprises. The exploitation of labor by capital was severely restricted. This advanced form of state capitalism was divided into two stages in China's practice—namely, joint state-private operation in individual enterprises and then in whole industries. In the stage of joint operation in individual enterprises, the capitalist participated in profit distribution according to his share in the total capital of the enterprise. The profit obtained by the capitalist increased with the development of production. This was unfavorable to the full mobilization of labor enthusiasm among workers and to the accumulation of state capital. After the entire industry was put under joint state-private operation, the capitalist was allowed to receive only a fixed dividend— that is, fixed interest (about 5 percent per annum) for a specific period of time, according to his share of the fixed capital valued prior to the state private joint operation. Thus, the capitalist's right of ownership of the means of production was expressed exclusively by a fixed dividend according to the size of his shares. Such joint state-private enterprises were basically socialist enterprises. At the end of the period in which fixed interest was payable to the capitalist as stipulated by the state and no more fixed interest was paid out, state private enterprises became enterprises under the full-fledged socialist state ownership system.

Under proletarian dictatorship, there is no difference between the transformation of medium and small capital and that of big capital. But this does not imply the absence of class struggle. In fact, acute class struggle between the proletariat and the bourgeoisie runs through the whole process of the socialist transformation of capitalist industry and commerce. This struggle is manifested as a struggle between restriction and counter-restriction, transformation and counter-transformation. In the spring of 1950, in order to stabilize prices, there was a struggle against speculative activities. In 1951, there was the "Five-Anti" struggle against bribery, tax theft and evasion, theft of state property, shoddy workmanship, and inferior materials, and theft of state economic secrets. In 1957, there was a struggle against the frenzied attacks from the rightists. These were acute class struggles. These class struggles were also reflected in the Party itself as struggles between the two

lines. The revisionist clique of Liu Shaoqi repeatedly peddled the nonsense that capitalist "exploitation is meritorious" and opposed the socialist transformation of capitalist industry and commerce in an attempt to preserve capitalist influence. The revisionist clique of Gao Gang and Rao Shushi, on the other hand, conspired to seize supreme Party and state power to meet the needs of the bourgeois opposition to socialist transformation. Under the leadership of the Party Central Committee headed by Chairman Mao, the conspiracies of these renegades were crushed in time, their revisionist lines were criticized, and a victory in the socialist transformation of capitalist industry and commerce was finally won. This fact demonstrated that only by firmly adhering to the struggle of the proletariat against the bourgeoisie, the Marxist line against the revisionist line, and effectively discouraging a handful of reactionary capitalists and their agents in the Party who opposed the socialist revolution and who were hostile to and sabotaged the socialist construction, could the national bourgeoisie be forced to gradually accept socialist transformation.

The Socialist System of State Ownership Possesses Immense Superiority

The replacement of capitalist private ownership by socialist state ownership represents a revolutionary leap in relations of production. The socialist system of state ownership is a public ownership system in which both the means of production and the products are possessed by the proletarian state representing the whole laboring people. The appearance of the socialist system of state ownership shows that the liberated laboring people have not only become the ruling class of society, but have also become masters of the economy.

In China, the scope of socialist state ownership includes mineral deposits, rivers, and territorial waters; forests, virgin land, and other natural resources designated to the state by law; and enterprises such as railways, postal and communications services, banks, state plants, farms, and commerce. As the representative of the whole laboring people, the state owns the means of production and sees that they are allocated rationally and in a unified manner. This creates a new situation in human history in which, for the first time, the national economy is systematically developed, and it paves the way for the development of social productive forces.

The socialist state ownership system is a socialist public ownership system that conforms to the highly social nature of production. In modern industries, departments and enterprises are interconnected and mutually dependent. They are all integral organic constituents of the whole social production. The appearance of the socialist system of state ownership is an inevitable result of the contradiction between the highly social productive forces and capitalist private ownership in modern industries. Only with socialist state ownership can the contradictions between the social nature of production and the private ownership of the means of production in capitalist society and the contradiction between the organized nature of production in individual enterprises and the chaotic nature of production in the whole society be resolved; only thus can the serious waste and destruction of productive forces and products due to the capitalist system and the extravagant waste practiced by the bourgeoisie and its political representatives be eliminated. The large quantities of the means of production and products thus saved for the whole society can be used to promote a more rapid development of the productive forces.

The state economy based on the socialist system of state ownership controls the lifeblood of the national economy. It possesses modern industries and transportation industries. State operated industries furnish large quantities of machines, materials, equipment, fuels, and motive power to promote technical improvement in various departments of the national economy. They furnish large quantities of tractors, harvesters, transport equipment, electricity, fuels, chemical fertilizers, and pesticides to promote agricultural mechanization. They also accumulate large quantities of capital for the economic, cultural, and defense constructions of the state. The socialist state economy is an economic factor that occupies a leading role in the whole national economy. It is the material basis from which the state pursues socialist revolution and construction. The socialist transformation of agriculture, the handicraft industry, and capitalist industry and commerce in China was realized under the leadership and guidance of the state economy. After the socialist transformation was basically completed, the consolidation and development of the collective economy was also related to the leading role of the state economy. The socialist state economy is a strong material force for consolidating proletarian dictatorship.

In agriculture, the economy under the socialist state ownership system is mainly the state farm. In China, the state farm assumes some roles that are different from the collective economy: (1) In addition to capital accumulated by the farm itself, investment can also come directly from the state when necessary to accelerate agricultural mechanization to permit the state farm to play a leading and demonstrating role. (2) The state farm is an important base for the state to conduct agricultural scientific experiments. Scientific experiments that require more specialized research personnel, more funds, and a long period to arrive at useful results often cannot be conducted by the collective economy in the countryside because of manpower, material, and financial constraints. The state farm, on the other hand, can concentrate manpower, material resources, and funds under a unified plan to conduct various scientific experiments and extend the useful results—superior strains and advanced experience—to agricultural people's communes in good time. (3) The state farm is superior to the collective economy in the large-scale reclamation of virgin land, afforestation, and lumbering.

In China, there is still another form of the socialist state ownership system. This is the production and construction military corps. It is a comprehensive economic unit under the state ownership system that includes agriculture, industry, transportation, and construction. It is usually established in frontier areas with extensive lands and sparse population and performs an important task in building and defending the frontier region and strengthening national defense. The old workers, revolutionary cadres, and educated youths working in the production and construction military corps are an industrial army engaged in economic construction and also a strong combat army in defending the frontier region. This form of economy under the state ownership system assumes a special significance in consolidating proletarian dictatorship.

There Will Be No Completed Socialism Without Agricultural Socialization

It Is Necessary to Subject the Small Peasant Economy to Socialist Transformation

After the proletariat seizes political power, it is often faced with a large number of individual economies in addition to highly social capitalist economies. These economic components can be found in agriculture, the

handicraft industry, transportation, and commerce but are most numerous and widespread in agriculture. Those participating in individual economic activities are individual laborers. The individual household is a unit of production and operation. Though they do possess some negligible amount of the means of production, their lot is uncertain, and they can be reduced to bankruptcy at any moment by the capitalist economy. When the proletariat overthrows bourgeois rule and establishes a socialist state ownership system of the means of production, can the individual economies be allowed to continue their operation? No. Chairman Mao said, "without socialization of agriculture, there can be no complete, consolidated socialism."[181] Here, what we have to analyze is the issue of what road individual agricultural economies should follow under the socialist condition, because the road followed by individual agricultural economies is also in principle the road followed by other individual economies, such as the individual handicraft industry.

The socialist state ownership system established by the proletariat after the seizure of political power is the economic basis of the state under proletarian dictatorship. But, as a form of private economy, the small peasant economy is in conflict with the socialist public ownership system and with the superstructure of proletarian dictatorship. Because of this, the small peasant economy based on private ownership is a hotbed of capitalism. It will certainly polarize the peasantry into a majority of poor peasants and farm laborers and a minority of rich peasants who constitute the bourgeoisie in the countryside. Lenin pointed out, "*small production* is still very, very widespread in the world, and small production *engenders* capitalism and the bourgeoisie continuously, daily, hourly, spontaneously, and on a mass scale."[182] In China's people's democratic revolution, thoroughly reforming the land system, confiscating land from the feudal class, and distributing it to the peasants in order to liberate the broad masses of peasants from the feudal system was a great victory. But after land reform, there is still a question of where the individual peasants should go. Should they follow the capitalist road or the socialist road? After China's land reform, the following conditions appeared within a few years: Spontaneous capitalist tendencies

[181] Mao Zedong, "On the People's Democratic Dictatorship," in *Selected Works*, vol. 4, 421.
[182] V. I. Lenin, *"Left-Wing" Communism, An Infantile Disorder* (Paris: Foreign Languages Press, 2021), 7.

developed steadily. New rich peasants appeared everywhere, and many rich middle peasants tried very hard to become rich peasants. Many poor peasants were still suffering from poverty because of insufficient means of production. Many of them were in debt. Some had to sell or rent their land. These conditions demonstrated that if after land reform the proletariat did not immediately lead the broad masses of peasants to take the socialist road and subject the small peasant economy to socialist transformation in good time but instead let it polarize, then those rich middle peasants who were bent on taking the capitalist road would be further and further removed from the interests of the working class, and those peasants who had recently lost their land again and were still beset by poverty would also complain that the proletariat did not rescue them and help them solve their problems. Thus the worker-peasant alliance established on the basis of land reform would face the danger of collapse. It would also threaten proletarian dictatorship and the consolidation of the socialist economic basis.

After land reform, the small peasant economy based on private ownership played a certain role in recovering and developing agricultural production. But it was, after all, a backward relation of production. Individual and scattered operation made it impossible to adopt advanced techniques and modern farm tools, powerless against natural calamities, and impossible to sustain expanded reproduction. Therefore, it was not capable of satisfying the socialist economy's demand for commodity food grain, industrial raw materials, and increased labor power—nor could it provide a large domestic market for industrial development, and it was thus in sharp conflict with socialist industrialization. To resolve this contradiction, it was necessary for the proletariat to take suitable measures to lead the scattered and backward small peasant economy onto the socialist road.

How can the small peasant economy be led onto the socialist road?

Getting Organized Is a Necessary Road for the Socialist Transformation of the Small Peasant Economy

The peasant is a laborer and is an ally of the proletariat. The means of production privately owned by the individual peasant cannot be expropriated. Engels once pointed out:

> When we are in possession of state power we shall not even think of forcibly expropriating the small peasants (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 undertaking, private property to a co-operative one, not forcibly but by dint of example and the proffer of social assistance for this purpose.[183]

This is to say, agricultural cooperativization is realized by getting organized. "This is the only road to liberation for the people, the only road from poverty to prosperity."[184] In China, the broad masses of poor and lower-middle peasants were quite susceptible to socialist transformation. Among them was an immense activism for the socialist road. Part of the rich-middle peasants were skeptical of the socialist road, while the landlords and rich peasants tried hard to sabotage it. Therefore, on the question of whether agricultural cooperativization should be implemented, there existed from the very beginning a serious struggle between the socialist and the capitalist roads. This struggle was manifested as a serious struggle between the two lines when it was reflected in the Party itself.

The Liu Shaoqi and Chen Boda clique, representing the interests of the bourgeoisie and the rich peasants, proposed a revisionist line of "mechanization first, cooperativization later." They attacked with full force, saying that to realize cooperativization before mechanization was "erroneous, dangerous, and illusory agricultural socialism," in a vain attempt to lead the individualistic economy onto the evil road of capitalism. The Party Central Committee headed by Chairman Mao resolutely defended the interests of the proletariat and the poor and lower-middle peasants. It analyzed the actual conditions of China's countryside and formulated a basic Party line for agriculture: the first step was to implement agricultural collectivization, and the second step was to achieve agricultural mechanization on the basis of agricultural collectivization. This was a Marxist line. To counter the fallacies peddled by Liu Shaoqi and company, Chairman Mao pointed out, "In agriculture, with conditions as they are in our country, cooperation must precede the use of big machinery (in capitalist countries agriculture devel-

[183] Frederick Engels, "The Peasant Question in France and Germany," in *Marx & Engels Collected Works*, vol. 27 (London: Lawrence & Wishart, 1990), 496.

[184] Mao Zedong, "Get Organized!," in *Selected Works*, vol. 3, 145.

ops capitalistically)."[185] Chairman Mao's revolutionary line was thoroughly implemented in China. In the process of agricultural cooperativization, the whole Party firmly relied on the poor and lower-middle peasants to unite solidly with other middle peasants to wage a resolute struggle against the landlords and the rich peasants and effectively boycotted the revisionist line of the Liu Shaoqi clique. As a result, agricultural cooperativization was realized triumphantly in a very short time.

The process of China's socialist transformation of agriculture was the process of contradiction between the relations of production and the productive forces in the countryside. The process of transformation went through three stages, proceeding step by step, one after another. In the beginning, mutual aid teams with certain socialist elements were organized to train the peasants in collective labor in order to demonstrate that their production would increase faster than that of the individual operations. But there was a contradiction between group labor and scattered operation in the mutual aid team. Had this contradiction not been resolved, it would have been difficult to further exploit the superiority of getting organized. At that time, guided by circumstances, the peasants were led to organize primitive agricultural production cooperatives of a semisocialist nature. In these primitive cooperatives, privately owned land was jointly operated by the cooperative, while privately owned livestock and large farm tools were jointly used by the cooperative, thus resolving the contradiction between group labor and scattered operation in the mutual aid team. Production was further promoted. But the primitive cooperative still retained "land dividends" and certain remuneration for the use of privately owned livestock and large farm tools. The private ownership system of the means of production had not been abolished. There still existed a contradiction between joint operation and collective labor and the private ownership of land and other means of production. Had this contradiction not been resolved, the activism of the broad poor and lower-middle peasants would not have been fully mobilized. At that time, guided by circumstances, the Party once again led the peasants to form completely socialist advanced agricultural production cooperatives. Based on the system of collective ownership of the means of production by the laboring masses, the advanced cooperative implemented the socialist

[185] Mao Zedong, "On the Cooperative Transformation of Agriculture," in *Selected Works*, vol. 5, 180.

principle of "from each according to his ability and to each according to his labor." It was a completely socialist collective economy. The policy of proceeding phase by phase according to the actual circumstances was instrumental in gradually accustoming the peasant to collective labor and collective operation, getting him to relinquish the concept of private ownership, and mobilizing his socialist activism to willingly join the cooperative. Therefore, in the whole process of cooperativization, not only was agricultural production not reduced, it increased year after year, fully demonstrating the incomparable correctness of Chairman Mao's revolutionary line.

After completing land reform, the socialist transformation of agriculture was basically completed in China's broad countryside in less than four years. Agricultural cooperativization was realized, and the vast individual ownership system was transformed into a socialist collective ownership system of the laboring people. The realization of agricultural cooperativization further liberated the productive forces, strengthened the socialist stronghold of the proletariat in the broad countryside, consolidated the worker-peasant alliance, and consolidated proletarian dictatorship. The implications of this were profound.

China's Rural People's Commune Is an Important Development of the Collective Ownership System

After the establishment of the socialist system of collective ownership by the laboring masses, there followed a process of gradual development and improvement. With the development of the productive forces and the elevation of the socialist consciousness of the laboring masses, small collectives developed into bigger collectives, and collectives with a lesser degree of public ownership developed into collectives with a higher degree of public ownership. This is an objective law. In 1958, under the guidance of the Party's General Line for Socialist Construction, under the impetus of the Great Leap Forward, and in accordance with the need for developing the productive forces in the countryside, China's rural people's commune rose over the broad horizon of East Asia like an early rising sun. The broad masses of poor and lower-middle peasants dearly loved the people's commune. They wrote numerous folk songs to praise its birth. One of them went as follows:

> Individual operation is like a single plank bridge,
> It rocks three times with every step;

Mutual aid is like a stone bridge,
That does not stand up well to wind and rain;
The iron bridge is not bad,
But it cannot handle heavy traffic;
The people's commune is a golden bridge,
That leads the way to Heaven.

The scale of the people's commune was one per *xiang*, formed by merging several advanced agricultural production cooperatives in a *xiang*. It is an organization combining administration with production and includes the worker, the peasant (including forestry, livestock husbandry, sidelines, and fishery), the trader, the student, and the soldier. It is the basic unit of China's socialist society in the countryside. It is also a basic unit of China's government in the countryside. For a fairly long historical period to come, it will be the collective economic organization of socialism based on mutual aid and benefit. However, when the advanced agricultural cooperative developed into the people's commune, the scale of operation was expanded, and the share of the means of production owned by the public was also increased. Its characteristic was "big and public." This was an important development in China's socialist system of collective ownership by the laboring masses.

At the present stage, the basic system of "three-level ownership with the production team as the basis" is in force in China's rural people's communes. In the three-level ownership system, the collective ownership system at the commune and brigade levels is partial. The collective ownership system at the production team level is basic. The production team is the basic accounting unit in the people's commune. It has independent accounting and is responsible for all its profit and loss. It directly organizes production and distribution. This is because agricultural production at the present stage still basically relies on manual labor and draft animals. Although the degree of agricultural mechanization steadily increased after the establishment of the people's commune, the condition of manual labor is still dominant over the country as a whole. At the present stage, it is generally appropriate to have twenty to thirty households in a production team, forming a basic accounting unit for organizing production and distribution. This is favorable to organizing production and strengthening management, mobilizing the socialist activism of the broad commune members, inspiring them to be more concerned with the collective and strengthening the supervision

of cadres. Above the production team, there are the collective economies of the brigade and the commune. With the development of the collective economy in which the degree of socialization in these two levels is comparatively high, it is financially possible to purchase large and medium-size farm machinery, engage in rural capital construction, such as water conservation and the running of small factories and mining enterprises, and at key points, assist weak production teams to hasten the development of the collective economy. These activities are too big for the production team to carry out. Collective ownership with three different levels constitutes the basic unit of economic accounting of the rural people's commune. It is an indivisible, integral unit. Such collective ownership comprising three levels is exceedingly flexible in coping with the different conditions and diversified demands accrued in developing rural productive forces and is therefore conducive to the rapid development of social productivity.

In the collective economy of China's rural people's commune, the commune member is permitted and encouraged to make use of his free time and holidays to engage in family sidelines (including self-retained land assigned to him) as long as the collective economy is first well taken care of, its development is not hindered, and it is in a dominant position. Family sidelines are remnants of the individual economy. But under socialism, they supplement the socialist economy and are subordinate to the economy based on the collective ownership system and the state ownership system. For a period of time during socialism, the retention of family sidelines by the commune member can help to fully utilize the labor power of the countryside, increase the social product, improve the livelihood of the commune member, and enliven the rural trade fair. But leadership must be strengthened to prevent aimless drift.

The collective ownership system of China's rural people's commune with "three-level ownership and with the production team as the basis" will stay as it is for years to come. However, with the gradual improvement of various conditions (for example, with a higher degree of agricultural mechanization, a smaller gap in the income among production teams, and the gradual elevation of the socialist consciousness of the broad commune members), China's rural people's commune will gradually pass from the present ownership system based on the production team to a future ownership system based on the brigade and the commune, and then from there gradually to

a socialist state ownership system. This will be a long process of gradual development.

Like the collective ownership system in agriculture, the collective ownership system of the handicraft industry also involves a long process of passing from small collectives to big collectives and then from big collectives to a socialist state ownership system.

The development of the collective ownership system from the small to the big, from the low to the high, and from collective ownership to state ownership is all based on a gradual improvement of the productive forces and the socialist consciousness of the people. It would be a mistake to attempt to change the situation in a hurry when the necessary conditions do not exist. It would also be a mistake to be content with the status quo when the necessary conditions do exist. These two tendencies will discourage the socialist activism of the masses and are unfavorable to the development of the productive forces. They may even impede the development of the productive forces. In the process of transforming the advanced agricultural production cooperative to the rural people's commune in China, these two tendencies did exist. The appearance of the people's commune is a natural result of the economic and political development in China and is completely in line with the phenomena of objective laws. But the revisionist clique of Liu Shaoqi and Lin Biao maliciously attacked the formation of the people's commune as "premature and messy." When the strong tide of the people's commune overwhelmed the countercurrent they fanned up, they clamored for "a leap toward communism," urging the start of a "communist wind" in a vain attempt to sabotage the socialist character of the people's commune. From now on, there will be struggle between the two classes, the two roads, and the two lines in the development process of the economy based on a socialist collective ownership system of the laboring masses. This is inevitable and not in the least surprising.

Although the socialist collective ownership system of the masses and the state ownership system are both socialist public ownership, they are different. The economy's means of production under collective ownership are not the public property of the country's laboring masses, but are the property of the laborers of the cooperative. Therefore, manpower, materials, and financial resources are not transferable without compensation between the state and the cooperative, nor are they transferable without compensation

between cooperatives. The existing disparities in income levels between cooperatives cannot be artificially eliminated. The only way to do it is to help the low income cooperatives to grasp revolution and raise labor productivity in order to gradually narrow the gap.

The Socialist Public Ownership System Consolidates and Develops Through Struggle

The Serious Lesson of the Restoration of the Capitalist Ownership System in the Soviet Union

Since the Khrushchev-Brezhnev renegade clique restored bourgeois dictatorship, the socialist public ownership system established under proletarian dictatorship has been completely transformed into a new system of ownership by the bureaucratic monopolist bourgeoisie. This is a serious lesson. The event demonstrates that after the establishment of the socialist public ownership system, the two possibilities of advance in the communist direction or retreat in the capitalist direction still exist.

Marxism tells us that the nature of the ownership system of the means of production is ultimately determined by which social group possesses the means of production and which social groups they serve. How should we observe such possession and service? In *Capital*, Marx quoted Aristotle's remark that

> "For the master"—the capitalist—"proves himself such not by obtaining slaves"—ownership of capital which gives him power to buy labor power—"but in employing slaves"—using laborers, nowadays wage labourers, in the production process.[186]

Today, a glimpse at the way the Soviet proletariat and laboring people are employed will demonstrate the substance of Soviet revisionism, that is, that Brezhnev and his associates, wearing a cloak of socialist public ownership, have usurped the Soviet people's means of production to serve the bureaucratic monopolist bourgeoisie.

In the regulations governing the socialist state operated production enterprises, the Soviet revisionists stipulate "The authority over production and management shall be exercised by the manager (administrator or director) in

[186] Marx, "Capital," vol. 3, 383.

conjunction with other responsible personnel designated in accordance with the division of their duties." The manager of the enterprise has the authority to determine the level of employment and the strength of the personnel; to recruit or dismiss employees; to grant awards or mete out penalties; to fix wage scales and bonuses; to sell, rent, or lease the means of production of the enterprise; and to appropriate various "economic incentive funds," which are stipulated by the Soviet revisionist leadership as being reserved for the enterprise's own allocation.

The Soviet revisionist "Regulations Governing the Model Collective Farms" stipulate that the chairman of the collective farm possesses the authority to rent, lease, or transfer the land owned by the state; to appropriate farm funds, or even to freely buy or sell the means of production, such as agricultural machines; and to decide the labor remuneration and bonuses of the farm members, hire outside people to work at the farm, and so forth. These "managers," or "farm chairmen," have this and that power. What powers do the laboring people have? None. Their ownership rights to the means of production have all been expropriated by the bureaucratic monopolist bourgeoisie. By reducing the laboring people of the Soviet Union to wage laborers "in the production process," the bureaucratic monopolist bourgeoisie has proved that it is the bureaucratic monopolist bourgeoisie. According to Soviet revisionist magazines, the monthly piecework wages of a lathe operator in a state enterprise in the Soviet Union are as low as 50 to 60 rubles. Medium wages are 70 to 80 rubles. But what the manager, plant director, and other bureaucratic monopolist bourgeois elements get in the way of wages, bonuses, subsidies, and other "legal" means is more than ten times, or even several tens of times, that of the worker. The net monthly income of an ordinary farmer is less than 60 rubles. But the monthly income of a farm chairman is generally about 300 rubles. Some reach more than 1,000 rubles. One old Soviet worker with more than thirty years of experience said: "We have a lot of millionaires here. . . . They are different from us not only in standard of living but also in language." A manager of the construction trust of the Soviet revisionist Ministry of Agriculture wildly exclaimed: "The trust is my home. I am the master. I do what I like." The kind of tree determines the kind of flower, and the kind of class determines the kind of talk. From their different standpoints and different angles, the laboring people and the bureaucratic monopolist bourgeoisie demonstrate one point: the bureau-

cratic monopolist bourgeoisie has become the lords in production. Like the capitalists, they "do what they like." On the other hand, the broad masses of laboring people have been reduced to wage laborers in production. They are enslaved and exploited and are suffering miserably.

The fact that the socialist public ownership system of the Soviet Union has completely degenerated is shocking. This demonstrates that after the socialist public ownership system is established, it will not automatically consolidate and become perfect; there will be a long process of struggle.

The ownership system is not an object; it is a social relationship. The socialist public ownership system embodies, for the laboring people, a social relationship in which the means of production are equally possessed and everybody is a master. On the other hand, it also embodies a relationship in which the proletariat and the laboring people expropriate the expropriator and rule over and transform all members of the exploiting class. In these social relationships, the proletariat and the laboring people must consolidate their gains obtained through expropriation, strengthen the rule over and the transformation of members of the exploiting class in order to consolidate and perfect the socialist public ownership system by constantly sweeping away the corrosion and sabotage of the exploiting class. On the other hand, the bourgeoisie and all exploiting classes will resist this kind of rule and transformation in order to transform the socialist public ownership system into a capitalist private ownership system through constant corrosion and sabotage. The contradictions and the struggles between the proletariat and the bourgeoisie on the question of the ownership system are multifaceted. But they are mainly manifested in the struggle for leadership over the economy which is based on a socialist public ownership system. Whoever seizes leadership becomes the de facto master of the ownership relations. Once the leadership falls into the hands of the bourgeoisie or its agents, the socialist public ownership system not only cannot be consolidated or improved; it will certainly degenerate. It is exactly because a handful of persons in power in the Soviet Union taking the capitalist road has stolen the leadership of the economy based on a socialist public ownership system that the socialist public ownership system has been transformed into an ownership system of the bureaucratic monopolist bourgeoisie and that the proletariat and the laboring people of the Soviet Union have been transformed from masters of a socialist public ownership system into slaves of an ownership system of

the bureaucratic monopolist bourgeoisie. Since the Khrushchev-Brezhnev renegade clique usurped the supreme power of the Soviet Union's Party and state, capitalism has been completely restored.

Struggle for the Consolidation and Development of the Socialist Public Ownership System

After the establishment of socialist public ownership, the issue of the ownership system has still not been completely resolved. There still exist the two possibilities of advancing toward socialism or retreating back to capitalism. This reveals to the proletariat and the broad masses of laboring people an historical task: they must constantly struggle for the consolidation and development of the socialist public ownership system.

To consolidate and develop the socialist public ownership system, it is necessary first of all to ensure that the socialist economic leadership is in the hands of the Marxists and the broad laboring masses.

The socialist public ownership system demonstrates that the proletariat and the laboring people are the masters of the means of production. But how can one tell whether they are in fact masters of the means of production? That depends on their role in the production process. In capitalist society, the laborer is used in the production process as labor power by the capitalist. Through the use of labor power, the capitalist extracts as much surplus value from the laborer as possible. The laborer is merely a paid slave. The capitalist is the real master. This leads to acute opposition between the worker and the capitalist. In socialist society, the role of the laborers in the production process is completely different. They participate in the production process as masters. They create wealth for society through conscious labor. Then, who organizes this production process? Ultimately, it should be the laborer himself. Naturally, this does not mean that all laborers directly organize and manage production. The broad laborers appoint representatives through the state and the collective, or they elect representatives to organize production. But here a problem arises: if the broad laborers delegate to their representatives the power to organize production, can these representatives represent the interests of the proletariat and the laboring people in organizing production? After the laborer has delegated his power to organize production to a representative, is there any power left to the laborer himself? This problem has occurred in history.

At the end of the primitive commune, public servants of society elected by commune members gradually became masters of society, and this finally led to the disintegration of the ownership system of clan communes and the emergence of private ownership. This reflected a progressive movement in history at that time. In today's Soviet Union, those who organize production do not represent the interests of the proletariat and the laboring people at all. They represent instead the interests of the bureaucratic monopolist bourgeoisie. The socialist public ownership system of the bureaucratic monopolist bourgeoisie has become the economic basis of Soviet society. This is a big historical retrogression. Under China's proletarian dictatorship, similar conditions have appeared in certain areas. Before the Great Proletarian Cultural Revolution, the real leadership of some units, though nominally under the socialist public ownership system, had been usurped by a handful of renegades, special agents, and capitalist roaders. Or it was still in the hands of former capitalists. As a result of the Great Proletarian Cultural Revolution launched and led by Chairman Mao personally, the leadership of these units was returned to the broad laboring masses who held high the red banner that "it is justified to rebel against the reactionary," and "lessons from history are noteworthy." The Tenth National Party Congress summed up rich experience and lessons and clearly pointed out:

> We should strengthen the leadership given to primary organisations in order to ensure that leadership there is truly in the hands of Marxists and in the hands of workers, poor and lower-middle peasants and other working people, and that the task of consolidating the dictatorship of the proletariat is fulfilled in every primary organisation.[187]

This has decisive significance in consolidating and developing the socialist public ownership system.

To ensure that the leadership of the enterprise under the state economy and the collective economy is in the hands of the Marxists, the proletariat and the laboring people must engage in a resolute struggle with the renegades, special agents, and capitalist roaders who have usurped the leadership

[187] Zhou Enlai, "Report to the Tenth National Congress of the Communist Party of China," in *Collected Documents from the Tenth National Congress of the Chinese Communist Party*, (Beijing: People's Publishing House, 1973).

and win it back. This type of struggle cannot be resolved with one Great Cultural Revolution. In their futile restoration attempt, the bourgeoisie will try everything to usurp the leadership of the state and the collective economy. At the same time, the representatives (cadres of various levels) of the proletariat and the laboring people who control the leadership of the state and the collective economy must strengthen the transformation of their world outlook and try hard to become Marxists so that they can truly represent the interests of the proletariat and the laboring people. If they do not work hard in this direction, it is possible that under the influence of the bourgeois world outlook, they may go against the interests of the proletariat and the laboring people in the process of organizing production. Some people are interested in material incentives, profit, and restrictive measures in their operation and management of the socialist economy. In other words, they do not treat the laboring people as the masters of the socialist enterprise. This will inevitably impede and weaken the socialist public ownership system. If this trend continues, the socialist public ownership system will degenerate. In the Great Proletarian Cultural Revolution, the broad masses, and cadres criticized and repudiated this tendency. But, under certain conditions, things that have been criticized and repudiated can appear again. At the beginning of 1974, some of the workers in the No. 5 Loading and Unloading District of the Shanghai Harbor Affairs Bureau posted a big character poster entitled "Be the Masters of the Wharf, Not the Slaves of Tonnage." It pointed out: "The leadership does not treat the workers as masters of the wharf. Instead they are treated as the slaves of tonnage. This is a reflection of the revisionist line in running an enterprise." These words hit the crux of the consolidation and development of the socialist public ownership system and are of universal practical significance.

In order that the leadership of the state economy and the collective economy really be in the hands of the Marxist, it must also really be in the hands of the workers, poor and lower-middle peasants, and other laboring masses. These two aspects are inseparable. Since the laboring masses are the masters of the socialist economy, it does not mean that they no longer have the right to interfere once the leadership has been delegated to a few representatives. The revisionist "one head system" championed by the Soviet revisionists is an institutionalization of this viewpoint. Facts have demonstrated that this is a chloroform spread by the bourgeoisie and its agents

in order to usurp leadership. Engels once pointed out: "the management of industry by individuals has private property as its inevitable result."[188] If the leadership of the enterprise under the socialist ownership system is not in the hands of the workers, poor and lower-middle peasants, and other laborers, the revisionist "one head system" will proliferate. Under the revisionist "one head system," the laboring masses are in effect separated from the means of production. They listen to the orders from the "head." Without leadership over the enterprise, they are no longer masters of the enterprise. If this develops, they will be treated as pure labor power in the production process by the "head." The laboring masses will no longer have the right to question whether this production process serves the interests of the proletariat and the laboring people. This way, socialist enterprises will gradually slide into the mudhole of capitalism. But when leadership of the enterprise is really in the hands of the Marxists and the workers, poor and lower-middle peasants, and other laboring masses, the position of the laboring masses as masters of the enterprise will surely be guaranteed. As masters, they will fully mobilize socialist activism. If some bad people usurped the leadership of the enterprise, the laboring masses would take it back under the Party's leadership. This has been proven more than once by the practice of China's socialist revolution, especially since the Great Proletarian Cultural Revolution. It will be proven again.

The crux of the question concerning who controls the leadership of the socialist economy lies in whether or not the line implemented by the departments in charge of production operation or economic management represents the interests of the proletariat and the laboring people. The revisionist line always goes against the interests of the proletariat and the laboring people. It fosters material incentives, profit, and restrictive measures. On the other hand, according to socialist principles, the Marxist line always insists on having revolution guide production and strengthening operation management by relying on the masses as the masters. Therefore, firmly adhering to the Marxist line and criticizing and repudiating the revisionist line is the ultimate guarantee for the consolidation and development of the socialist public ownership system.

[188] Frederick Engels, "Principles of Communism," in *Manifesto of the Communist Party & Principles of Communism*, 85–86.

To consolidate and develop the socialist public ownership system, it is also necessary to implement various policies of the Party. Party policies are concrete manifestations of the Party line. To firmly adhere to the proletarian revolutionary line, it is necessary to seriously implement various policies of the Party. For example, it is necessary to correctly handle the relations between the center and the locality to mobilize dual activism within the economy under the state ownership system, and it is necessary to correctly handle the relations between the state and the enterprise so that the enterprise can fully take the initiative in operation and management under the unified leadership of the state. Also, in the collective economy of the rural people's commune, it is necessary to correctly implement the present stage's basic system of "three-level ownership with the production team as the basis" in order to fully mobilize the socialist activism of the three-level collective economy of the commune, the brigade, and the production team. While acknowledging the existence of disparities among brigades, among teams, and among communes, we must strive to create favorable conditions narrowing such disparities in order to follow the socialist path to common affluence.

To consolidate and develop the socialist public ownership system, socialist education must be strengthened. The socialist public ownership system is built on the basis of eliminating the private ownership system. But "Remnant old ideas reflecting the old system invariably persist in people's minds for a long time, and they do not easily give way."[189] This remnant of the old ideology based on the old private ownership system is manifested in many aspects. It is in conflict with the socialist public ownership system. Only by strengthening education on ideology and political line, constantly elevating the political consciousness of the cadres and broad masses, and firmly establishing the proletarian world outlook can the consolidation and development of the socialist public ownership system be effectively promoted.

To consolidate and develop the socialist public ownership system, it is also necessary to enthusiastically develop social productive forces. The socialist public ownership system creates favorable conditions for the development of social productive forces, while the further development of social productive forces must provide a material basis for the further con-

[189] Mao Zedong, "Editor's Notes from 'Socialist Upsurge in China's Countryside' (section 18: Note to 'A Serious Lesson')," in *Selected Works*, vol. 5, 242.

solidation and development of the socialist public ownership system. The acceleration of socialist industrialization will strengthen the socialist state economy. The acceleration of agricultural mechanization and the constant development of agricultural productive forces will strengthen the collective economy and thus promote the further consolidation and development of the collective ownership system. Therefore, resolutely implementing the policy to "grasp revolution, promote production" and developing the socialist economy with greater, faster, and better results at lower costs are important conditions for the consolidation and development of the socialist public ownership system.

The process of consolidating and developing the socialist public ownership system is a long process of struggle between the two classes, the two roads, and the two lines. The road of struggle is very long, the task is very heavy, and we must fight with all our strength!

Major Study References

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- V. I. Lenin, "The Tax in Kind."[190]
- Mao Zedong, "Report to the Second Plenary Session of the Seventh Central Committee of the Communist Party of China."
- Mao Zedong, "On the Correct Handling of Contradictions Among the People," sections 3–4.
- Mao Zedong, "On the Cooperative Transformation of Agriculture."

Review Problems

1. How does the socialist state ownership system emerge? Why do we say it is the main economic basis of proletarian dictatorship?
2. Why do we say that socialism is not completely consolidated without agricultural socialization? Why did the rural people's commune of China adopt the system of "three-level ownership with the production team as the basis" at the present stage?

[190] V. I. Lenin, *Collected Works*, vol. 32 (Moscow: Progress Publishers, 1973).

3. How can the socialist public ownership system be continually consolidated and developed? How do we consolidate and develop the socialist public ownership system?

14

ESTABLISH INTERPERSONAL RELATIONS ACCORDING TO SOCIALIST PRINCIPLES

People's Status and Their Interrelations in Socialist Production

People's status and their interrelations are an important component of relations of production. After the establishment of the socialist public ownership system of the means of production, it is very important to shape the people's status and their interrelations to be compatible with this form of ownership system. If this middle link of relations of production is grasped and continually improved, the socialist public ownership system and distribution relations will continually be consolidated and developed.

People's Status and Their Interrelations Have Undergone a Fundamental Change

The Socialist Public Ownership System Is a Negation of All Exploitative Systems

In history, people's status and their interrelations in production have always been determined by the ownership system of the means of production. The system of slave ownership determined the relationship between the slave owner and his slaves. The ownership system of the feudal lords determined the relationship between the landlord and the peasant. The ownership system of the capitalist determined the relationship between the capitalist and the worker. The relationship of exploitation between the capitalist and the worker is more obscure than the relationship between the slave owner and the slave or between the landlord and the peasant. Often this relationship involves goods and is manifested as the relationship among goods. For a long time, bourgeois economists have written books and fabricated theories on the relationships among goods in an attempt to conceal the reality of class antagonism among people.

> Where the bourgeois economists saw a relation between things (the exchange of one commodity for another) Marx revealed a *relation between people*.[191]
>
> Economics is not concerned with things but with relations between persons, and in the final analysis between classes.[192]

The interrelations in socialist production are established only after the proletariat and the broad masses of laboring people overthrow the bourgeois state machinery with violence and establish proletarian dictatorship and the socialist public ownership system of the means of production.

In socialist society, the relationship that existed in the old society between the ruling and the ruled, with the working class and the collective farmers on one side and the bourgeoisie, the landlords, and the rich peasants on the other, has been reversed. All exploitative relations have been negated. This reversal and negation are the preconditions for transforming the private ownership system of the means of production into the socialist public ownership system. The socialist public ownership system is a coercive economic measure. In this system, the exploitative class is deprived of its means of exploiting the laboring people and is forced to accept transformation by the proletariat and the broad masses of laboring people. On the other hand, with the establishment of the socialist public ownership system, the proletariat and the broad masses of laboring people, once slaves in the old society, become masters of the new society. From here on, the proletariat and the laboring people are in the ruling position in the socialist production process, and the bourgeoisie and all exploitative classes are in the position of being ruled. Socialist interrelations are to be established and developed on this basis.

In the whole socialist historical stage, from beginning to end, there will exist the struggle between the proletariat and the bourgeoisie. On the one hand, the proletariat and the broad masses of laboring people will try hard to defend and consolidate their position in socialist production and the socialist interrelations in order to achieve the great ideal of realizing communism by eliminating the bourgeoisie and all exploitative classes and

[191] V. I. Lenin, "The Three Sources and Three Component Parts of Marxism," in *Collected Works*, vol. 19 (Moscow: Progress Publishers, 1977).

[192] Frederick Engels, "Karl Marx 'A Critique of Political Economy'," in *Marx & Engels Collected Works*, vol. 16, 476.

all class disparities. On the other hand, the bourgeoisie and all exploitative classes will never forget their past dominant position over the laboring people, the "good old days" when they could reap without work, and they will vainly attempt to free themselves from the restrictions imposed on them by the socialist interrelations and to restore the capitalist relations. Lin Biao's adherence to Confucius's extremely reactionary political proposal to "restore fallen states, reinstate their sovereignties, and seek the counsel of cultivated persons in retirement" was a conspiracy to retrieve all fallen exploitative classes, pull down the laboring people as the new masters, and restore the capitalist interrelations. Therefore, the process of consolidation and development of the socialist interrelations is essentially a process of struggle between the proletariat and the bourgeoisie.

Socialist Interrelations Still Possess Class Overtones

In class society, interpersonal relations are ultimately interclass relations. How then are the interpersonal relations in socialist production manifested as interclass relations?

To better understand the class relations in socialist production, it is necessary to retrace briefly the class relations in semicolonial and semifeudal China.

The economic substructure of old China gave rise to the following classes—namely, the proletariat, the peasantry, and the urban petty bourgeoisie [and the national bourgeoisie, the bureaucratic bourgeoisie, and the landlord class]. At that time, the status of these classes and the interclass relations were as follows: the landlords and the bureaucratic bourgeoisie who controlled the major means of production and the reactionary state machinery and colluded with imperialism occupied a dominant position in social production. They relentlessly exploited and oppressed the proletariat, the peasantry, and the urban petty bourgeoisie. The national bourgeoisie also possessed a large quantity of the means of production. On the one hand, they were connected in production with imperialism, the landlords, and the bureaucratic bourgeoisie in their exploitation of the proletariat and the laboring people. On the other hand, they were boycotted and hurt by the landlords and the bureaucratic bourgeoisie. The proletariat and the broad masses of poor peasants were in a helpless position in social production sub-

ject to triple oppression and exploitation from the imperialists, the feudal forces, and the bourgeoisie.

> 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.[193]

When China entered the historical period of socialist revolution and the socialist transformation of agriculture, handicraft industry, and capitalist industry and commerce was basically realized with socialist public ownership of the means of production as the only economic substructure, "the interclass relations in the whole country underwent changes."[194] The landlord and the bureaucratic bourgeoisie had already been overthrown and were in the position of being ruled and transformed through social production. The means of production belonging to the national bourgeoisie had already passed into the hands of the proletariat and the whole laboring people. Having lost their controlling position in enterprise, the national bourgeoisie had to accept education and transformation from the working class. The peasants (including individual handicraftsmen) had been transformed from individual producers to collective laborers and, with the working class, became masters of the socialist economy. The urban petty bourgeoisie had been assimilated into the socialist relations of production in the socialist transformation. The working class had become the leading class in the country controlling the lifeblood of the socialist economy and occupying a leading position in the whole social production. The old classes of the semicolonial and semifeudal society still existed. But their interclass relations had undergone fundamental changes.

Revisionists from Khrushchev and Brezhnev to Liu Shaoqi and Lin Biao and their associates publicized a platform stating that when the socialist public ownership system becomes the only economic substructure, all exploiting classes vanish. Consequently, the relations of production, which include interpersonal relations, lose their class relation character, and the so-called interpersonal relations become those among "comrades, friends,

[193] Mao Zedong, "Speech at the Chinese Communist Party's National Conference on Propaganda Work," in *Selected Works*, vol. 5, 406.
[194] Mao, 406.

and brothers." This fallacy is totally against Marxism and is inconsistent with the reality of socialist society.

In socialist society, although the exploiting class has lost its means of production, it still exists as a class. After the socialist revolution of the ownership of the means of production is basically realized, the existence of classes will rest on the people's economic relations prior to socialist reform and their political positions in the struggle between socialism and capitalism. In addition, the existence of classes is related to capitalist traditions and influences that still remain in socialist society, to the remaining disparities between the worker and the peasant, the urban and rural areas, and mental and physical labor, and to the bourgeois legal rights that reflect them. In fact, in addition to the continuing existence of the landlord and the bourgeoisie, new bourgeois elements will continue to emerge. From among the educated, bourgeois rightists may still emerge. Agents of the bourgeoisie may even appear inside the Communist Party. Lenin once pointed out:

> Clearly, in order to abolish classes completely, it is not enough to overthrow the exploiters, the landowners and capitalists, not enough to abolish their rights of ownership; it is necessary also to abolish all private ownership of the means of production, it is necessary to abolish the distinction between town and country, as well as the distinction between manual workers and brain workers. This requires a very long period of time.[195]

Although some people concede that there are still exploitative classes in socialist society, they refuse to admit that these classes survive in socialist relations of production. They think that these classes exist only in that part of society that is divorced from socialist relations of production. The fact is, a society that is divorced from certain relations of production simply does not exist. The exploitative classes do not live in a vacuum, but in socialist relations of production. In other words, they live in the economy of socialist state enterprises and in the collective economy. The only difference is that they are no longer in a dominant position of being the rulers but in that of being ruled. With the working class and the laboring people, they constitute the relations of the ruled and the ruling. To think that socialist relations of production do not manifest relations in which the working class and the

[195] V. I. Lenin, "A Great Beginning," in *Collected Works*, vol. 29.

laboring people rule and transform the exploitative class will lead to the harmful conclusion that socialist relations of production are independent of classes. Some people think that since we all earn our living through labor, everyone is the same. Therefore, classes no longer exist. This erroneous concept is closely related to the theoretical negation of the class nature of socialist relations of production.

According to China's conditions, there exist two exploitative classes and two laboring classes. The two exploitative classes are the remnants of the landlord and comprador class and the national bourgeoisie and their affiliated intellectuals. The two laboring classes are the working class and the collective peasants and their affiliated laboring intellectuals. The interrelations in socialist production are mainly the relations among and within these four classes. The relations among these four classes are not of equal importance. In the whole historical stage of socialism, the major contradictions are those between the proletariat and the bourgeoisie. The relations between the dominant proletariat and the dominated bourgeoisie are the basic class relations in socialist society. Interpersonal relations in production are inevitably governed, regulated, and influenced by these relations. Modern revisionists gloss over this class nature of interpersonal relations in production. They loudly proclaim that interpersonal relations are all relations among "comrades, friends, and brothers." The Lin Biao clique also championed the slogans "while the two struggles turn all people into enemies, the two peaces turn all people into friends" and "within the four seas all are brothers." This is absurd. Whoever has been exposed to Marxism-Leninism knows that no relations among "comrades, friends, and brothers" are independent of classes in a class society. The hatred of the proletariat for the bourgeoisie originated in the exploitation and oppression of the proletariat by the bourgeoisie. "There is absolutely no such thing in the world as love or hatred without reason or cause."[196] These two classes can never be "friends," not to mention "brothers." Is it conceivable that the proletariat and the laboring people will relinquish their rule and be "brothers" and "friends" of the bourgeoisie? The intent of the modern revisionists' championing of these fallacies is to defend the bourgeoisie, deceive the laboring people, and conceal their conspiracy to

[196] Mao Zedong, "Talks at the Yanan Forum on Literature and Art," in *Selected Works*, vol. 3, 78.

transform the socialist interrelations into capitalist interrelations in order to restore capitalism.[197]

In socialist production, the two exploitative classes have assumed the status of being ruled. Under the conditions in China, these two classes are treated differently. The landlord and comprador classes are classified as enemies, and the national bourgeoisie is classified as of the people. These two exploitative classes are forced to accept transformation by different methods, but their relations with the worker and the peasant are still based on class antagonism. In socialist production, the laboring people, occupying a dominant position, are the masters in socialist relations of production. Through continuous resolute and energetic struggle, the working class and the poor and lower-middle peasants will gradually transform the majority of these two exploitative classes into self-supporting laborers after a long period of labor.

The working class and the toiling people had the same painful experience of exploitation and oppression in the old society. In socialist society, employing the means of production owned by the state or by the collective ownership of the toiling people, they all work, though in different roles, for their own class and society. They shoulder the common burden of reforming the exploiting class and share the same goal—to fight for the idea of communism. Therefore, their basic interests are the same. In socialist production, the relations among the worker, the peasant, and the laboring intellectuals and within each of the three groups constitute daily developing relations among revolutionary comrades based on identical basic interests. This is a basic point that determines the socialist nature of the relations among the laboring people.

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[197] Many contemporary Soviet revisionist writers reveal the nature of the "comrades, friends, and brothers" relationship championed by Soviet revisionism. In a play entitled "The Outsider" by a Soviet writer, Ignati Dvoretsky, the major character Aleksei Cheshkov, a Soviet revisionist Party member and an engineer of a certain enterprise, went to a foundry shop of a Leningrad plant to transform its "backward appearance." He arrogantly roared at the workers: "We are the leaders. Our hands do not do anything. We work with words and our brains." He ordered the foremen to keep a close watch on the workers to "keep an eye on them and get at their throats." Whoever disobeys an order should be punished by "deducting half of his bonus. . . . Hit them with rubles." In the Soviet Union, the laboring people are subject to cruel exploitation and oppression from such new bureaucratic monopolist bourgeoisie. This is the nature of the "comrades, friends, and brothers" relationship championed by Soviet revisionism.

But is there a "state in which there are no disparities" and no contradictions of any kind in the relations among the laboring people in socialist production? No. In the relations among the laboring people in production, in addition to the basic relationship of being revolutionary comrades, there is also another aspect involving capitalist traditions and influences. These capitalist traditions and influences are mainly reflected in the disparities between the worker and the peasant, the urban and rural areas, and mental and physical labor. Disparity is contradiction. This contradiction ultimately possesses the nature of class contradiction. At the same time, class struggles between the proletariat and the bourgeoisie are inevitably reflected among the laboring people, so that all issues of right and wrong, revolutionary and conservative, advanced and backward are stamped with a class mark. Therefore, contradictions among the people ultimately reflect the contradictions and struggles between the proletariat and the bourgeoisie, between the socialist road and the capitalist road.

The Immensely Active Role of Interrelations

Certain interrelations are based on a corresponding ownership system of the means of production. But the interrelations also play an immensely active role with respect to two other aspects of relations of production—namely, the form of the ownership system of the means of production and its corresponding distributive relations.

The function of interrelations with respect to the two other aspects of relations of production was very apparent in the historical period before the emergence of socialist society. For example, in order to establish and consolidate the capitalist ownership system and its distributive relations, the bourgeoisie had to establish interpersonal relations based on capitalist principles—namely, relations in which the bourgeoisie ruled the worker. As Marx solemnly pointed out in his criticism of the reactionary arguments that "exploitation is justified" and "oppression is justified" that were championed by the defenders of the American slave system,

> the apologists of the modern slave system utilize the work of supervision quite as much as a justification of slavery, as the other economists do to justify the wage system.[198]

[198] Marx, "Capital," vol. 3, 382.

If the capitalist and his agents did not wield absolute dominating power over the worker and if they could not force the worker to work according to the will of the capitalist, then capitalist exploitation would not be realized and the capitalist ownership system and the capitalist distributive relations in which "the laborer does not reap and the reaper does not labor" could never be consolidated and developed. Therefore, the bourgeoisie pays a great deal of attention to the establishment and consolidation of the subordinate status of the worker to capital in order to consolidate and develop the capitalist ownership system and distributive relations.

In socialist society, the transformation of interrelations is also an important link in the transformation of relations of production. When this link is grasped and continually improved, it has great significance for consolidating and perfecting the socialist ownership system and the socialist distributive relations and consequently for promoting the development of social productive forces.

The socialist construction in our country demonstrated that when the exploiting classes' frenzied attack on our socialist enterprises had been repulsed, when our contradictions with our enemies had been correctly handled—when we had gradually established, according to socialist principles, the relations among the working people, between the leader and the masses, among the administrators, technicians, and workers, and between the laborers and the peasants, we were able to fully develop their activism and creativity and to orient the direction of our socialist enterprises. We saw our socialist revolution and socialist production thrive, our system of socialization of the means of production strengthen, and our distributive relations incessantly improve. When socialist interpersonal relations are contradicted or even sabotaged and when the remnants of capitalist interpersonal relations are allowed to develop, the position of the masses as masters will be threatened, the socialist activism of the masses will be suppressed and inhibited, and consequently, the socialist ownership system and distributive relations will also be inhibited or may even degenerate.

Interrelations gradually established on the basis of a public ownership system of the means of production and according to socialist principles are not confined to one enterprise. They involve all enterprises, all economic departments, the state ownership system, and the collective ownership system. They are manifested in exchange activities such as production cooper-

ation and exchanges of advanced experience and advanced technology. The development of such mutual exchanges in production, with leadership and planning among enterprises and among departments, embodies the superiority of the socialist public ownership system. They are conducive to the consolidation and development of the socialist ownership system, favorable to fully mobilizing the forces of various economic departments, and favorable to fully tapping economic potentials and promoting rapid development of the whole social productive force.

The importance of the gradual perfection of interrelations with respect to consolidating relations of production and developing the social productive forces deserves our full attention. After the establishment of the socialist public ownership system, the issue of interrelations must be continually and seriously resolved.

Consolidate and Develop Socialist Interrelations in the Course of Struggle

Develop Relations of Mutual Support and Mutual Promotion Between Industry and Agriculture

From the angle of the whole of social production rather than that of a particular enterprise, interrelations are primarily manifested as relations between industry and agriculture. Industry and agriculture are the two basic material production sectors. The socialist state ownership system that is dominant in the industrial sector and the socialist collective ownership system of the laboring masses that is dominant in agriculture are two forms of the socialist ownership system. From the standpoint of class relations, this economic structure is a relationship between the worker and the peasant. This class relationship is fundamentally different from the relationship between the laboring class and the exploitative class; it is the relation of a worker-peasant alliance in which basic interests are identical and leadership is in the hands of the working class.

After the basic victory had been won in the ownership system of the means of production in China's socialist revolution, Chairman Mao pointed out:

> Relations between production and exchange in accordance with socialist principles are being gradually established within and between all branches of our economy, and more and more appropriate forms are being sought.[199]

Interrelations among various economic sectors are primarily interrelations between industry and agriculture and, consequently, interrelations between the worker and the peasant. The worker and the peasant are both masters of the means of production. The worker labors in enterprises under the state ownership system. The peasant labors in enterprises under the collective ownership system. The worker and the peasant must trade with each other so that social production can be carried on.

In socialist society, the worker and the peasant are both industrial forces in socialist construction. Their relationship as revolutionary comrades in production is a daily developing one of mutual support and mutual promotion based on the socialist public ownership system. In the production and exchange processes, the worker produces various agricultural machines, chemical fertilizers, insecticides, and industrial products for daily use in the countryside in support of the development of agricultural production and the improvement of the livelihood of the peasant. The peasant produces food grain, raw materials, and various agricultural and sideline products. Furthermore, in accordance with the growth rate of labor productivity in agriculture, he supplies an appropriate amount of labor power in support of the development of industrial production and satisfies the industrial production and livelihood needs of the urban population. Under the leadership of the working class, mutual support and mutual promotion between the worker and the peasant are in line with the basic interests of these two classes and constitute a strong force for consolidating the worker-peasant alliance and promoting socialist economic development.

In addition to direct contribution to the financial accumulation of the state through taxation, the exchange activities between the worker and the peasant under the two kinds of socialist ownership system are primarily in the form of commodity exchanges of industrial and agricultural products. Therefore, there may also arise some contradictions based on identical basic interests on matters relating to quantity, variety, quality, and price of indus-

[199] Mao, "On the Correct Handling of Contradictions Among the People," 378.

trial and agricultural products, as well as the proportions of marketed and retained agricultural products and tax burdens on the peasant.

The worker-peasant alliance in socialist society is the basis of proletarian dictatorship. Under the leadership of the working class, it is an important task to correctly handle contradictions between the worker and the peasant based on common interests and to develop the socialist relations of mutual support and mutual promotion between industry and agriculture.

The relations between industry and agriculture in socialist production are controlled, restricted, and affected by the major contradictions between the proletariat and the bourgeoisie. The working class (through the Communist Party) must lead the peasant to establish, consolidate, and develop a socialist collective economy and gradually realize agricultural mechanization on the basis of agricultural collectivization so that socialist agriculture will advance along the socialist road, its relations to socialist state industry will be steadily strengthened, and the economic basis of proletarian dictatorship in agriculture will be consolidated. The bourgeoisie always tries hard to induce the peasant to take the capitalist road and attempts to undermine the socialist collective economy by exploiting the serious spontaneous capitalist tendency of a few rich middle-peasants. Therefore, the process for developing the worker-peasant relations in socialist production must of necessity be a process of struggle for the peasant between the proletariat and the bourgeoisie. Because of this, we would commit a gross blunder if, in handling the relations between agriculture and industry and the relations between the exchange of agricultural and industrial products, we saw only the relations between products but not the relations between the worker and the peasant or the relations between the proletariat and the bourgeoisie in their struggle to win over the peasant.

Extend the "Longjiang Style."[200] *Develop Relations of Socialist Cooperation*

Another important aspect of interpersonal relations in socialist production is the relations among enterprises, among sectors, and among regions. It is mainly manifested in relations of socialist cooperation among these enterprises, sectors, and regions.

[200] Longjiang is a model brigade somewhere in Fujian Province. The story of its battle with floods by collective efforts was made a theme by Jiang Qing in her model revolutionary opera entitled "Song of Longjiang."—Ed.

Marx said:

> Although a number of men may be occupied together at the same time on the same, or the same kind of work, yet the labor of each, as a part of the collective labour, may correspond to a distinct phase of the labor process, through all whose phases, in consequence of cooperation, the subject of their labor passes with greater speed.[201]

This cooperation has different social characters and different ranges of activity under different relations of production. The private ownership of the means of production by the capitalist confines cooperation in capitalist production to one enterprise or one monopoly capital group. From the viewpoint of the whole capitalist society, systematic cooperation among various production sectors and various enterprises divided by the private ownership system is impossible to establish. Even certain cooperation relations established through contracts are extremely unstable and are often interrupted.

Socialist cooperation based on a public ownership system of the means of production can be developed not only within one enterprise; it can also be conducted in a planned and organized manner over the whole society among different enterprises, sectors, and regions. "When one plant participates, a hundred plants cooperate. When each plant makes one, a hundred plants make a line." Socialist cooperation creates a new productive force. It is favorable to the development of one specialty and many abilities in enterprises, further contributing to increasing labor productivity. It is conducive to concentrating manpower, material resources, and finances to complete production and construction projects which one enterprise, one sector, or one region could not complete alone. It is favorable to concentrating strength for a short period to overcome weak links in the development of the national economy, thus promoting rapid development of the whole national economy.

The development of socialist cooperation is an important form for continually improving the interrelations among enterprises, among sectors, and among regions. There are no basic conflicts of interest among the constituent parts of the socialist economy. Socialist cooperation requires having

[201] Marx, "Capital," vol. 1, 331–332.

the implementation of proletarian politics in command, the breaking down of the boundaries among enterprises, among sectors, and among regions, concern for the whole situation, growth through difficulties, and consideration for other people. It also requires a strict adherence to supply contracts, coordination between the cooperative assignment and the completion of plans, and adoption of effective measures to guarantee the completion of assignments according to variety, specifications, quality, quantity, and schedule. These cooperative relations are fundamentally opposed to the capitalist interrelations based on mutual deception and competition and on capitalist departmentalism. Departmentalism is a conceptual reflection of the private ownership system and will exist in socialist society for a long time to come in varying degrees. "Lack of consideration for the whole and complete indifference to other departments, localities and people are characteristics of a selfish departmentalist."[202] The following erroneous concepts and actions still exist in cooperative relations: preferring to play a major role rather than a minor one; reckoning economic accounts at the expense of political accounts; paying attention only to partial interests and not to overall interests, even to the extent of benefiting oneself at the expense of others; disregarding the state's unified economic plan by cutting corners or, so to speak, entering through the back door; and so forth. The appearance of these problems in the process of cooperation is a reflection of the struggles between the two classes, the two roads, and the two lines. The development process of socialist cooperation is a process of struggle with bourgeois influences, especially bourgeois departmentalism. This is essentially a reflection of the struggle between the socialist public ownership system and the capitalist private ownership system.

The advancement of socialist cooperation requires an extension of the communist work style, a firm adherence to socialist principles, a voluntary observance of state fiscal policies, and the resolute implementation of various proletarian economic policies. Therefore, in the cooperative relations between the state enterprises and the collective enterprises, among state enterprises, among collective enterprises, among sectors, and among regions, the principle of equivalent exchange must be observed, and fair pricing enforced. Mutual support in material resources in the cooperative process must be in accordance with the state plan and have the approval of

[202] Mao, "Rectify the Party's Style of Work," 34.

the leading organ. It is not permissible to indiscriminately engage in "mutual exchanges" in the name of "cooperation," disrupting the socialist plan.

With the victorious development of socialist cooperation, the laboring people will continually strengthen the proletarian viewpoint of seeing the whole situation and will continually criticize and repudiate bourgeois departmentalism. In the process of struggle, the laboring people's relations of being revolutionary comrades will steadily develop.

The "Anshan Steel Constitution" Is a Compass for Handling Interrelations Within Enterprises

The socialist enterprises (including industry, agriculture, communications and transportation, commerce, and all production and circulation departments) are the basic unit of human material production and exchange. Interpersonal relations in production exist in enterprises in large numbers. Interrelations among the laboring people are chiefly of two kinds: the relations between the leadership and the masses and the relations between the management personnel and technicians (mental laborers) on the one hand and the worker and the peasant (physical laborers) on the other. The correct handling of these two aspects of these relations, that is, to "create a political situation in which we have both centralism and democracy, both discipline and freedom, both unity of will and personal ease of mind and liveliness,"[203] is an important issue in consolidating and developing socialist relations of production and in improving socialist enterprise management. In enterprises, there are also the relations between the worker-peasant laboring people and the two exploitative classes. These relations have been analyzed above.

The socialist enterprise is an enterprise of the working class and the laboring people. The working class and the laboring people are responsible for leading the enterprise through their representatives. This gives rise to an issue of the relations between the leadership and the masses. Although the leadership personnel and the masses in the enterprise hold different jobs in revolution, they are "comrades in arms in the same trench" who share the heavy duty of properly managing the enterprise and who labor for a common revolutionary goal. Workers on the Shanghai wharfs put it nicely, "Though jobs are different in revolution, our thinking must be in unison."

[203] Mao Zedong, "The Situation in the Summer of 1957," *Selected Works*, vol. 5, 457.

These words point out the key to improving the relations between the leadership and the masses in the socialist enterprises.

In enterprises, it is also necessary to have some people in charge of various management and technical jobs. This gives rise to the issue of the relations between the management personnel and technicians and the worker-peasant laboring masses. There are two categories of China's management personnel and technicians. One consists of management personnel and technicians left over from the old society. With the exception of a few reactionaries who are hostile to socialist society, the great majority of them love their country, love our People's Republic, and are willing to serve the people and the socialist state. Another category consists of those intellectuals trained by the proletariat through struggle and through the development of socialist revolution and socialist construction. Though some of them may have been poisoned by the revisionist line in education and their world outlook must still be continually transformed, the great majority are willing to integrate with the worker-peasant masses and make contributions to the socialist and communist enterprise. Therefore, in socialist society, the relations between the leadership and the masses, between the management personnel and technicians and the worker-peasant masses are also daily developing relations of being revolutionary comrades and sharing common interests. But contradictions do exist between them; it is not an "undiversified situation."

The division of labor in socialist enterprises between the leadership and the masses, between the management personnel and technicians and the direct producers still reflects the division of labor of the old society and is a manifestation of the still existing disparity between mental and physical labor. Under these conditions, if the leadership personnel, management personnel, and technicians who are responsible for organizing and guiding production do not regularly participate in collective production labor, they become divorced from the laboring masses and subject to the corrosion of bourgeois thinking and develop contradictions with the laboring masses. These contradictions often reflect to varying degrees the contradictions between the proletariat and the bourgeoisie. For example, some leadership cadres, management personnel, and technicians who have been poisoned by such Confucian and Mencian thinking as "those who use their brains rule, those who use their muscles are ruled" do not treat the masses and themselves with the correct attitude. They think that "the leadership is

brighter" and do not treat the worker-peasant masses as masters of the enterprise. They resort to restrictive measures and convert the revolutionary comrade relationship into relations of domination and subordination. These are all manifestations of the lingering poison of the revisionist line and reflect to varying degrees the contradictions and struggles between the bourgeoisie and the proletariat. At the same time, though there are no basic conflicts of interest among the masses, some people may also not handle interpersonal relations according to socialist principles because of the influence of bourgeois thinking and the relaxation of socialist education by the leadership. These contradictions among the people in the enterprise embody to varying degrees the nature of class contradictions. Although these contradictions arise, from the standpoint of all the interrelations among the people in the enterprise, this interrelation is still socialist in nature as long as the proletariat assumes the leading position. If these contradictions were allowed to develop and the bourgeois versions were allowed to assume the guiding position, then socialist interrelations would degenerate into capitalist interrelations.

The "Anshan Steel Constitution," personally announced by Chairman Mao, and his series of instructions such as "Management Is Also Socialist Education"[204] constitute the compass for the correct handling of interpersonal relations in socialist enterprises. The basic spirit of the "Anshan Steel Constitution" is to firmly practice putting proletarian politics in command, strengthen Party leadership, launch mass movements in a big way, implement "two participations, one reform, and three combinations" (namely, insist on having cadres participate in labor and masses participate in management, revise irrational regulations and systems, and implement the three combinations among the worker, the cadre, and the technician), and make technical innovations and technical revolution in a big way. Firm adherence to putting proletarian politics in command and stronger Party leadership are basic principles for the correct handling of interrelations. Under the guidance of these principles, the serious and thorough implementation of the "two participations, one reform, and three combinations" will enable the relationship of being revolutionary comrades to develop steadily between the leadership and the masses and between the management personnel and technicians and the worker-peasant laboring masses.

[204] *Renmin ribao* [*People's Daily*], August 14, 1972.

The participation of cadres in production labor is a big event of fundamental importance under the socialist system. It is also an important aspect in properly handling socialist interrelations. Chairman Mao pointed out:

> 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.[205]

This is an infallible truth explained by Chairman Mao after summing up the experience and lessons of the international communist movement. Those cadres who can voluntarily and regularly participate in collective production labor are generally more conscious in their resistance to bourgeois thinking and possess more self-knowledge. They show concern and affection for the masses, humbly listen to the call of the masses, are receptive to criticism and supervision from the masses, and can firmly adhere to the socialist direction of the enterprise. They are more familiar with production conditions and seldom give blind commands. There is a song among women textile workers which describes the transformation of a leadership cadre of a factory after her participation in collective production labor:

> In the past, she never visited the workshop; now she comes to the side of the machine to ask for advice.
>
> In the past, things were delayed; now they are solved immediately.
>
> In the past, only big reports were made; now she says what she thinks in the workshop.
>
> In the past, she was called a petty bureaucrat; now she is treated like a sister.

[205] Mao, *On Khrushchov's Phoney Communism and Its Historical Lessons for the World: Comment on the Open Letter of the Central Committee of the CPSU (IX)*.

The fact is, such leadership personnel, management personnel, and technicians are welcomed by the masses. Even if there are contradictions between them, they can be correctly resolved in good time.

The participation of the masses in management is a requirement of their position as masters in socialist production. Only by insisting on having the masses participate in management can the position of the laboring masses as masters in the enterprises be defended and consolidated. The exploitative class always opposes having the masses participate in management. When the persons in power taking the capitalist road controlled the leadership of the enterprises, they relied on a few bourgeois experts. They resorted to restrictive measures in dealing with the worker-peasant masses. This effectively expropriated the right of the masses to manage the enterprise. Under these conditions, the relations between the capitalist roaders and the worker-peasant masses were nothing but capitalist domination and subordination in disguise. When people with a firm commitment to bourgeois thinking control the leadership of the enterprises, it is also impossible for the masses really to participate in enterprise management. In effect, it is up to a few cadres to do what they want. Therefore, in these enterprises, the socialist interrelations between the leadership and the masses are not perfect. In the process of China's socialist revolution and socialist construction, especially in the process of the Great Proletarian Cultural Revolution and the Campaign to Criticize Lin Biao and Rectify the Style of Work, the power stolen by the capitalist roaders and bad people has been taken back, the bourgeoisie and revisionists have been criticized and repudiated, and the leadership of the enterprises has been gradually and effectively put into the hands of the Marxists and the laboring people. A new situation of having the masses participate in management has subsequently arisen.

Participation of the masses in management primarily refers to the participation of the direct producers, the worker-peasant masses, in management. The masses who participate in enterprise management must not only direct production, technical knowhow, and accounting, but more importantly, they have to help to supervise the cadres in thoroughly implementing the Party line and general and specific policies. In the Great Proletarian Cultural Revolution, the representatives of the worker-peasant masses directly participated in the enterprises' revolutionary committees. They were not divorced from production, but they still performed their supervisory work.

This is a new development in the masses' participation in management. This is extremely important for achieving close relations between the cadres and the masses, promoting firm adherence to the mass line by the enterprise leadership, serving the people, and perfecting and developing socialist interrelations.

The implementation of the "three combinations" of the masses, the cadres, and the technicians in the production struggle and scientific experiments in order to solve major technical problems of production is not only conducive to stimulating technical innovation on a mass basis, but also to accustoming the intellectuals to labor and the worker-peasant masses to systematic knowledge, narrowing the essential distinctions between mental and physical labor, and further perfecting and developing socialist interrelations.

The reform of irrational regulations and systems in enterprise management is another aspect of continually adjusting and transforming socialist interrelations. Any social production requires certain regulations and systems. But the type of regulations and systems instituted is determined by the relations of production in society. Lenin sharply pointed this out with respect to enterprise management in capitalist society: the interests of "the capitalists. . . is to administer while plundering and to plunder while administering."[206] The regulations and systems of capitalist enterprise aim at one thing only, that is, how to better restrict the freedom of the worker and how to extract more surplus value from the worker. The numerous regulations and endless rules in capitalist enterprise are all designed to defend, and are restricted by, capitalist relations of production. Under socialism, "systems have to be favorable to the masses."[207] This is the most fundamental difference between socialist regulations and systems and capitalist regulations and systems.

Systems having to be favorable to the masses means that such systems have to be favorable to the masses' role as masters, to the improvement and development of interpersonal relations in the enterprise, to the exercise of socialist activism by the masses, and to the development of the Three Revolutionary Movements of class struggle, production struggle, and scientific

[206] V. I. Lenin, "How to Organise Competition?," in *Collected Works*, vol. 26 (Moscow: Progress Publishers, 1977).

[207] *Renmin ribao* [*People's Daily*], May 31, 1972.

experiment. Regulations and systems that are favorable to the masses will certainly be favorable to the development of production as they mobilize the activism of the masses. Under the influence of the revisionist line of Liu Shaoqi and Lin Biao, the regulations and systems of some enterprises often restricted the masses. The worker's criticism was that "there are too many systems and regulations and they are created either for the purpose of punishment or coercion." Under good leadership, the masses should be mobilized to revise, phase by phase, the systems and regulations that are irrational, restrictive, detrimental to production, creating disharmony and alienating workers. Meanwhile, on the basis of the experience acquired in practice, a new set of healthy and rational systems and regulations that correspond to the need for socialist interrelations and the development of the productive forces should be established.

The Immense Influence of the Superstructure on the Formation of Interrelations

People's status and the nature of their interrelations in production are determined by the system of ownership of the means of production. But they also form and develop in reaction to the superstructure. Without some influence from the superstructure, people's status in production and their interrelations cannot be smoothly formed and will not have a chance to consolidate and develop. The ruling class of any society always uses the power of the superstructure to defend by all means the ownership system that has been established and to consolidate and develop the people's status, their interrelations in production, and the corresponding distributive relations. This is a general law.

Take capitalist society for example. The bourgeoisie of any country uses the power of the superstructure to establish and extend the capital labor relationship by force to dominate labor. Marx pointed out that to establish and extend the domination of capital over labor, the newly emerging bourgeoisie "wants and uses the power of the state."[208] From the end of the fifteenth century to the first half of the nineteenth century, the well-known "enclosure movement"[209] in England resorted to violent measures to evict a

[208] Marx, "Capital," vol. 1, 726.

[209] The "enclosure movement" was one of the important forms of primitive capitalist accumulation. The "enclosure movement" in England from the end of the fifteenth century was the most typical. At the end of the fifteenth century, the emergence of England's wool

large number of poor peasants, who then drifted into the urban areas destitute and "free as a bird," only to become objects of domination by capital. However, the peasants who drifted into the urban areas often preferred to become tramps rather than be subject to the arbitrary rule of capital over labor. To force the destitute peasants into the factory, the British bourgeoisie passed laws to punish tramps in order to have them "whipped, branded. . . into the discipline necessary for the wage system."[210] Look how cruel the means used by the bourgeoisie were to establish and develop interrelations in which capital dominated labor.

The relationship of capital dominating labor was established by violence. It could only be crushed by force. In socialist countries under proletarian dictatorship, this relation was in fact crushed.

Because socialist relations of production can only be established under proletarian dictatorship, the effect of the socialist superstructure on the socialist economic substructure is especially apparent. Socialist interrelations are determined by the socialist public ownership system. They are also formed and developed under the immense pressure of the socialist superstructure. If we thought that socialist interrelations would automatically form and develop with the establishment of the socialist public ownership system, we would be seriously mistaken.

In socialist interrelations, the relationship of the working class and other laboring people vis-a-vis the bourgeoisie and other exploiting classes is one between the ruler and the ruled and between the transformer and the transformed. Because of their class nature, the exploiters will not voluntarily accept the position of being ruled and transformed. The fact that the proletariat is capable of coercing some of them to accept socialist transformation is due to the powerful state machinery it controls. Without this

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spinning industry led to a continuous rise in wool prices. Sheep farming became a very profitable business. The landed aristocracy and the bourgeoisie of England colluded to forcibly evict the peasant from the land and then enclosed it to raise sheep. Houses within the enclosure were totally destroyed. The peasants were rendered homeless and reduced to being beggars and tramps. In the eighteenth century, the British bourgeois government, by means of a series of "enclosure acts" concocted by the Parliament, supported the violent plundering of the peasant by the bourgeoisie. In this process, the peasant continually resisted and started many rebellions against the enclosure movement.—Ed.

[210] Marx, "Capital," vol. 1, 726.

precondition, the rule over and the transformation of the bourgeoisie are impossible.

Among the laboring people, if the relationship of being revolutionary comrades is to develop steadily according to socialist principles, it is necessary to rely on the role of the socialist superstructure to educate and transform ourselves in order to free ourselves from the influence of reactionaries at home and abroad. Chairman Mao pointed out:

> The people's state protects the people. Only when the people have such a state can they educate and remould themselves by democratic methods on a country-wide scale, with everyone taking part, and shake off the influence of domestic and foreign reactionaries.[211]

Only by insisting on waging socialist revolution in the superstructure, using the proletarian ideology to gradually overcome the bourgeois ideology, and continually expelling the capitalist traditions and influences in interrelations can the relation among the laboring people of being revolutionary comrades steadily develop, and only thus is the way cleared for the formation and development of the interrelations of socialist production.

To sum up, the process of formation and development of socialist interrelations is a long process of political and ideological struggle between the two classes. To defend and develop socialist interrelations, the proletariat must firmly adhere to the basic Party line for the whole historical stage of socialism. After a basic victory has been won in the socialist revolution of the system of ownership of the means of production, it must continue to decisively carry on socialist revolution in the political and ideological lines, liquidate bourgeois ideology and foster proletarian ideology, fight selfishness, and criticize revisionism. This is a fundamental issue in the consolidation and improvement of socialist interrelations. If we thought that after the establishment of the socialist public ownership system the exploitative class vanishes, and if we departed from the central issue of the proletariat's opposition to the bourgeoisie in explaining socialist interrelations, then we would be in opposition to the basic Party line and would fall into the trap of the class extinction argument. If we did not insist on carrying on socialist revolution in the superstructure and allowed the free overflow of bourgeois

[211] Mao, "On the People's Democratic Dictatorship," 420.

ideology, then socialist interrelations would degenerate into capitalist interrelations, and the socialist public ownership system would disintegrate. The restoration of capitalism in the Soviet Union teaches us by way of negative example to understand the scientific truth of Marxism in this regard.

Major Study References

- Mao Zedong, "On the Correct Handling of Contradictions Among the People."
- Mao Zedong, "Speech at the Chinese Communist Party's National Conference on Propaganda Work."

Review Problems

1. Why do we say that the interpersonal relations in socialist production are ultimately class relations?
2. What is the significance of the interpersonal relations in production established according to socialist principles in consolidating, perfecting, and developing the socialist public ownership system and distributive relations and in promoting the development of the productive forces?
3. Where is the immensely active role of the superstructure in the consolidation, perfection, and continual development of the interpersonal relations in socialist production manifested?

15

DEVELOP SOCIALIST PRODUCTION WITH GREATER, FASTER, AND BETTER RESULTS AT LOWER COSTS

The Nature and Goal of Socialist Production and the Means of Achieving this Goal

The elimination of the private ownership system of the means of production and the establishment of the socialist public ownership system has led to a fundamental change in the social relations of people in the production, exchange, and distribution processes. First of all, the nature of social production has changed. The goal of social production and the means to attain the goal of production have also changed. Thus, the development of socialist production follows different laws from those of capitalist production. Only by correctly understanding and making use of these laws can socialist production be developed with greater, faster, and better results at lower costs.

Socialist Public Ownership Has Fundamentally Changed the Nature of Social Production

The Direct Social Product Under Socialism Possesses, in Varying Degrees, the Characteristics of the Commodity

Production of material wealth is a necessary condition for the survival and development of human society. Under different social and economic systems, however, social products possess different characteristics.

Under the private ownership system of the means of production, production is the individual's private affair. The product belongs to him. Therefore, production is always directly manifested as private production. The product is also directly manifested as a private product. When this product is not produced for the consumption of the producer, but is instead intended for exchange, then it becomes a commodity. This private product also possesses a social nature. But, this social nature is concealed by the private ownership system and cannot be directly manifested. Only through exchanges, when

the produced commodity has been proven to meet the needs of society, can the social nature of the product be affirmed. In capitalist society, all products are private products and also commodities. Capitalist production is the most developed form of private commodity production.

In socialist society, after the socialist transformation of the system of ownership of the means of production has been basically completed, with the exception of a small amount of family sidelines operated by members of the rural collective economy, the whole of social production has been established on the basis of a system of public ownership of the means of production. Seen as a whole, the production of the state economy and the collective economy based on the socialist public ownership system is organized according to plans throughout the whole country. It is conducted to directly meet the needs of society—namely, to directly meet the needs of the proletariat and the whole laboring people. This kind of production has lost the nature of private production. Looked at from its basic aspect, it has become direct social production. Labor products are also socially useful from the start, and therefore they are no longer private products but are direct social products. Needless to say, the labor that is engaged in direct social production to create direct social product is no longer private labor but is direct social labor. Engels once observed,

> From the moment 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, becomes social labor straight away and directly.[212]

In the historical development process of human society, direct social production once existed in the primitive commune. At that time, "the members of the community are directly associated for production."[213] They labored together and distributed products to the members according to custom and need. This was a kind of direct social production based on a system of public ownership by the clan commune. It appeared when the level of productive forces was low and social division of labor was underdeveloped. It was a primitive public ownership economy without commodity production and exchange.

[212] Engels, *Anti-Dühring*, 340–341.

[213] Engels,340–341.

Socialist direct social production is large-scale social production based on division of labor and cooperation among millions, tens of millions, hundreds of millions of people. In the fairly long historical period of socialist society, the socialist system of public ownership still consists of two forms. Socialist direct social production is conducted on the basis of these two forms of socialist public ownership. Products are owned respectively by the socialist state and various enterprises under the collective ownership system. This determines that direct social production under socialism cannot eliminate commodity production and exchange. To attain normal economic relations between these two types of socialist public ownership and between industry and agriculture and to facilitate the consolidation of the worker-peasant alliance, it is necessary to retain and suitably develop commodity production and exchange for a fairly long period of time. This cannot be changed at will. Lenin pointed out, "commodity exchange is a test of the relationship between industry and agriculture."[214]

Socialist commodities primarily reflect the relation between the economy under the state ownership system and the economy under the collective ownership system and the relations among different collective economies. In the state economy, products are transferred from one state enterprise to another state enterprise. For example, the rolled steel of a state iron and steel mill is transferred to a state plant that builds spinning and weaving machines. Or the weaving machine built by a state spinning and weaving machine plant is transferred to a state spinning and weaving mill. The product is still owned by the socialist state, and there has been no transfer of ownership rights. Furthermore, product transfers among state enterprises are usually allocated and delivered according to state plans rather than taking place through the market. Therefore, this type of product transfer is basically not commodity exchange. It already possesses many characteristics of the communist distribution of products.

But the socialist economy is an integrated whole; the commodity relations between the two forms of socialist public ownership system cannot but be reflected in the exchange relations within the state ownership system. Meanwhile, with the present level of productivity, material conditions demand that the state enterprises maintain their relative independence of

[214] V. I. Lenin, "Instructions of the Council of Labour and Defence to Local Soviet Bodies (Draft)," in *Collected Works*, vol. 32.

operation and management and that they trade with each other according to the principle of exchanges of equivalent value. Therefore, although the commodities exchanged among state enterprises are basically no longer commodities, they still possess certain commodity characteristics and must be expressed in terms of price and purchased with money. When distributed for the members' consumption, food grains produced by the rural collective economy must also be expressed in terms of price and money. This inevitably brands the product as a commodity. Therefore, socialist products are direct social products on the one hand, but they also possess commodity characteristics in varying degrees. Socialist commodities differ from other historical commodities. They possess three characteristics: (1) They are based on a public ownership system of the means of production and are primarily an expression of the exchange relations between the worker and the peasant. (2) In contrast to the unorganized and unplanned capitalist commodity production, a great majority of socialist commodities are produced in a planned manner under the guidance of state planning. (3) Compared with capitalist society, the scope of commodities is greatly reduced in socialist society. Labor power is no longer a commodity. Land, mineral resources, and other natural resources are no longer commodities either. The means of production circulating within the socialist state ownership system have also undergone significant changes and have lost certain properties of commodities.

Direct social products with varying degrees of commodity characteristics are an expression of the special duality of socialist products. They reflect the characteristics of socialist relations of production in the transition period from capitalism to socialism. Direct social products are the dominant aspect of this duality. This is the aspect common to socialist and communist products. Although socialist commodities are fundamentally different from all historical commodities based on a private ownership system, the commodity money relationship has, after all, been a tradition of the old economy for thousands of years. Socialist products with varying degrees of commodity characteristics show that compared with communist direct social products, socialist direct social products are still immature and carry with them traditions and influences of the old society. Communist direct social products will be completely free of these traditions and influences of the old society—namely, commodity characteristics. At that time, labor expended on

the production of products will no longer be expressed as the value of these products.

That socialist direct social products still possess varying degrees of commodity characteristics is determined by the level of productivity in the socialist period and by the two forms of socialist public ownership system and other material economic conditions. Since socialist products still possess varying degrees of commodity characteristics, categories related to commodities, such as use value and exchange value, concrete and abstract labor, money, price, and so forth, will certainly exist. To negate the commodity aspects of socialist direct social products and to attempt to abolish commodity production prematurely is obviously erroneous. Chen Boda, a renegade and Trotskyite, clamored for the abolition of commodity production and exchange during the period of the rapid development of China's rural people's commune movement in a vain attempt to lead revolution and construction astray. Chairman Mao saw through this conspiracy in time and engaged him in a resolute struggle. In the resolutions of the Sixth Plenum of the Eighth Central Committee of the Chinese Communist Party personally convened and chaired by Chairman Mao, this was pointed out:

> Some of our comrades are guilty of a misapprehension when, coming upon commodities and commodity production, they want to destroy bourgeois rule every single day, e.g. they say wages, grades, etc., are detrimental to the free supply system.[215]

Socialist commodity production must not only be retained, but must also be developed to consolidate the economic link between China's industry and agriculture and between urban and rural areas in order to promote the development of socialist construction.

On the other hand, however, we must also see that although socialist commodity production based on a public ownership system is fundamentally different from private commodity production, the fact that products are produced as commodities cannot but still be a reflection of the traditions and influences of the old society. Such categories as commodity, value, money, and price are things that can be used by the bourgeoisie and its agents in the Communist Party. The proletariat wants to use commodity

[215] Mao Zedong, "Concerning 'Economic Problems of Socialism in the USSR'," in *Selected Works of Mao Zedong*, vol. 8 (Paris: Foreign Languages Press, 2020), 145.

production to promote socialist construction, while the bourgeoisie wants to use commodity production to restore capitalism. In the three years of natural calamities from 1960 to 1962, the Liu Shaoqi clique unscrupulously advocated for an extension of the privately retained plot, an uncontrolled development of the free market, and a system of "internal responsibility for profit and loss" in the state economy. Their intention was to use the principle of capitalist commodity production to "transform" the socialist economy and restore the capitalist system in China. Chairman Mao was the first to discover this nefarious intention of the Liu Shaoqi clique. He led the whole Party to solemnly criticize and repudiate the revisionist line carried out by the Liu Shaoqi clique so that China's commodity production could develop progressively along the socialist path.

The Socialist Production Process Is a Unity of the Labor Process and the Value Creation Process

The duality of socialist products is reflected in the duality of the production process for socialist products. As production for direct social products, it is a labor process that creates in a planned manner various use values to satisfy the needs of the proletariat and the whole laboring people. As commodity production, the labor of the producer not only creates various concrete use values but also exchange values. The socialist production process is a unity of this labor process and the value creation process. The characteristics of socialist production can only be determined with reference to the characteristics of the socialist labor process and value creation process.

Abstracting from various specific social conditions and examining it from the viewpoint of the functions performed by the various primary factors of production, the labor process is merely a process through which the people who possess labor power embody it in materials, creating expected products—it is a purposeful activity for creating use value; it is a process of material transformation between man and nature. However, all production processes are carried on under certain social conditions. Therefore, labor processes reflect the relations not only between man and nature, but also among men. Looking at it from this viewpoint, there is a fundamental difference between the labor process under socialism and the labor process under capitalism.

The labor process under the capitalist system is a process in which the capitalist consumes labor power. Its characteristics are: The worker labors under the supervision of the capitalist, and labor products belong to the capitalist. That is, labor under the capitalist system is hired labor, slave labor, and hard labor performed by the exploited.

Under the socialist system, for the first time the laboring people become masters of the state and the enterprise. Consequently, there appear in the socialist labor process new characteristics without historical precedent. Lenin said:

> Every factory from which the capitalist has been ejected, or in which he has at least been curbed by genuine workers' control, every village from which the landowning exploiter has been smoked out and his land confiscated has only now become a field in which the working man can reveal his talents, unbend his back a little, rise to his full height, and feel that he is a human being. For the first time after centuries of working for others, of forced labor for the exploiter, it has become possible to *work for oneself* and moreover to employ all the achievements of modern technology and culture in one's work.[216]

The socialist labor process is a process in which the worker, the peasant, and other laborers create material wealth for the laboring class itself. Its characteristics are: The laboring people, as their own masters, are engaged in organized and planned labor in socialist production. The whole labor product is distributed by the laboring class itself. Therefore, socialist labor is planned labor not subject to exploitation and is voluntary labor of the laboring people for the creation of social wealth.

However, socialist society is a society with classes. In addition to the laboring class, there is the exploitative class. The former exploiters must also labor in socialist society in which consumption depends on labor. Supervised labor is imposed on the landlords, the rich peasants, and members of other antagonistic classes. The bourgeois elements are allowed to reform through labor in the enterprise. The treatment given to these two exploitative classes is different because the nature of their contradictions with the laboring people is different. But as exploiters, their labor necessarily carries

[216] Lenin, "How to Organise Competition?"

with it varying degrees of coercion. Naturally, this coercion imposed on the exploiter by the laborer is fundamentally different from the coercion imposed by the exploiter on the laborer. In the past, the exploiter coerced the laborer to labor in order to exploit the surplus value of the laborer. Now the laborer coerces the exploiter to labor in order to transform him into a new person. Therefore, the socialist labor process is also a process for reforming the exploiter. This is to say, the socialist labor process does not merely involve material conversion between man and nature but also contains social and class reform.

As far as the laboring people are concerned, the socialist labor process still carries with it traditions and influences of the old society. This is because the old social division of labor left behind by capitalist society can only gradually be eliminated in the whole historical stage of socialism. The position of the laboring people in socialist production cannot but be restricted and affected by the old social division of labor: some people are primarily engaged in mental labor, while some people are primarily engaged in physical labor; some people occupy a position of leadership and management in production, while others occupy the position of being direct producers. The opposition between mental and physical labor is one of the most important sources of inequality in capitalist society. Socialist society has overcome this opposition. But an essential difference still exists. This essential difference can also develop into opposition under certain conditions. The Soviet Union, under the rule of the Brezhnev renegade clique, is ruled precisely by the bureaucratic monopoly bourgeoisie—namely, a handful of "people using their brains" including Party bureaucrats, intellectual aristocrats, and technical bureaucrats. Therefore, the process by which the laboring people come to be the masters of society and enterprise in socialist society is a long process of struggle. It is not only a process of struggle with the bourgeoisie and its agents in the Party, but also a process in which favorable conditions are created gradually to eliminate the essential difference between mental and physical labor. In the socialist period, although all the laboring people are free from exploitation, labor has still not become the primary commitment in the lives of all the laborers. This remaining tradition and influence of the old society concerning the nature of labor can only finally be swept away in the highest stage of communism.

These characteristics of the socialist labor process are also reflected in the value creation process.

Every commodity embodies the duality of labor: Concrete labor creates use values, while abstract labor creates exchange values. Value reflects certain social relations. Under different social and economic conditions, the social relations reflected by value are different, and so is the formation of value.

Under the conditions of a simple commodity economy, the peasant or handicraftsman produces using his own means of production. Labor products and their values naturally belong to him. After the commodity is sold, he gets back the value of the means of production expended in the production process. But he also realizes the new value created by his own labor. This new value compensates for the value of the means of livelihood required for the reproduction of labor power. This way, the production process can continue on the scale of simple reproduction. Marx called the value formation process under simple commodity production the simple value formation process.

Under capitalism, the purpose of commodity production by the capitalist is to exploit the surplus value of the worker. Through the production and sale of commodities, the capitalist gets back the value of the means of production expended in the production process. At the same time, the new value created by the labor of the worker not only compensates for the variable capital used by the capitalist to purchase labor power, but also creates a surplus. This surplus is the surplus value extracted by the capitalist. Marx called this value formation process in capitalist production the value augmenting process. This category of the value augmenting process reflects the exploitative relations between capital and hired labor.

In the socialist production process, the labor of the laborer, as concrete labor, transfers and preserves the value of the means of production expended in the production process. As abstract labor, it creates new value. Should this new value created by the producer belong totally to the producer himself? No. To realize socialist expanded reproduction and to satisfy the various common needs of the laborers, society must control various social funds. These social funds can only come from the new value created by the producer. If the newly created value belongs entirely to the producer himself, then the socialist economy will not be able to carry on expanded reproduction. It can only maintain simple reproduction. The common needs of the labor-

ers cannot be satisfied either. Therefore, in socialist society, the new value created by the producer must be divided into two parts. One part is at the disposal of the producer himself. It constitutes the labor remuneration fund for the producer and is used to satisfy personal livelihood needs of the producer. Another part is at the disposal of society. It constitutes various social funds—namely, social net income, and is used to further develop socialist production and satisfy the various common needs of the whole laboring people. Consequently, as a producer, a part of the new value created by him has to be deducted for the disposal of society as social funds. As a member of the laboring people, he is fully entitled to enjoy, with the other laboring people, the welfare brought about by the social funds. Therefore, the distribution of the new value created by the producer into the labor remuneration fund and the social fund under the socialist system is fundamentally different from the distribution of the new value created by the worker into wages and surplus value under the capitalist system.

Under the capitalist system, labor power is a commodity and is subject to the law of value. Wage means the price of labor power. No matter how large the newly created value is, the part that belongs to the worker himself is only equal to the value of those means of livelihood necessary for the reproduction of labor power. The rest—namely, the surplus value, is not only possessed by the capitalist, but is used as a means to increase the exploitation of the worker. Under the socialist system, labor power is no longer a commodity. The laborer is no longer exploited. All of the value created by the producer is at the service of the laboring class. The distribution of the labor remuneration fund of the producer and the social fund is regulated by an overall consideration of common and individual interests and the long-term and short-term interests of the laboring people.

Consequently, the value formation process under the socialist system is different not only from the simple value formation process under simple commodity production but also from the value augmenting process in capitalist production. It is a special value creation process reflecting socialist relations of production. The socialist production process is a unity of this labor process and the value creation process.

The Basic Economic Law of Socialism Embodies the Most Essential Relations of Socialist Production

The Purpose of Socialist Production Is to Satisfy the Ever Increasing Needs of the State and the People

The socialist production process is a unity of the labor process and the value creation process. What then is the dominant aspect of the contradiction in this duality?

One dominant aspect of the contradiction in social production embodies the objective purpose of this social production and reflects the most essential relations of this social production. It is independent of the people's will; it is ultimately determined by the nature of the ownership of the means of production. Social production has to serve the interests of the class who owns the means of production.

Under the capitalist ownership system of the means of production, the labor process also provides use values. But this is not the purpose of capitalist production. The capitalist operates factories in order to exploit the worker and obtain profit through the value augmenting process. Value augmentation is the dominant aspect of capitalist production. It embodies the most essential relations in capitalist production. Marx pointed out, "a certain value is capital when it is invested with a view to producing profit,"[217] "capital and its self-expansion appear as the starting and the closing point, the motive and the purpose of production."[218]

The socialist public ownership system of the means of production makes the laboring people become the masters of production. Social production must serve the needs of the whole laboring people. Therefore, a labor process that creates use values in a planned manner to satisfy the needs of the laboring people is the dominant aspect of socialist production. It embodies the objective purpose of socialist production and the most essential relations of socialist production. The value creation process is subordinate to the socialist labor process that creates use values. In the socialist production process, it is entirely necessary to compute labor expenditure, profit, and loss. But, what and how much to produce cannot be affected by the size of

[217] Marx, "Capital," vol. 3, 41.

[218] Marx, 248–249.

the value of production and the size of profit. Instead, they should be based on the needs of the whole laboring people. Whatever is urgently needed by the laboring people should be produced in greater quantity with the greatest possible effort, even at the risk of temporary losses. On the other hand, anything that is not urgently required by the laboring people, even if its value of production and profits are high, cannot be indiscriminately produced in great quantity. The reason why it is necessary for the socialist enterprise to compute labor expenditure, profit, and loss is in order to reduce costs so that the enterprise can be compensated in value and can also provide an ever increasing social fund for developing production at a high speed and increasing the supply of social product. Ultimately, the subordination of the value creation process to the labor process is for the purpose of creating an ever increasing quantity of social wealth to satisfy the needs of the whole laboring people. Before the victory of the October Revolution, Lenin pointed out that in socialist society,

> All who work, who feed the rich and the nobility by their labor, who spend their lives in back breaking toil for scanty wages, who never enjoy the fruits of their own labor, who live like beasts of burden amidst the luxury and splendor of our civilization—all stretch out their hands to fight for the emancipation and happiness of the workers.[219]

The purpose of socialist production is to satisfy the needs of the whole laboring people. But the long-term interests of the laboring people and their interests as a whole have to be reflected and expressed through the state under proletarian dictatorship. Therefore, the purpose of socialist production can also be described as the satisfaction of the ever increasing needs of the socialist state and its people. These needs are multifaceted. To develop their morals, intelligence, and physique, there is a need for the proletariat and the laboring people to continually raise the level of their material and cultural life. Since classes, class contradictions, class struggle, the danger of capitalist restoration, and the threat of sabotage and aggression from imperialism and social imperialism still exist in socialist society, there is a need for the socialist country to consolidate proletarian dictatorship and strengthen

[219] V. I. Lenin, "The First of May," in *Collected Works*, vol. 8 (Moscow: Progress Publishers, 1977).

national defense. And since the proletariat can once and for all liberate itself only by liberating the whole human race, there is a need for the socialist country to discharge its obligation to internationalism and support the revolutionary struggles of the peoples of the world. Therefore, the purpose of socialist production is to raise the level of the material and cultural life of the proletariat and the laboring people, consolidate proletarian dictatorship, strengthen national defense, and support the revolutionary struggles of the peoples of the world. Ultimately, it must serve to eliminate classes and realize communism.

The great strategic policy formulated by Chairman Mao to "be prepared for war, be prepared for natural disasters, and do everything for the people" fully embodies the objective purpose of socialist production and points out a correct direction for the development of China's socialist production and the whole national economy. Under the guidance of Chairman Mao's proletarian revolutionary line and his general and specific policies, China's socialist production develops vigorously. The level of the people's material and cultural life is increasing all the time. Proletarian dictatorship is continually being strengthened and consolidated. Within our capacity, we have given aid to the world's revolutionary enterprises.

In the Soviet Union under the rule of the Brezhnev renegade clique, the law of surplus value governs social production. The purpose of production is to pursue profit and to guarantee that the largest possible amount of surplus value is extracted from the laboring people of the Soviet Union by the bureaucratic monopoly bourgeoisie. But in order to deceive the masses, the Soviet revisionist renegade clique morbidly clings to pseudo communism. They try hard to distort the purpose of socialist production and say something like: "The highest purpose is to raise people's welfare. . . . Everybody will have enough food, clothing, shoes, housing, and books. We call this communism." This renegade clique deceives the masses with the sweet talk of bourgeois welfare. The intent is to make them forget class struggle and revolution in order to facilitate this renegade clique's restoration of capitalism. In the Soviet Union, the only people who eat well, dress well, and are properly sheltered are the bureaucratic monopoly bourgeoisie and the revisionist intellectual aristocracy under their wing. The broad, laboring people have again fallen into an abyss of exploitation and suffering.

Grasp Revolution, Promote Production

The dominant aspect of the socialist production process—namely, the most essential thing that determines socialist production, is the satisfaction of the ever increasing needs of the state and the people. To realize this purpose, social production must be developed in order to increase total social output. Marx and Engels pointed out in the *Communist Manifesto* that after the proletariat has overthrown bourgeois rule, it will use its political rule to expropriate the capitalist.

> The proletariat will use its political supremacy to wrest, by degrees, all capital from the bourgeoisie, to centralise all instruments of production in the hands of the State, *i.e.*, of the proletariat organized as the ruling class; and to increase the total of productive forces as rapidly as possible.[220]

When China was faced with the transition from the new democratic revolution to the socialist revolution and the shift of emphasis of Party work from the rural areas to the urban areas, Chairman Mao also earnestly taught us to pay attention to the rehabilitation and development of production, saying, "Once a city comes under our administration, the problem of the livelihood of the city poor must be solved step-by-step and in a planned way."[221]

There are generally two ways of developing social production and increasing total social output. One is to increase the labor force in production as population increases. In general, this may increase the total social output, but it cannot increase per capita product. Another way is to increase labor productivity. This not only increases total social output, but also per capita product. From the long-range viewpoint, the major way to develop socialist production can only be by increasing labor productivity. When he discussed the significance of increasing labor productivity, Lenin said, "only by increasing production and raising labour productivity will Soviet Russia be

[220] Marx, Engels, *Manifesto of the Communist Party & Principles of Communism*, 55.

[221] Mao Zedong, "Telegram to the Headquarters of the Luoyang Front," in *Selected Works*, vol. 4, 246.

in a state to win."[222] He also said, "productivity of labor is the most important, the principal thing for the victory of the new social system."[223]

How then can labor productivity be increased to develop socialist production? Marxism holds that productive forces develop under the constraint and impetus of relations of production. In class society, production is always carried on under certain class relations. Even though changes and developments in social production always start from changes and advances in productive forces, big advances in productive forces always occur after big transformations in relations of production. In the beginning of capitalist development, it is always necessary to have a bourgeois revolution to make capitalist relations of production become the major economic basis of society before big advances in the productive forces occur. In socialist society, it is also only after the establishment of proletarian dictatorship, the penetrating developing of socialist revolution, socialist nationalization, and agricultural collectivization, and the establishment of socialist relations of production as the only economic basis of society that big advances in the productive forces can occur. When the socialist transformation of the ownership system of the means of production is basically completed, revolution is not yet finished. In relations of production, only by consolidating socialist relations of production corresponding to the development of productive forces and opportunely adjusting or transforming that part of relations of production that conflicts with the development of productive forces can socialist production be developed continuously and rapidly.

Advances in science and technology and innovations in production tools play a big role in developing production and raising labor productivity. But, "it is people, not things, that are decisive."[224] Science and technology are discovered by people, and production tools are created by people.

> Of all things in the world, people are the most precious. Under the leadership of the Communist Party, as long as there are people, every kind of miracle can be performed.[225]

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[222] V. I. Lenin, "Eighth All-Russia Congress of Soviets," in *Collected Works*, vol. 31 (Moscow: Progress Publishers, 1974).

[223] Lenin, "A Great Beginning."

[224] Mao, "On Protracted War,"130.

[225] Mao, "The Bankruptcy of the Idealist Conception of History," 458.

The broad masses of China put it well: "Fear not the lack of machines; fear only the lack of ambition. With one red heart and two hands, everything can be produced through self-reliance." The socialist activism of the broad masses must be mobilized by the political and ideological work of the Party. Only by lifting the key link of political and ideological work by widely and deeply mobilizing the masses to discuss major national issues, by criticizing and repudiating revisionism, the Confucian and Mencian mentalities and all world outlooks of the exploitative class, and by fundamentally raising the consciousness of the broad masses concerning class struggle and line struggle can socialist production be continuously and rapidly developed.

Therefore, in socialist society, the ultimate way to develop production and increase labor productivity is to insist on continuing revolution under proletarian dictatorship. After the proletariat seizes political power, only by exercising the influence of the socialist superstructure to unfold decisively socialist revolution on the political, economic, and ideological battlefronts under the guidance of the Party's correct line and with the aid of government power under proletarian dictatorship can the sabotage and obstruction of the bourgeoisie and capitalist influence be swept away and destroyed. Only then can socialist relations of production be consolidated and improved and can all constructive factors be mobilized to promote the development of socialist production at a high speed. The policy "grasp revolution and promote production" formulated by Chairman Mao correctly reflects the requirement of the objective law governing the motion of the basic contradiction of socialist society. This policy teaches us that only by commanding all economic work with proletarian politics and propelling production with revolution can China's socialist production be guaranteed to advance with big strides in the correct direction.

The revisionist clique of Brezhnev, Liu Shaoqi, and Lin Biao always uses the reactionary "productivity first theory" to oppose continuous revolution under proletarian dictatorship. This renegade clique always deals with production as production and opposes revolution under the pretext of developing production. It even attributes the development of production wholly to the development of science and technology and the improvement of production tools to a reliance on bourgeois experts. The revisionist line pushed by the clique of Liu Shaoqi and Lin Biao has been overthrown, but the

lingering poison of this "productivity first theory" has not been completely swept away and has to be criticized and repudiated repeatedly.

The Basic Economic Law of Socialism Determines All Major Aspects of Development of the Socialist Economy

The objective purpose of social production and the means to realize it express the basic direction of development of social production and embody the requirement of the basic economic law of society. Different social and economic systems have different purposes of production and different means to achieve it. Consequently, there are different basic economic laws. The purpose of socialist production is to satisfy the ever increasing needs of the state and the people. The means to attain this purpose is by propelling the development of technology and production through revolution. Therefore, to sum up briefly, the major characteristics and requirements of the basic economic law of socialism are: to continually increase the level of technology; develop socialist production with greater, faster, and better results at lower costs; satisfy the ever increasing needs of the state and the people, and create the material conditions for the ultimate elimination of classes and the realization of communism under the command of proletarian politics.

The basic economic law of socialism determines all major aspects of development of the socialist economy and the basic content of socialist production, exchange, distribution, and consumption.

As far as production is concerned, what and how much to produce and how production should be arranged in socialist society must follow what this law demands. In setting up plans, the socialist country specifies the variety, quantity, and arrangement of production according to the requirements of the basic economic law of socialism, in order to make the development of socialist production conducive to consolidating proletarian dictatorship, strengthening national defense, supporting the revolutionary struggles of the peoples of the world, and continually increasing the level of material and cultural life of the laboring people.

Socialist exchange must also obey the requirements of the basic economic law of socialism. In determining the proportion of export and import, the proportion of military and civilian use, the proportion of supply to the rural and the urban areas, and the prices of products, the first thing that the socialist country considers is not how much money can be

obtained or how much the profit is. The first thing it considers is whether the arrangement is favorable to increasing the level of material and cultural life of the laboring people, consolidating the worker-peasant alliance, strengthening national defense, and supporting the revolutionary struggles of the peoples of the world.

The basic economic law of socialism also determines socialist distribution and consumption. In the distribution of national income and personal consumption goods, the socialist state must obey the requirements of the basic economic law of socialism. For example, the determination of the proportion between accumulation and consumption and the level of wages must take into account both long-term and immediate interests and the collective and individual interests of the laboring people. Similarly, socialist consumption, whether it be group or individual consumption, must be favorable to continually improving the material and cultural life of the proletariat and the laboring people, revolutionizing people's thought, fostering new socialist customs, consolidating proletarian dictatorship, and accelerating socialist construction.

In summary, the basic economic law of socialism embodies the most essential links between socialist production, exchange, distribution, and consumption. It determines the ultimate direction of development of the socialist economy. The correct understanding and use of the basic economic law of socialism can strengthen our self-awareness, overcome blind impulses in our work, and help us to advance with big strides in the correct socialist direction.

The Rapid Development of Socialist Production Is a Unity of Objective Possibility and Subjective Initiative

The Socialist System Can Make Production Develop at Speeds that Would Be Impossible for the Old Society

The purpose of socialist production is to satisfy the ever increasing needs of the state and the people. The degree of satisfaction of these needs is closely related to the speed with which production develops. The consolidation of national defense in the socialist country, the development of cultural, educational, and health facilities in socialist society, the improvement of the material and cultural life of the people, and aid to the revolutionary enterprises

of the world's peoples all require rapid development of socialist production to create the material preconditions. Also, because imperialist rule is always overthrown at its weakest link, the first countries in which socialist revolution is successful are likely to have a relatively weak industrial basis. This all the more increases the objective necessity for rapidly developing socialist production.

Under the socialist system, it is not only necessary, but possible, to have rapid development of production. 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 unattainable in the old society, so that production can expand steadily and increasingly meet the constantly growing needs of the people.[226]

Therefore, a rapid development of socialist production is not a mere hope, but is based on an objective possibility of socialist relations of production. It is a manifestation of the superiority of the socialist system.

How can socialist relations of production propel production and the whole national economy to develop at high speed?

First of all, the socialist system provides wide-ranging possibilities for the exercise of the production activism and creativity of the laboring people. Under the socialist system, the proletariat and the laboring people are no longer sellers of labor power. They have freed themselves from enslavement and exploitation and have become masters of the new society. They no longer perform hard labor for any exploiter but instead work for the interests of their own class. Labor has become a glorious and great occupation. This change in the position of the laboring people in social production makes them begin to really concern themselves with production as masters and exercise their inexhaustible talents. People with the ability to labor are the most important factor in production. That socialist relations of production can propel production to develop at a high speed is primarily because the activism and creative talents of the laboring masses that have been suppressed under the capitalist system are now liberated.

[226] Mao, "On the Correct Handling of Contradictions Among the People," 377.

Second, the socialist system eliminates the immense waste of manpower, material resources, and finances that is inevitable under competition and the chaotic conditions of capitalism. The socialist country can fully and rationally utilize labor and material resources by using a unified plan to direct the development of the whole national economy, using facilities and natural resources in a planned and rational manner, and training and allocating labor power in a planned and rational manner.

Third, the socialist revolution has eliminated the system of man exploiting man and has made it possible to use that part of the wealth that was formerly used by a handful of exploitative classes on parasitic consumption to improve the livelihood of the laboring people and to develop socialist production.

Fourth, the socialist system has cleared a wide road for a rapid development of science and technology. Under the capitalist system, new technology is used only when it can bring more profit to the capitalist. New technology that has already been adopted is monopolized by the capitalist as "trade secrets." This inevitably restricts the development of new technology. Under the socialist system, the adoption of new technology is for the sake of saving labor expenditure in production. It is also for the sake of reducing the labor intensity of the laboring people and improving labor conditions. Therefore, the development of science and technology becomes a conscious demand of the laboring people. Furthermore, the advanced experience in technical innovations of any one socialist enterprise is the common property of the laboring people. It can be quickly adopted by other enterprises after summing up and extension.

Fifth, the socialist system has eliminated the contradictions between production increase and the relative decrease of mass purchasing power peculiar to capitalism. This is because with the development of socialist production, the consumption level of the proletariat and the laboring people steadily increases and the scale of national construction steadily expands. Economic crises due to overproduction never occur. This clears away artificial obstacles to the rapid development of production.

Although the objective possibility exists in the socialist system for a rapid development of production, there also exist some factors that undermine and inhibit the rapid development of production. Examples are the sabotage activities of the bourgeoisie and its agents, the obstruction from the

established influence of the petty bourgeoisie, the ravages brought about by natural calamities, and so forth. In addition to the objective existence of these social and natural factors, there are also subjective factors related to the proletariat itself. On their way to developing socialist revolution and socialist construction, the proletariat will certainly be faced with new situations and new problems. In order to understand the objective law of the new situation and to find correct methods to solve the new problem, a period of time is needed to accumulate experience. Socialist construction is not expected to proceed smoothly; it can only advance in a wavelike manner. To turn the objective possibility into a reality of rapid development, our subjective efforts are required. Here a Marxist line that correctly reflects the objective law plays a determining role. Once the line is correct, the political party of the proletariat, good at summing up rich practical experience, will be able to lead the whole laboring people to overcome the sabotage of the class enemy and the obstruction of natural calamities and realize rapid development of socialist production.

The General Line Is a Compass for Building Socialism with Greater, Faster, and Better Results at Lower Costs

After summing up the internal and external experience and lessons in socialist construction, in 1958 Chairman Mao formulated the General Line, "go all out, aim high, and build socialism with greater, faster, and better results at lower costs." It is a Marxist line that fully utilizes the superiority of the socialist system, fully exercises the subjective initiative of people, and seeks to build socialism with greater, faster, and better results at lower costs.

The General Line for socialist construction requires the unification of greater, faster, and better results at lower costs in socialist construction. "Greater" refers to the quantity of products, "faster" refers to time, "better" refers to quality, and "lower costs" refers to less labor expenditure. The requirements of greater, faster, and better results at lower costs are mutually reinforcing as well as interdependent. If we pay attention only to greater and faster results at the expense of better results and lower costs, the result will be poor quality and high costs. From the viewpoint of the long term and the whole situation, it does not really cause greater and faster results but rather

smaller and slower results. If we pay attention only to better results and lower costs at the expense of greater and faster results, although product quality may be high, there will not be enough produced. The speed of construction will be too slow to satisfy the needs of the state and the people. Only if we can build socialism with greater, faster, and better results at lower costs can there by a truly rapid development and can the ever increasing needs of the state and the people be satisfied to the greatest possible extent. The General Line for socialist construction and a whole series of "walking on two legs" policies formulated by Chairman Mao enable industry and agriculture, heavy and light industry, large-scale, medium, and small-scale industry, production by foreign and indigenous methods, and so forth to complement and promote each other, thus guaranteeing the balanced development of the various sectors of China's socialist national economies. This General Line correctly reflects the objective requirements of the basic economic laws of socialism, the law of rapid development in socialist production and the law of planned development of the national economy, and the revolutionary will of the people of the whole country to demand a rapid change in the backward appearance of the country.

How can greater, faster, and better results at lower costs be achieved and smaller, slower, and worse results at higher costs be avoided in socialist construction? The key lies in fully mobilizing mass activism in building socialism. Marxism has long held that "in historical actions it is. . . a matter of the acting masses."[227] Chairman Mao teaches, "The people, and the people alone, are the motive force of world history."[228] Chairman Mao pointed out more than once that the masses have to be relied upon to seize political power and build socialism. The Lin Biao clique, loyal disciples of Confucius, slandered the masses in every possible way. They boasted that their "brains are not those of the ordinary peasant, nor those of the ordinary worker." They tried hard to peddle a Confucian fallacy that "only the most intelligent and most stupid are not subject to change," fully exposing their position as die-hard enemies of the people. Numerous facts demonstrate that the most humble are the most intelligent and the most aristocratic are the most stupid. Only by fully trusting the masses, relying on the masses, respecting the

[227] Karl Marx, Frederick Engels, *The Holy Family* (Paris: Foreign Languages Press, 2022), 109.

[228] Mao, "On Coalition Government," 193.

innovative spirit of the masses, mobilizing all constructive factors, uniting all people that can be united, and as much as possible, converting destructive factors into constructive ones can socialist revolution be victoriously unfolded on the political, economic, ideological, and cultural battlefronts and can socialist production and scientific, cultural, and educational enterprises be developed with greater, faster, and better results at lower costs. The General Line for socialist construction emphasizes the combination of Party leadership and the broad people and is a new development of the Party's mass line on socialist construction.

"Going all out and aiming high" refers to the spiritual condition and subjective initiative of people. This shows that the General Line gives prominence to having proletarian politics in command and emphasizes the role of the revolutionary drive of the masses in socialist construction. The Party's task in socialist construction is to lift the key link of political ideological work, raise the socialist consciousness of the people with respect to socialism, help the masses master the Party's Marxist line and general and specific policies, and mobilize and organize the broad masses to struggle for the great enterprise of building socialism. Chairman Mao teaches us:

> Society's wealth is created by workers, peasants and working intellectuals. Provided they take their destiny into their own hands, provided they have a Marxist-Leninist line and energetically tackle problems instead of evading them, they can overcome any difficulty on earth.[229]

Once the broad revolutionary masses has mastered the Party's Marxist line, an immense revolutionary drive will be aroused and will become a substantial material force for creating marvels in the human world. The Great Leap Forward in China's national economy appeared because of this.

Realize a Great Leap Forward in the National Economy Through Independence and Self-reliance

Under the guidance of the General Line, "Go all out, aim high, and build socialism with greater, faster, and better results at lower costs," the

[229] Mao Zedong, "Notes from 'Socialist Upsurge in China's Countryside' (Note to 'The Party Secretary Pitches in and All Party Members Help Run the Co-ops')," in *Selected Works*, vol. 5, 226.

working class and the whole laboring people of China are high-spirited and combat ready. Their revolutionary spirit of daring to think, speak, and act is sky high. The upsurge in socialist competition to compare with, learn from, and catch up to the advanced and to help the backward is rising to an ever greater height. The correct leadership of the Party's Marxist line enables China's national economy to develop vigorously through independence and self-reliance. A great leap forward situation has emerged.

Under the oppression and enslavement of imperialism, feudalism, and bureaucratic capitalism, the broad laboring people of China were in the grips of tremendous hardship and suffering. The national economy was at a standstill. For a long time, many industrial products for daily use were imported from foreign countries. A box of now commonplace matches was called "foreign fire," machine-woven fabrics were called "foreign cloth," and nails were called "foreign nails." There were also "foreign umbrellas," "foreign oil," and so forth. Foreign goods flooded the domestic market, driving out China's domestic industries. This was what was left behind by old China.

Since liberation, under the astute leadership of the Chinese Communist Party, the heroic Chinese working class and laboring people have stood up and are determined to transform the backward old China and construct a prosperous and strong socialist new China. The basic completion of socialist revolution in the ownership system of the means of production and the announcement of the Party's General Line for socialist construction greatly propel the development of the socialist construction enterprise. Amid the abounding Great Leap Forward national upsurge, Chairman Mao pointed out:

> We cannot follow the old path of technological development in other countries and crawl slowly along in others' footsteps. We must break conventions and adopt as much as possible new technology and build China into a socialist and modern power within a short historical period. The Great Leap Forward we are talking about means exactly this.[230]

Under the guidance of the Marxist line formulated by Chairman Mao and the direction of the policy of national construction on the basis of independence and self-reliance, the people of the whole country have developed their own respective industrial sectors. Not only is the field of light industry

[230] *Hongqi* [*Red Flag*], 1965, No. 1.

complete, it also produces enough for both self-sufficiency and export. The old days when the streets were full of imported goods are completely over. China's own machine-building industry, metallurgical industry, chemical industry, scientific instruments and meters industry, and electronics industry have been rapidly established and developed. In the development process of socialist industry, the lopsided concentration of industry in the maritime provinces that existed in old China has been changed. New industrial bases in the interior have been built, thus gradually rationalizing the location of production capacities and meeting the needs of China's economic construction and national defense construction. In the practice of the Three Great Revolutionary Movements, new scientific and technical manpower has rapidly expanded, and the level of science and technology is rising continually. We can now manufacture and design many large pieces of precision equipment and major projects without outside help. On this basis, China has exploded atomic and hydrogen bombs and sent up manmade satellites. China was the first country in the world to successfully synthesize insulin, making an important contribution to the inquiry concerning the origin of life. China was the first country in the world to successfully manufacture a double internal water-cooling turbo-generator. Under the guidance of Mao Zedong Thought, the Chinese people have broken through one after another scientific and technological barriers and have set new records by leaps and bounds. With the soaring leap in the development of industry, science, and technology, China's agricultural mechanization is also rapidly pushing ahead. Significant achievements have been won in China's farmland water control construction, and the effective irrigation acreage has greatly expanded. The "eight character charter" of soil, fertilizer, water, seeds, close planting, plant protection, and field management for higher agricultural output has been widely practiced.

In the development process of China's socialist construction, because of the sabotage and interference of the revisionist line pushed by the Liu Shaoqi and Lin Biao clique, a certain "hesitation" once appeared for some time in some sectors. This was a manifestation of class struggle and the struggle between the two lines in the process of socialist construction. It is a struggle between progress and retrogression. Judging from the whole process and from the whole situation since the establishment of the Republic, China's national economy has been developing by leaps and bounds under

the guidance of the dominant Marxist line formulated by Chairman Mao. From 1949 to 1970, China's total value of agricultural production increased by 1.5 times. The total value of industrial production increased by more than 18 times. Along with the development of industrial and agricultural production, China's communications and transportation, commerce, money and finance, and cultural and educational enterprises have also rapidly advanced. The level of material and cultural life of the people has also been raised substantially. These indisputable facts cannot be denied by anyone. The Lin Biao clique vainly attempted to negate the brilliant achievements obtained by the Chinese people under the illumination of the General Line by slanderously saying that "the national economy is stagnant." This merely further exposed their position as agents of imperialism, revisionism, and reaction, their hatred for socialism, and their wolfish ambition to restore capitalism.

The brilliance of the Party's basic line for the whole historical stage of socialism and the General Line for socialist construction illuminates our big strides forward. Our great socialist motherland is prospering and progressing. When we look to the future, we feel confident and expansive. What the Western bourgeoisie failed to do, the Eastern proletariat must and can achieve!

Major Study References

- V. I. Lenin, "The Trade Unions, the Present Situation and Trotsky's Mistakes."[231]
- J. V. Stalin, *Economic Problems of Socialism in the USSR*.[232]
- Mao Zedong, "Pay Attention to Economic Work."[233]

Review Problems

1. Why do we say that there is still a duality in socialist products and the socialist production process?

[231] Lenin, *Collected Works*, vol. 32.

[232] J. V. Stalin, *Economic Problems of Socialism in the USSR with Mao Zedong's Commentaries* (Paris: Foreign Languages Press, 2022).

[233] Mao, *Selected Works*, vol. 1.

2. What are the major characteristics and requirements of the basic economic law of socialism? Why do we say that in order to realize the purpose of socialist production, it is necessary to correctly handle the relations between politics and production and between politics and economics?
3. How do we carry through the Party's General Line for socialist construction in our practice?

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THE SOCIALIST ECONOMY IS A PLANNED ECONOMY

Planned and Proportional Development of the National Economy

Any social production involves a problem of regulating social labor, that is, the allocation of manpower (live labor) and material resources (embodied labor) among various production sectors. The regulation of social labor and production follows certain laws. To correctly identify and make use of the economic law regulating socialist production and to differentiate it from the economic law regulating capitalist production is very important for the development of socialist production with greater, faster, and better results at lower costs.

The Law of Planned Development Regulates Socialist Production

The Law of Planned Development Is the Opposite of the Law of Competition and Chaotic Production

In any large-scale social production, there exist close relations of mutual dependence among various production departments. For example, the textile industry needs agriculture to supply cotton and the machine-building industry to supply spinning and weaving machines; the machine-building industry needs the iron and steel industry to supply a variety of rolled steel; and the iron and steel industry needs the coal industry to supply raw coal and the machine-building industry to supply extracting and digging machines, refining equipment, rolling equipment, and so forth. All these industrial and mining enterprises need agriculture to supply the means of living, the power industry to supply electricity, and the communications and transportation departments to transport raw materials and finished goods for them. These relations of mutual dependence among various departments and enterprises demand that they maintain proper proportions among themselves and supply what they produce to others to satisfy each other's needs. Otherwise, social production will be obstructed or even disrupted.

Capitalist society is a society with a high degree of social production. What regulates the allocation of social labor among various production departments in this society? It is regulated by the law of competition and chaotic production and the law of value. The purpose of capitalist production is not to satisfy social needs but to realize value augmentation to obtain profit. To go after bigger profits, the capitalists are engaged in a life and death struggle among themselves. Like flies going after filth, the capitalist shifts his capital around in response to the spontaneous movements of market prices to expand commodity production first in this and then in that department. Under these conditions, the required proportional relations among production departments are often violated. Only after spontaneous adjustments through the destruction of production capacities can the violated proportional relations be temporarily restored. Lenin's statement that "for capitalism *there must be a crisis* so as to create a *constantly disturbed* [stability]"[234] describes this situation exactly.

After the socialist system replaces the capitalist system, economic conditions are fundamentally changed. Socialist production is based on a public ownership system of the means of production, and its purpose is to satisfy the needs of the socialist state and the whole laboring people. Under the socialist system, on the one hand, social production is further developed. It is all the more necessary to allocate social labor according to certain proportions and to maintain a proper balance among various production departments. On the other hand, the socialist public ownership system of the means of production turns the laboring people into the masters of production. Their basic interests are identical. This eliminates the conflicts of interest among various departments and enterprises which are inherent in capitalism. Thus, the socialist state, which represents the interests of the proletariat and the whole laboring people, can allocate labor power and the means of production among various departments of the national economy under a unified plan in accordance with the needs of the state and the people to enable the various departments of the national economy to develop in a proportional and balanced manner. It is exactly these economic conditions relied on by socialist production that eliminate the law of competition and chaotic production from the historical stage and render the law of value useless in regulating social production. They also give rise to a new economic

[234] V. I. Lenin, "Uncritical Criticism," in *Collected Works*, vol. 3.

law—namely, the law of planned development of the national economy, to regulate social production and the development of the whole national economy. Engels scientifically foresaw these inevitable changes after the replacement of capitalism by socialism. He once pointed out,

> The seizure of the means of production by society eliminates commodity production. . . . The anarchy within social production is replaced by consciously planned organization.[235]

The Planned Economy Demonstrates the Superiority of the Socialist System

The replacement of competition and chaotic production by a planned development of the national economy is an important aspect of the superiority of socialism over capitalism.

The socialist planned economy indicates the beginning of man consciously creating his own history. In capitalist society, characterized by competition and chaotic production, things rule man, rather than man ruling things. The laborer cannot control his own fate, nor can the capitalist free himself from the blind manipulation of those objective economic laws that operate behind people's backs. In socialist society, the system of public ownership of the means of production has been realized, and the laboring people have become masters of society. They control their own fate and consciously begin to make use of the objective law to create their own history. These conscious activities to create history are manifested in the process of practice as gradually identifying the objective law, formulating plans based on the objective law to transform nature and society, and realizing anticipated results through organized activities. Chairman Mao hailed the conscious activities of China's laboring people to transform the world under the leadership of the Party and pointed out:

> The development of mankind goes back hundreds of thousands of years, but here in China it is only today that conditions have been secured for the planned development of our economy and culture. Given these conditions, the face of our country will change from year to year. The change in each five

[235] Engels, *Anti-Dühring*, 311.

> years will be considerable and after several five-year periods very much bigger.[236]

The superiority of the socialist planned economy over capitalist competition and chaotic production does not lie in its guarantee that the proportional relations among various production sectors can be absolutely balanced all the time. There is nothing in the world that can develop in an absolutely balanced manner. In the development process of the socialist economy, balance is only temporary and relative. Imbalance is permanent and absolute. Because of the ever changing conditions between the advanced and the backward among various enterprises, various sectors, and various regions, the obstruction and disruption of bourgeois influence, the change in natural conditions, the limitation of people's understanding of objective things, and so forth, conditions in which balance and the proportional relations are upset will still arise regularly. But, in socialist society, this kind of imbalance among various production sectors can be overcome continually through people's conscious activities and regulation by the socialist state plan. Compared with the blind groping associated with competition and chaotic production, the continual overcoming of imbalance and the establishment of relative balance through regulation by plans permits the prevention of much wasted manpower, material resources, and funds to achieve a more rational and full utilization of social labor and to guarantee a rapid development of socialist production.

Chairman Mao pointed out:

> [A] constant process of readjustment through state planning is needed to deal with the contradiction between production and the needs of society, which will long remain an objective reality. Every year our country draws up an economic plan in order to establish a proper ratio between accumulation and consumption and achieve an equilibrium between production and needs. 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, uni-

[236] Mao, "Notes from 'Socialist Upsurge in China's Countryside'," 247.

> ty becomes disunity, and once again it is necessary to work out an equilibrium and unity for the next year.[237]

Those viewpoints which regard the planned development of the socialist economy as being free from contradictions and as balanced development are metaphysical. The correct attitude should be to conduct scientific analysis of imbalances in the national economy to find out their different conditions and to prescribe treatment accordingly. After the appearance of imbalance, we must treat it with a constructive attitude. We cannot rigidly pull down the high to suit the low. Instead, we must in good time pull up the backward sectors to establish a new balance according to the needs and possibilities. Thus, the change from balance to imbalance and from imbalance to balance in the development process of the socialist economy implies the breaking down of the old proportional relations and the establishment of new proportional relations at a higher level of development. This is precisely the concrete manifestation of the superiority of the socialist economy.

The Proportional Relations in the National Economy Must Be Handled Correctly

The socialist economy requires people to regulate the various mutually dependent sectors in the national economy with plans in order to make them develop proportionally. What then are the objective proportional relations among the various sectors of the national economy?

Proportional relations in the national economy are numerous and complex. The main proportional relations are as follows:

First, the proportions between agriculture and industry. Agriculture and industry are the two basic, mutually dependent production sectors. The staff and workers of the industrial sector require agriculture to supply them with food grains and various non-staple foods. Light industry requires agriculture to supply it with raw materials. Both light and heavy industry need the agricultural sector as an important market for their products. On the other hand, the rural population needs industry to supply industrial products for daily use. Agricultural production needs industry to supply it with chemical fertilizers, insecticide, agricultural machinery, electricity, and other means of production. That part of the agricultural products not retained by the agricultural sector also needs industry and the urban population as a mar-

[237] Mao, "On the Correct Handling of Contradictions Among the People," 379.

ket. Because of the existence of these mutually dependent relations between agriculture and industry and because the relations between industry and agriculture are, in fact, relations between the worker and the peasant and between the state ownership system and the collective ownership system, it is a key issue in a planned development of the national economy to maintain a proper proportion between industry and agriculture in order to make them promote one another in the development process of the socialist economy. This issue will be discussed in greater detail in the next chapter.

Second, the proportions within agriculture. This includes the proportions among agriculture (crop-growing), forestry, animal husbandry, sideline production, and fishery, as well as the proportions among food grain, cotton, vegetable oil, bast fibers, silk, tea, sugar, vegetables, fruit, herbal medicines, and miscellaneous foodstuffs within crop-growing itself. In the whole of agricultural production, the production of food grains occupies the most important position. Therefore, food grains must be insisted on as the key link when the proportional relations within agriculture are handled. The development of cash crops, forestry, animal husbandry, sideline production, and fishery cannot be divorced from the key link of food grains. However, this does not imply that the development of other items of agricultural production can be neglected. Take forestry as an example: it not only directly supplies products to society, but also serves an important function in conserving water and soil. "Without trees on the mountain, water and soil cannot be retained; having a lot of trees on the mountain is as good as building dams." The importance of forestry to agricultural development can thus be seen. The development of animal husbandry, sideline production, fishery, and cash crops cannot be neglected either. The development of forestry, animal husbandry, sideline production, and fishery is vital to national construction and the people's living. It can also promote the further development of food grain production by accumulating capital funds and increasing fertilizers. The policy "take food grains as the key link and ensure an all-around development" formulated by Chairman Mao pointed out a direction for the correct handling of the proportional relations within agriculture. This policy requires, under the precondition of taking food grains as the key link, a consideration of the characteristics of different regions and an overall arrangement for agriculture, forestry, animal husbandry, sideline production, and fishery as well as food grain, cotton, oil, bast fibers, silk,

tea, and so forth in order to make them promote one another and develop as a whole.

Third, the proportions within industry. These include the proportions between light and heavy industry, the raw materials industry and the processing industry, national defense industry and foundation industry as well as the proportions between major machines and minor machines and between whole machines and spare parts within various industries. The proportional relations within industry are even more complex than the proportional relations within agriculture. But in the complex relations, there is still a key link. This key link is steel. With steel, we can make machines, and with machines, we can develop various industries. This key role of steel in industry reflects a major aspect of the proportional relations within industry and illustrates that the development of the various sectors of industry must be based on the development of the iron and steel industry. In addition, other proportional relations must also be correctly handled. In the relationship between heavy and light industry, we must not neglect light industry when we give priority to the development of heavy industry. In the relationship between the raw materials industry and the processing industry, the leading aspect of the contradiction is the raw materials industry. To develop the raw materials industry, especially the mining industry, which is of decisive significance in the raw materials industry, it is important to unfold socialist construction through independence and self-reliance and to maintain a balance between the raw materials industry and the processing industry. In the relationship between national defense industry and foundation industry, priority must be given to the development of foundation industries. Without the development of such foundation industries such as the metallurgical industry, chemical industry, machine-building industry, electronic instruments and meters industry, and so forth, national defense industry cannot go very far. Only by closely linking the development of national defense industry with the development of foundation industry and by maintaining a relative balance between national defense industry and foundation industry can national defense industry and industry as a whole be developed faster. In the relationships between major and minor machines and between whole machines and spare parts within industry, it must be noted that without the complement of minor machines, major machines simply cannot operate. With whole machines but without spare parts, whole machines have to stop

operation once some parts are worn out. Therefore, we must overcome the tendency of emphasizing major machines at the expense of minor machines and whole machines at the expense of spare parts in order to maintain a proper proportion.

The proportional relations within industry, within agriculture, and between agriculture and industry are three very important proportional relations in the whole national economy. This is because among the economic links of production, exchange, distribution, and consumption, production is the determining link. And agriculture and industry are also basic production sectors.

Agriculture and light industry basically produce means of livelihood. And heavy industry basically produces means of production. Once these three proportional relations are properly handled, the proportional relation between the two categories of social production (means of production and means of consumption) is basically arranged.

Fourth, the proportions between industrial and agricultural production and the communications and transportation industry. Marx classified the transportation industry as the fourth material production sector, coming after the extractive industry, the processing industry, and agriculture. Large-scale social production requires that the various sectors and enterprises receive their supply of raw materials, processed materials, and fuel in good time and that they ship their products to points of consumption in good time. Without a corresponding development in the communications and transportation, industry, industrial and agricultural production will be greatly hindered.

Fifth, the proportion between cultural and educational construction and economic construction. Cultural and educational construction serve economic construction. Economic construction also promotes and restricts the development of cultural and educational enterprises. To construct a socialist country with modern agriculture, industry, and national defense, the development of modern science and culture is indispensable. The development of economic construction requires a corresponding development of cultural and educational construction in order to facilitate the continual supply of educated laborers who have a socialist consciousness.

Sixth, the proportions between increases in production and the development of cultural and educational enterprises and increases in population.

A planned development of goods production and cultural and educational enterprises objectively requires a planned increase in population—namely, family planning. Family planning is not only a basic precondition for the reproduction of labor power, but also a necessary condition for a planned arrangement of people's livelihood, the protection of the health of the mother and the baby, and a planned development of socialist construction. Blind population increase will certainly interfere with a planned and proportional development of the national economy. In capitalist society, population propagation is as chaotic as the production of things. Family planning applied over the whole society is inconceivable. Only under the condition in which the proletariat and the laboring people are the masters can it be possible to have a planned regulation of population increase simultaneously with a planned regulation of goods production. Family planning is a result of having the proletariat control its own destiny and is a manifestation of the superiority of the socialist system.

Seventh, the proportional relations between accumulation and consumption. Because socialist products possess varying degrees of commodity characteristics, in addition to the abovementioned primarily material proportional relations, there exists a proportional relationship based on value between accumulation and consumption. If this proportional relationship is not handled properly, the development of the whole national economy will be hindered. This problem will be discussed in greater detail in Chapter 20.

Finally, the proportional relations among various regions—namely, the rational distribution of production capacities. Socialist society develops from capitalist society. Distribution of production capacities in capitalist society is formed under competition and chaotic production and embodies many irrational factors. Take the example of the early period after liberation in China in which the total value of industrial production in the seven provinces and two municipalities along the coast accounted for 73 percent of the total value of national industrial production. In the iron and steel industry, 80 percent of its production capacity was distributed along the coast. There was almost no iron and steel industry in Inner Mongolia, the northwest, or the southwest where material reserves were abundant. In the textile industry, more than 80 percent of the spindles and more than 90 percent of the weaving machines were distributed along the coast. There were very few

textile factories in the cotton producing area and the interior. Therefore, after the proletariat seized political power, it faced the task of reallocating production capacities geographically. A rational geographic distribution of production capacities must be such that it is conducive to consolidating and strengthening national defense against possible aggression and threats from imperialism. It must be favorable to strengthening the unity among the laboring people of various nationalities, to utilizing various resources in the most rational manner, and to building socialism with greater, faster, and better results at lower costs. The key issue in a rational distribution of production capacities is to is to allow the latter "to mesh harmoniously on the basis of one single vast plan can allow industry to be dispersed over the whole country."[238] In the more than twenty years after the establishment of the Republic and under the guidance of Chairman Mao's theory on the correct handling of the relations between maritime industry and interior industry, China's interior industry has developed rapidly. The newly established industrial bases are beginning to take shape. Former industrial bases in the provinces and municipalities along the coast have also been fully utilized and rationally developed.

The Law of Value Still Affects Socialist Production

Planning Is Primary, and Pricing Secondary

Socialist production is direct social production, and yet, to a certain extent, it is also commodity production. As commodity production, it has its own laws of operation. "Wherever commodities and commodity production exist, there the law of value must also exist."[239] Thus, both the law of planned development of the national economy and the law of value govern socialist production.

The substance of the law of value is: (1) the value of commodities is determined by the socially necessary labor time expended on their production; (2) commodity exchange must be based on equivalent values. These objective requirements of the law of value will assume different forms and produce different effects on production under different social systems.

[238] Engels, *Anti-Dühring*, 327.

[239] Stalin, *Economic Problems of Socialism in the USSR*, 27.

Under the capitalist system, social production is carried on under competition and chaotic production conditions. The price of commodities fluctuates with the change in the supply-demand relationship. Sometimes it is higher than the production price and sometimes, lower. When the price is higher than the production price, profit is higher than the average profit. When the capitalist sees this opportunity for higher profit, he is happy to invest his capital in these sectors. In the opposite situation, capital will be withdrawn. It is under these blind conditions that social production develops. These conditions demonstrate that the law of value is manifested as an alien force working behind people's backs under the capitalist system and is the total regulator of social production.

Under the socialist system, social production is carried on in a planned manner. Prices are based on values and are determined by the state in a unified manner. Prices no longer fluctuate with the change in the supply demand relationship. The law of value is no longer an alien force governing people. Basically speaking, it is consciously used by people to serve socialist construction. Furthermore, the effects of the law of value on social production have been greatly restricted. Their concrete manifestations are as follows:

First, production in the socialist state enterprise is not subject to fluctuations according to the level of prices and the size of profit. It is not regulated by the law of value, but rather by the national economic plan formulated according to the requirements of the basic economic law of socialism and the law of planned development of the national economy. Based on the needs of the state and the people, the state plan decides what and how much to produce, and the state enterprise must thoroughly carry this out. The enterprise must produce according to the plan regardless of profit. The loss is then made up by planned subsidies. If the leadership of an enterprise disobeys the stipulations of the plan and expands production of highly profitable products of its own accord, it will violate the requirements of the basic economic law of socialism and the law of planned development of the national economy and go astray on the capitalist road.

Second, production in socialist rural collective enterprises is also carried out under the guidance of the state plan. Unlike the state enterprise, the collective enterprise is an economic unit responsible for its own profit and loss. The level of product prices and the size of income directly affect the

accumulation of the collective and the income of its members. Other conditions being equal, the collective enterprise generally tends to be willing to produce more of those products that have low costs and command high economic income. In this respect, the law of value affects the production of the collective enterprise more than that of the state enterprise. However, the area sown for food grains, cotton, vegetable oil, and other major crops is decided by the state plan. The collective economy cannot arbitrarily expand the sown area of those crops commanding a higher income. It can only increase the per unit area yield of these crops within the sown area specified by the state through more intensive farming, more fertilizers, and better management. Therefore, as for the production of major products in the rural collective economy, the regulating role of decisive importance is still the law of planned development of the national economy. The law of value merely plays a secondary role. Only for products that are not important to the state and the people, not included in the state plan, nor procured through contracts are the level of prices and the size of income of greater importance. Products that command a higher revenue develop easily, while products which command a lower revenue develop only with great difficulty. The law of value performs a certain regulating role only with regard to these products.

As far as the whole of socialist production is concerned, the plan is primary, and the price is secondary. This is to say, in the allocation of social labor among various production sectors, what and how much to produce are regulated by the state plan, which reflects the requirements of the basic law of socialism and the law of planned development of the national economy. The state plan plays a primary and decisive role. The law of value is still useful, but it plays only a secondary and supportive role.

The Law of Value Is a Great School

In socialist production, not only are the form and degree of effect of the law of value different from those applicable to capitalist production, but the social consequences are also different.

Under the capitalist system, blind regulation of production by the law of value, on the one hand, promotes advances of production technology. On the other hand, it inevitably leads to an immense waste of social wealth and

mass bankruptcy among the medium and small enterprises, and intensifies class contradictions in capitalist society.

Under the socialist system, the proletarian party and the socialist state are capable of identifying the objective role of the law of value and can make use of its constructive effects on socialist production and restrict or eliminate its negative effects.

In the development process of socialist production, the direction of the effects exerted by the law of value and the law of planned development of the national economy is sometimes identical. For example, the law of planned development of the national economy requires the acceleration of production of certain cash crops to meet the demand for raw materials due to a rapid development of some light industries. The prices of these cash crops can also guarantee a reasonable income to the agricultural collective economy. Under these conditions, the state plan's requirements for increased production are identical to the requirements of the agricultural collective economy for increased production and increased income. The plan for increased production can generally be fulfilled or overfulfilled. However, the direction of the effects exerted by these two effects can be different. With regard to the comparative price relations between food grain crops and cash crops and among various cash crops within agricultural production, the prices of some cash crops can bring a relatively higher income to the collective economy than the prices of other cash crops. If the law of value is permitted to influence production, it will be detrimental to the requirement of the national economic plan that there be an overall increase in production of all crops but in varying degrees for different crops. Thus we can see that when the effects of the two laws are identical, the law of value plays a constructive role in fulfilling the state plan. But when the effects of the two laws are not identical, the law of value disrupts the fulfillment of the state plan and plays a negative role. The so-called conscious use of the law of value means that the role of the law of value must be comprehensively understood and that through political and ideological work, arrangement of the state plan, and price policy, the positive role of the law of value will be played and its negative role will be curtailed, so that its effects on socialist production will be conducive to fulfilling the state plan. Our Party and government have consistently emphasized socialist education of the peasant and planned leadership of agricultural production. At the same time, they have

also paid attention to the rational arrangement of the purchasing prices of agricultural and sideline products and to the comparative price relationships among various agricultural and sideline products and have struggled hard to be able to both satisfy the state's need for agricultural and sideline products and to promote the development of commune and brigade production and the elevation of the commune members' income, thus correctly handling the interests of the state, the collective, and the individual.

The conscious exercise of the law of value by the socialist country to promote socialist production is also manifested in its use in the system of economic accounting to carry through the policy of running an enterprise with industry and frugality. Based on the requirement of the law of value, the socialist country charges the same price for identical products according to the average social expenditure in producing the product. But because of different conditions in production technology and different levels of management and operation, the individual labor expended on the same product in different enterprises may differ. The individual expenditure in enterprises that are experienced in mobilizing the masses, continually updating production technology, and lowering costs by careful and detailed calculation may be lower than the average social expenditure. They can thus fulfill and overfulfill the plan targets assigned by the state and occupy an advanced position. Conversely, enterprises that are careless, wasteful, conservative, and inefficient in mobilizing the masses to transform their backward technological conditions may have individual labor expenditures that are higher than the average social expenditure. They cannot fulfill the plan targets assigned to them by the state and occupy a backward position. Therefore, the unified prices set by the socialist state, making use of the law of value, are conducive to exposing the contradictions of various enterprises in operation and management and discovering the disparities between the advanced and the backward in order to press various enterprises continually to improve their operation and management, lower their production costs, and carry through the policy of running an enterprise with industry and frugality.

The correct application of the law of value can teach us to follow the requirements of the law of value to set prices rationally, to organize production rationally using the influence of the law of value, to calculate precisely the volume of production and tap production potentials based on actual conditions, and to improve production methods, lower production

costs, and implement economic accounting continually. These positive roles demonstrate that the law of value is a great school. Stalin observed: "It is a good practical school which accelerates the development of our executive personnel and their growth into genuine leaders of socialist production at the present stage of development."[240]

In socialist society, the proletariat wants to make use of the law of value to promote the development of socialist construction, while the bourgeoisie tries hard to use the law of value to set up free markets and disrupt socialist construction. The Liu Shaoqi and Lin Biao clique tried hard to exaggerate the role of the law of value. They emphasized the "almighty nature" of the law of value and advocated the law of value as a regulator of social production. In their capitalist restoration, the Soviet revisionist renegade clique has flagrantly used the law of value as "an objective regulator of socialist social production." It has also launched a "new economic system" centering on putting profit in command and having material incentives in accordance with this revisionist theory. Even though the measures taken by the internal and external revisionists are sometimes different, their purpose is the same—namely, to disrupt socialist construction and restore capitalism. The experience reflected in the struggles between the two lines with respect to the question of the law of value tells us that it is necessary to draw a demarcation line between Marxism and revisionism and firmly adhere to the socialist road if the law of value is to correctly serve socialist production. We should never be careless—otherwise we will lose our way.

The National Economic Plan Must Correctly Reflect Objective Laws

Work on the National Economic Plan Must Reflect the Requirements of Objective Laws

The law of planned development of the national economy and the law of value are both economic laws that objectively exist in socialist society. The roles of these laws are realized basically through their conscious application. The national economic plan of the socialist state is a form of conscious application of these laws. Work on the national economic plan includes research,

[240] Stalin, *Economic Problems of Socialism in the USSR*, 28.

formulation, implementation, inspection, adjustment, and summation. Without the work on the national economic plan, it is impossible to realize a proportional development of the socialist national economy. Of course, even if people do not consciously apply them, the law of planned development of the national economy and the law of value will eventually prevail. For example, if the economic leadership organs did not seriously investigate and study, did not respect the objective requirements of the law of planned development—or formulated the proportions carelessly, or if they formulated the pricing plan without considering the requirements of the law of value and set prices arbitrarily, such that the socially necessary expenditure of some production departments was not compensated and production could not be continued—then various dislocations would appear in mutually dependent departments. These phenomena would teach people by negative example to respect these laws and to reflect the requirements of these laws by strengthening and improving the work on the national economic plan.

An important link in the work on the national economic plan is the formulation of plans. Plans are formulated by people and are products of ideology. Ideology is a reflection of reality and also interacts with reality. A correct plan promotes a rapid development of the socialist economy. An incorrect plan hinders the development of the socialist economy.

If the national economic plan is to be correct, it is necessary first of all for the people to reflect the objective requirements of the law of planned development in all its aspects in the formulation process of the plan. This is, by no means, easy. In socialist society, the bourgeoisie and all exploitative classes always try hard to disrupt and interfere with the planned development of the national economy by various means and make it difficult for the proletariat to understand this law. The whole national economy appears to be a complex entity full of contradictions. Imbalances continually pop up and are resolved and then pop up again. Objective conditions are highly changeable. It is not easy for the subjective to correctly reflect the objective. But this is not to say that the proportional relations in the national economy cannot be identified. Provided that we continually sum up experience, penetratingly investigate and study, seriously analyze, rely on the masses, and do meticulous work, it is entirely possible to gradually identify the law and make the national economic plan more accurately reflect the requirements of planned development.

The law of planned development of the national economy merely requires that harmonious proportional relations be maintained among interdependent sectors in the development process. It does not point out for us the direction and duties of socialist economic development. It is the basic economic law of socialism that points out the basic direction and the duties for socialist economic development. Therefore, an accurate national economic plan must correctly reflect not only the requirements of the law of development, but also the requirements of the basic economic law of socialism in its various aspects. The national economic plan, which reflects the requirements of these objective laws, embodies the interests of the proletariat and the whole laboring people. It is the Party program for economic construction and must be seriously treated and resolutely implemented.

Overall Balance Is the Basic Method in Planning Work

In the work on the national economic plan, it is important to master overall balance. Overall balance is not balance within individual sectors. It is balance in agriculture, balance in industry, and balance between industry and agriculture. Overall balance is the basic method in a planned economy.

The task of overall balance lies mainly in the arrangement of proportional relations in the national economy. In accordance with the major tasks of the state in the planning period, it properly allocates manpower, material resources, and finance to various sectors of the national economy and establishes a balance between social production and social needs, so that the growth of production of the means of production corresponds to the needs of the ever developing socialist production, and so that the growth of production in the means of consumption conforms to the needs arising from the gradual improvement of the people's livelihood.

The process of overall balance is a process of exposing, analyzing, and resolving contradictions. To do a good job in overall balance, we must handle contradictions with a positive attitude, energetically promote production of short-range products[241] and accelerate the development of key sectors in the national economy that are temporarily backward so that a new

[241] Short-range products refer to the means of production that are in temporary short supply. The so-called "short-range balance" refers to a negative balance that accommodates these short-range products.—Ed.

balance can be established on a new and higher level. Only in this way can national defense construction, capital construction, and the needs of the people's livelihood be better safeguarded. To oppose Chairman Mao's proletarian revolutionary line, the Liu Shaoqi clique sometimes suggested so-called "short-run balance" and practiced negative balance in a big way to pull down the high to suit the low. Sometimes they set targets so high that they were not feasible. When these targets could not be reached, they resorted to "total retreats." They pushed a Right opportunist line in planning work that was "Left" in form but Right in substance.

Overall balance is the establishment of a balance in the whole national economy. But it is not an even application of force without differentiating what is more and less important. If two hands had to catch ten fish at one time, the result would be that no fish could be caught. In the complex proportional relations of the whole national economy, there are the more and the less important, the dominant and the subordinate. To achieve overall balance, we must differentiate the more and less important and guarantee to take care of the key points. We must first guarantee the satisfaction of the needs of the leading links and the key sectors in the development of the national economy. In formulating a plan for capital construction, the principle of concentrating forces to fight a battle of annihilation must be implemented. If we start from departmentalism, pay no attention to what is more important and what is less important, concentrate on too many items and spread the limited manpower, material resources, and funds thinly over a long battlefront, then our forces will be dispersed, and the early completion and operation of many key items will inevitably be affected. Of course, safeguarding the key points does not mean neglecting ordinary things. There are close complementary relations between the key points and ordinary things. Ordinary things will not develop properly if we neglect the key points. But if we neglect ordinary things, the development of the key points will also be affected. Therefore, under the precondition of taking care of the key points, we must also pay attention to ordinary things. We must start from the whole and consider all vertical and horizontal relations in order to avoid the error of partiality.

Overall, in balance work, attention must be paid to the balance of labor, materials, and funds. People are the most important factor in the productive forces, so of the three, the balance of labor must be arranged first. In con-

formity with the principle that agriculture is the foundation of the national economy, sufficient labor must first be secured for agriculture. Laborers will be transferred from agriculture to industry or other sectors of the national economy only when the development of agricultural production and agricultural mechanization enables the rural areas to succeed in providing surplus labor power and more marketable grain and commodity crops. If we depart from this prerequisite and transfer too much labor power away from agriculture, it will disrupt the overall balance and be unfavorable to the rapid, planned, and proportional development of the national economy.

There is an inevitable process between the appearance of imbalances among various sectors of the national economy and the establishment of a new balance. To guarantee a proportional development among various sectors, it is necessary to establish and maintain a certain amount of material reserves. The amount of material reserves of various kinds must be appropriate. If the reserves are too low, they cannot satisfy the needs for filling the gap between two relative balances. As a result, some sectors will have to work below capacity because of a shortage in certain material resources, and this will affect the rapid development of the national economy. If the material reserves are so high as to exceed the need for filling a temporary shortage, then material resources which could have been used for current production will not be available, and this will also adversely affect the rapid development of the national economy.

Follow the Basic Principles of Planning Work

To do a good job in planning work, in addition to the use of the basic method of overall balance, it is also necessary to follow some basic principles derived from the practical experience of planning work.

Planning work must mobilize central as well as local activism and must combine central, unified leadership with the exercise of local activism.

To formulate and carry through a unified national economic plan, it is necessary to have a highly centralized and unified leadership. In national economic planning work, there can be no unified national economic plan if there is no central unified leadership, and if the viewpoint of the whole situation is not promoted and excessive decentralization is not opposed, so that every local unit can make its own plans. However, socialist centralized leadership is built on a wide foundation of democracy. Central unified lead-

ership must be combined with local activism. In formulating a national economic plan, the central departments concerned must find out what the local opinion is, consult with the local units, and formulate plans with the local units. In implementing the plan, it is also necessary to allow exceptions for local conditions. These exceptions are not excuses for creating independent kingdoms, but are necessary allowances that suit the interests of the whole, permit full tapping of production potentials in accordance with local conditions, and facilitate a better fulfillment of the national economic plan. As for the system of planning work, it is necessary to implement a system with a unified plan and administration by different levels. Chairman Mao pointed out early in the establishment of the People's Republic of China: "What should be unified must be unified. Excessive decentralization cannot be permitted. But it is necessary to combine unification with local adaptations."[242] Later, Chairman Mao taught us more than once to exercise local activism more often in handling the relations between the center and the local units. Under a central, unified plan, the local units should be allowed to do more. Following Chairman Mao's teachings, the broad people of the country criticized and repudiated the "dictatorship by regulations" fostered by the Liu Shaoqi clique that stifled local activism, and they better exercised central and local activism in plan management work, thus promoting the rapid, planned, and proportional development of China's socialist economy.

Chairman Mao remarked, "In making plans, it is essential to mobilize the masses and see to it that there is enough leeway."[243] This is a very important principle in national economic planning work.

In socialist construction, the mass line must be followed whatever the work may be. Mass movements must be launched on a large scale. Planning work must also follow the mass line. The masses must be mobilized to talk about lines, expose contradictions, uncover disparities, and accelerate changes. If the plan targets are not discussed by the masses, they are the ideas of the cadres. Only after the plans are discussed by the masses do they become the plans of the masses. Only then will the plan targets be both advanced and reliable and will the activism of the broad masses be fully mobilized.

Plan targets should be advanced. Only an advanced plan can embody the superiority of the socialist system, and only an advanced plan can heighten

[242] Mao Zedong, *Renmin ribao* [*People's Daily*], December 4, 1949.

[243] Mao Zedong, "Policy and Planning," in *Selected Works*, vol. 9, 393.

morale. To formulate an advanced plan, it is necessary to struggle with conservative thought. Some people clearly realize there is immense production potential but they set the plan targets very low. All they care about is being able to fulfill the plan comfortably. The formulation process of a plan is also a process of struggle between advanced and conservative thought. Plan targets should be advanced. But this does not mean that the higher the targets, the more morale will be heightened. Plan targets that are too high to be practicable not only do not mobilize mass activism, but discourage mass activism. Advanced plan targets must have a scientific basis; they must be reliable and practicable. Chairman Mao said: "No one should disregard reality and indulge in flights of fancy, or make plans of action unwarranted by the objective situation, or reach out for the impossible."[244] Plan targets that are objectively possible should not be set too high. Leave some leeway. Practical experience demonstrates that plan targets that are not set too high and that enable the plan to be overfulfilled through the efforts of the masses are more favorable to mobilizing mass activism.

It is necessary to combine long-range plans (plans covering five years, ten years, twenty years) with short-term plans (annual plans, quarterly plans, and monthly plans) in national economic planning. If long-range plans are not set up, it is difficult to arrange capital construction. Long-term plans embody long-term targets. They encourage people to stand high, to see afar and to exert themselves. The worker comrades put it well: "Without big targets in our minds, even one single straw is heavy enough to bend our backs. With big targets in our minds, even the Taishan will not bend our backs." But long-term plans require that short-term plans materialize are grasped and serve the purpose of comparison and inspection so that the realization of long-term plans will not fall short.

The planning work for an economy under a socialist collective ownership system has its own characteristics. An economy under a collective ownership system must obey the leadership of a unified state plan. But it can retain a higher degree of flexibility provided that the unified state plan and state policies and laws are not violated. This permits a fuller mobilization of the activism and initiative of the collective economy in socialist production

[244] Mao Zedong, "Preface (II) to 'Socialist Upsurge in China's Countryside'," in *Selected Works, vol. 5*, 222.

through local adaptations so that the collective economy can develop with the development of the state economy.

Major Study References

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- V. J. Stalin, *Economic Problems of Socialism in the USSR*.
- Mao Zedong, "On the Correct Handling of Contradictions Among the People," section 1.

Review Problems

1. Why do we say that only socialist society can adopt a planned economy? What is the superiority of a socialist planned economy?
2. What are the important proportional relations in the national economy? How should these proportional relations be correctly handled?
3. What does planning is primary and pricing is secondary tell us? How should the law of planned development and the law of value be correctly used to promote the development of socialist production?

17

WE MUST RELY ON AGRICULTURE AS THE FOUNDATION AND INDUSTRY AS THE LEADING FACTOR IN DEVELOPING THE NATIONAL ECONOMY

The Relations Among Socialist Agriculture, Light Industry, and Heavy Industry

Agriculture and light and heavy industry are the three major material production sectors in the socialist national economy. Correctly understanding the importance and role of these sectors in the national economy and correctly handling their relations are instrumental in consolidating and developing the worker-peasant alliance and promoting rapid and planned development of the socialist national economy.

Agriculture Is the Foundation of the National Economy

We Must Rely on Agriculture as the Foundation in Developing the National Economy

To live, to produce, and to engage in cultural and social activities, people must first solve the problem of eating. Agricultural production is a precondition for the survival of the human race and all production activities. Agriculture (including gathering, planting, hunting, fishing, and animal husbandry) was the only production sector in the early period of human society. At that time, because labor productivity was very low, the whole labor power of the primitive society had to participate in agricultural labor to keep the commune members alive. Only when labor productivity in agriculture was raised such that a portion of the labor force could grow sufficient agricultural products to support all the members of society could labor be spared to engage in other activities. Thus, the handicraft industry was separated from the agricultural sector to become an independent production sector, the other new sector—commerce—appeared and sectors that were concerned with spiritual production such as culture and education also emerged. The higher the labor productivity was in agriculture, the more developed the sectors outside of agriculture that were concerned with material and spiritual

production were. Marx observed, "The less time society requires to produce corn, livestock, etc., the more time it wins for other production, material or spiritual."[245] He continued,

> [The] natural productivity of agricultural labor (which includes here the labor of simple gathering, hunting, fishing and cattle-raising) is the basis of all surplus labor, as all labor is primarily and initially directed toward the appropriation and production of food.[246]

Therefore, in essence, agriculture is the basis of human survival and the basis for the independence and further development of the other sectors of the national economy. This is an economic law applicable to all historical periods in human society.

The role of agriculture as the foundation in the national economy is especially pronounced in socialist society compared with any past society. In capitalist society, the objective law of agriculture as the foundation of the national economy plays its role under competition and chaotic production. Some imperialist countries whose domestic agriculture was underdeveloped plundered their colonies and semicolonies for agricultural products by paying low prices to satisfy the development needs of monopoly capital. In those countries, it was not domestic agriculture, but foreign agriculture that served as a foundation of the national economy. In socialist society, it is not permissible to plunder the agriculture of backward countries. Even if exchanges are made according to equal values, it is still not permissible to rely on foreign countries for food or to develop the socialist economy on the basis of foreign agriculture. To do so would be contrary to the principles of independence and self-reliance. In organizing the development of the national economy, the socialist country must consciously apply the objective law of agriculture as the foundation of the national economy.

In concrete terms, the primary reason that the development of the socialist national economy must rely on agriculture as the foundation is that the development of the various departments of the socialist economy depends on agriculture to provide the means of subsistence. Regardless of the enter-

[245] Karl Marx, "Outlines of the Critique of Political Economy (II. 'Chapter on Money')," in *Marx & Engels Collected Works*, vol. 28 (London: Lawrence & Wishart, 1986), 109.
[246] Marx, "Capital," vol. 3, 626.

prise, be it industry, transportation, or education, it always boils down to the prerequisite that agriculture has to provide a certain amount of commodities and grain.

Another reason that agriculture is the foundation for developing the socialist national economy is that it is the source of industrial raw materials, with the exception of a portion of the supply that comes from industry itself. Raw materials for light industry in particular are essentially provided by agriculture. At present, approximately 70 percent of the raw materials for our light industry is provided by agriculture. Heavy industry also needs certain agricultural products as inputs. If agriculture could not increase its supply of raw materials, industrial development would be gravely affected. Chairman Mao pointed out: "Everyone knows that light industry is closely tied up with agriculture. Without agriculture there can be no light industry."[247] Agriculture is directly related to industrial development, particularly to light industry.

Another reason why agriculture is the foundation for developing the socialist national economy is that the rural areas constitute a vast market for industrial products. The rural population, accounting for approximately 80 percent of the total, forms a major market for industry. The more developed agricultural production is, the more commodity grains and industrial raw materials will be produced, and the higher the peasants' purchasing power will be. The peasants' need for both light and heavy industrial products continuously grows. Soon after the victorious implementation of China's cooperativization, Chairman Mao observed:

> It is not yet so clearly understood that agriculture provides heavy industry with an important market. This fact, however, will be more readily appreciated as gradual progress in the technical transformation and modernization of agriculture calls for more and more machinery, fertilizer, water conservancy and electric power projects and transport facilities for the farms, as well as fuel and building materials for the rural consumers.[248]

Another reason why agriculture must be relied on as the foundation in developing the socialist national economy is that agriculture is the reservoir

[247] Mao, "On the Correct Handling of Contradictions Among the People," 403.
[248] Mao, 403.

of labor power for industry and other sectors of the national economy. To develop socialist industry, commerce, and transportation, additional labor is required. In addition to trying hard to raise labor productivity in these sectors in order to use the labor force thus saved for new needs, additional labor comes partly from the urban areas and partly from the rural areas. Chairman Mao pointed out, "It is the peasants who are the source of China's industrial workers."[249] However, how much of the rural population can be transferred as labor force to support the development needs of other sectors of the national economy is not determined by these development needs, but by the level of development of agricultural production and by how much agricultural labor productivity can be increased. Only under the conditions that agricultural labor productivity is continuously being raised and the output of agricultural and sideline products is continuously increasing is it possible to transfer an appropriate amount of labor force to support the development of other sectors of the national economy.

Another reason why agriculture must be relied on as the foundation in developing the socialist national economy is that agriculture is an important source of state capital accumulation. In addition to directly providing the state with capital accumulation through agricultural taxes, it indirectly provides capital accumulation to the state by supplying agricultural products to light industry as raw materials. Therefore, the development of agriculture also assumes significance in increasing the state revenue, expanding capital accumulation, and supporting socialist construction.

Viewed from the above several aspects, the importance and role of agriculture in the national economy determine that the development of the national economy cannot be separated from the development of agriculture. If agriculture is not properly developed, other sectors of the national economy will not prosper either. The experience of China's socialist construction has demonstrated that if there is a bumper harvest in a particular year, the development of the national economy will accelerate in the same year or in the following one. Conversely, if there is a lean year, the development of the national economy will slow down in the same year or the next one. This tells us that in socialist construction we must firmly establish the idea of relying on agriculture as the foundation for developing the national economy.

[249] Mao, "On Coalition Government," 237.

The Ultimate Solution for Agriculture Lies in Mechanization

Since agriculture is the foundation of the national economy, it is necessary to treat the development of agriculture as a priority in developing the national economy. Only when agriculture is developed as the foundation of the national economy can light industry, heavy industry, and other economic, cultural, and educational enterprises be developed.

How can agriculture be developed? The socialist country cannot adopt agricultural mechanization before agricultural collectivization. Agricultural collectivization must precede the use of large machines. But after the realization of agricultural collectivization, it is very important to realize agricultural mechanization on the basis of agricultural collectivization. On the eve of China's upsurge in agricultural cooperativization, Chairman Mao had already pointed out that China's countryside required not only the realization of the social reform of converting the individual ownership system to the collective ownership system, but also the realization of the technical innovation of converting hand labor to mechanical production.

> 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.[250]

After the victorious realization of China's agricultural cooperativization and rural people's communes, Chairman Mao opportunely proposed the grand task of steadily realizing agricultural mechanization. He clearly pointed out, "The ultimate solution of the agriculture problem lies in mechanization." When the stimulative role of socialist relations of production with respect to the productive forces is fully exploited and with the support of socialist industry, especially heavy industry, the pace of achieving agricultural mechanization will be quickened.

Before liberation, old China was a very backward agricultural country. In 1949, the food grain output of the whole country amounted to only 216.2 billion *jin*. After liberation when socialist relations of production were established and developed in the rural areas through agricultural cooperativ-

[250] Mao, "On the Cooperative Transformation of Agriculture," 186.

ization and the people's communes, agricultural production developed substantially. The output of food grain in 1971 reached 492 billion *jin*, more than twice the amount of 1949. But the level of mechanization in China's agriculture is not high. Agricultural labor productivity is still relatively low compared with other countries where the level of agricultural mechanization is relatively high, China's agricultural production is still in a relatively backward condition. This condition is not in line with the development of China's industry and other sectors of the national economy. Therefore, it is necessary to further realize agricultural mechanization and promote a rapid development of agricultural production on the basis of continuously consolidating and developing socialist relations of production in the rural areas.

When machines are used in plowing, sorting, harvesting, and transportation, agricultural labor productivity will be raised tens and hundreds of times. If he plows by hand, a veteran worker can only plow one *mu* a day. With an ox, a man can plow four *mu* a day. With a medium or large tractor, several tens to several hundreds of *mu* can be plowed in a day, thus raising agricultural labor productivity by tens to hundreds of times. The labor power thus saved through agricultural mechanization can be used to increase production both intensively and extensively by raising the per unit area yield and promoting the rural development of agriculture, forestry, animal husbandry, sideline production, and fishery. It can also be used to support the development needs of other sectors of the national economy.

The realization of agricultural mechanization can also raise the capacity to combat natural calamities and change the situation of depending on the weather for food. China is a country of vast area. Some degree of drought and flooding occurs every year. With electric drainage and irrigation machines, water can be controlled readily. The resulting reduction in damage due to possible droughts or floods will guarantee a steady and high yield in agricultural production. The poor and lower-middle peasants put it well: "The sound of machines in the river brings joy to the crops in the field. With no fear of drought and flooding, good harvests and high yields are guaranteed."

Under the guidance of Chairman Mao's proletarian revolutionary line, and especially after the Great Proletarian Cultural Revolution, there has been a rapid development in China's agricultural mechanization. Comparing 1970 with 1965, the electricity consumption in the rural areas increased

by 1.6 times, electric drainage and irrigation machines more than doubled, the ownership of large and medium tractors increased by more than 70 percent, the ownership of hand held tractors increased by nearly 20 times, and the machine plowed area represented nearly 20 percent of the cultivable area. With the gradual realization of agricultural mechanization in China, the drought control and drainage capacity of agriculture will continuously increase. The people's ability to combat natural calamities will continuously be strengthened and the steady growth of agricultural production will be more assured. From this we can see that the further realization of agricultural mechanization on the basis of agricultural collectivization is a necessary path for developing agricultural productivity.

In the process of gradually realizing agricultural mechanization, the material basis of the collective economy will grow daily, and the three-level ownership system of the rural people's commune will be further consolidated and developed. The experience of agricultural mechanization has demonstrated that large and medium sized agricultural machines can be fully exploited only if they are owned by the commune and the production brigade. Consequently, with the development of agricultural mechanization, the scale and role of the collective economy at the commune and brigade levels will gradually expand, and the superiority of the people's commune will be further revealed. Thus, the poor and lower-middle peasants will love the people's commune all the more and will be all the more resolute in following the socialist road. The poor and lower-middle peasants used a vivid language to depict the necessity for agricultural mechanization: "The People's commune is full of power. The collective economy blooms with a red flower. With agricultural mechanization, even a class twelve typhoon will fail to overpower."

In Agriculture, Learn from Dazhai

It is an inevitable trend in the development of socialist agriculture to gradually realize agricultural mechanization on the basis of collectivization. But, agricultural mechanization must be under the command of revolutionization. Chairman Mao teaches us, "Once the correct ideas characteristic of the advanced class are grasped by the masses, these ideas turn into a material force which changes society and changes the world."[251] When the broad

[251] Mao Zedong, "Where Do Correct Ideas Come from?" in *Selected Works*, vol. 9, 17.

masses of poor and lower-middle peasants who are the masters of socialist agriculture have studied Marxism-Leninism-Mao Zedong Thought and have mastered Chairman Mao's line and general and specific policies, they possess overwhelming strength and are powerful enough to tame mountains and harness rivers. They can transform unfavorable natural conditions into favorable ones, transform low yields into high yields, advance from a condition of owning no agricultural machines to owning various agricultural machines and fully realizing the superiority of agricultural mechanization. This is how Dazhai Production Brigade of Dazhai Commune in Xiyang *xian*, Shanxi Province, was transformed.

Dazhai Production Brigade is situated in the Taihang Mountains. Before agricultural collectivization, it was a poor mountainous area with plenty of rocks and little soil. The poor and lower-middle peasants of Dazhai described it as: "The mountain is high, and rocks are plentiful. When you go outside, you have to clamber up slopes. There are less than 3.5 *mu* of land for each family. Natural disasters are commonplace." When the primary cooperative was started in 1953, the average per *mu* yield of food grain was 250 *jin*. In the process of developing from the primary cooperative to the advanced cooperative and then to the people's commune, the Party branch of Dazhai Production Brigade firmly adhered to the principle of putting proletarian politics in command. It issued the slogan of "transform the people, transform the land, and transform the yield," used Mao Zedong Thought to educate the cadres and the masses, and carried out a big transformation in agricultural production through an ideological revolution among the people. The cadres and the masses of Dazhai Brigade smashed the sabotage of the landlord, the rich peasant, the counterrevolutionary, and the bad elements and resisted interference from the revisionist line pushed by the Liu Shaoqi and Lin Biao clique. Under the guidance of Chairman Mao's great policy of self-reliance through arduous struggle, Dazhai Brigade engaged in capital construction for water control and transformed the "three lost fields" in which water, fertilizers, and soil were lost because of poor construction into "three retained fields" in which water, fertilizers, and soil were retained after the fields had been leveled and terraced. The average per *mu* yield of food grain in Dazhai Brigade was gradually raised from 250 *jin* in 1953 to 543 *jin* in 1958, 802 *jin* in 1964, and 1,096 *jin* in 1967. Simultaneous with the rapid growth of food grain production, Dazhai Brigade realized an

all-around development of agriculture, forestry, animal husbandry, and sideline production. In this process of "transforming the people, transforming the land, and transforming the yield," the Party branch of Dazhai Brigade also led the commune members to use their own hands to combine indigenous and foreign technology to substantially advance the mechanization of plowing, cultivating, threshing, transporting, and processing food grain and fodder and to advance on the road of putting mechanization under the command of revolution. The heroic attitude of the poor and lower-middle peasants to fight nature and farm for revolution is a powerful criticism and repudiation of the reactionary fallacies of Lin Biao who slandered the worker-peasant laboring people saying, "All they think about is how to make money, get rice, oil, salt, sauce, vinegar, and firewood, and take care of their wives and children," and who championed the Confucian thought that "the little people can only be persuaded by self-interest."

Dazhai Brigade is a model of how to develop socialist agriculture according to Chairman Mao's proletarian revolutionary line. "In agriculture, learn from Dazhai" is a great call from Chairman Mao. If only we can firmly adhere to arming the cadres and the masses with the great thought of Mao Zedong, then, like Dazhai Brigade, we will have activism, organizational discipline, and the revolutionary spirit of suffering hardship. We will certainly be able to overcome unfavorable conditions and create favorable conditions to transform drastically the outlook of agricultural production.

Because of the interference and sabotage of Liu Shaoqi's revisionist line before the Great Proletarian Cultural Revolution, agricultural production in Xiyang *xian*, where Dazhai Brigade is situated, developed very slowly. The total output of food grain in the *xian* as a whole hovered around 70 to 80 million *jin*. The annual maximum sale of food grain to the state was only 7 million *jin*. The Great Proletarian Cultural Revolution transformed the outlook of Xiyang *xian*. Starting from 1967, the whole *xian* advanced the mass movement of learning from Dazhai in a big way. It also resisted the interference and sabotage of Lin Biao's revisionist line. The people of the whole *xian* fought heaven and earth, transformed mountains and rivers, and greatly transformed the land of Xiyang *xian*. Agricultural production developed rapidly. The output of food grain doubled in three years and tripled in five years. The total output of food grain in 1971 reached 240 million *jin*, three times as high as the peak output before the Great Proletarian Cultural

Revolution. Commodity food grain sold to the state reached 80 million *jin*, an increase of more than ten times over the record harvest before the Great Proletarian Cultural Revolution.

The experience of Xiyang *xian*'s learning from Dazhai demonstrates that any difficulties in the human world can be overcome and any marvel in the human world can be created if the innovative power of the masses, armed with Mao Zedong Thought is relied upon. To deeply advance the mass movement of learning from Dazhai and to let the Dazhai flower bloom all over the country will certainly accelerate the development of agricultural production, further consolidate the socialist base in the rural areas, and permit agriculture to play a greater role as the foundation of the national economy.

All Trades and Industries Must Support Agriculture with Their Efforts

The development of socialist agriculture must primarily rely on the efforts of the cadres and the poor and lower-middle peasants, the staff and workers of the state farms, and other laboring peasants who fight on the agricultural front. But this does not mean that the development of socialist agriculture has nothing to do with other trades and industries. Agriculture is the foundation of the national economy. Agricultural production affects the development of the whole socialist national economy. If agriculture is not properly developed, other trades and industries cannot hope to develop either. If agriculture is properly developed, everything else will do well too. The development of socialist agriculture is related to all trades and industries. All trades and industries must put the support of agriculture in an important position and actively perform the job of supporting agriculture. The industrial sectors must above all regard the support of agriculture and the promotion of agricultural mechanization as a major task. They must resolutely orient their work toward the objective of treating agriculture as the foundation. Small local industries such as iron and steel, machine building, chemical fertilizer, and cement must all the more firmly adhere to the correct orientation of serving agricultural production.

The support of agriculture by all trades and industries is an important characteristic of the socialist economy. In capitalist society, industry exploits agriculture, and the urban areas exploit the rural areas. Therefore, the relationship between the industrial capitalist and the laboring peasant is one of

class antagonism. In the socialist economy, after the urban and rural areas have undergone socialist transformation and on the basis of the socialist public ownership system, the antagonism between the urban and rural areas and between industry and agriculture is eliminated. But there are still two forms of the socialist public ownership system. And because the economic, cultural, and technological level of the rural areas is still below that of the urban areas, there still exist substantial disparities between them. The great program of the proletariat to build socialism and communism requires that in the process of continually developing agricultural production and extending social reform and technical innovation in agriculture, these essential disparities be gradually narrowed and finally eliminated. Therefore, it is an objective necessity that in developing the socialist economy all trades and industries lend their support to agriculture and to raising the economic, cultural, and technical level of the rural areas. The proletarian party calls on all trades and industries to firmly establish the thought of treating agriculture as the foundation of the national economy and to render their assistance to developing socialist agriculture from all aspects.

Out of their need to restore capitalism, the bourgeoisie and its agents inside the proletarian party not only will not narrow the disparities between the urban and the rural areas, but introduce the capitalist method of letting industry exploit agriculture and the urban areas exploit the rural areas. The process of restoring capitalism in the Soviet Union is also the process of increasing the control and exploitation of the rural areas by the bureaucratic monopoly bourgeoisie headed by Brezhnev. The revisionist line of "emphasizing industry at the expense of agriculture" and "squeezing agriculture to benefit industry" advocated by the Liu Shaoqi clique was also a line that sought to widen the disparities between the urban and rural areas and between industry and agriculture and finally to restore capitalism.

Among the people, it is not an easy job to firmly establish the idea of treating agriculture as the foundation and resolutely carry, through the policy having all trades and industries support agriculture. Under the influence of the revisionist line, people often develop the idea of upgrading industry and downgrading agriculture. After agriculture has reaped bumper harvests for several years in succession, the idea of treating agriculture as the foundation loses ground in people's minds. They give lip service to "agriculture, light industry, heavy industry" but act according to "heavy industry, light

industry, agriculture." The tendency to neglect agriculture in the allocation of capital funds and the supply of material goods is obvious. These conditions demonstrate that to firmly establish the idea of agriculture as the foundation, it is necessary to study seriously the Chairman's theories about the interrelations among agriculture and light and heavy industry, study seriously the general policy of developing the national economy with "agriculture as the foundation and industry as the leading factor," and further criticize and repudiate the various reactionary fallacies of modern revisionism that look down on agriculture.

Under the guidance of Chairman Mao's revolutionary line, tens of millions of educated youths in China have answered his great call that "educated youths must go to the villages and receive reeducation from the poor and lower-middle peasants" and have gone to the rural and mountainous areas to fight in the forefront of agricultural production. This is a social revolution that changes the established customs of society, and a strategic measure for training a large number of successors to the proletarian revolutionary enterprise.

Confucius, the spokesman for the declining slave-owning class, greatly despised agricultural labor. When his student Fan Xu asked him how to grow crops and vegetables, he scolded him for being "a small man." Lin Biao, the faithful disciple of Confucius, completely inherited this reactionary idea. He maliciously attacked the idea of having educated youths go to the rural and mountainous areas as being "equivalent to disguised labor reform." All exploitative classes despise both agriculture and the peasants. The hopeless intention of these classes is to ride as long as they can on the shoulders of the laboring people and exploit them. Chairman Mao thoroughly criticized and repudiated the reactionary ideas of people like Confucius. He pointed out that, in the case of the revolutionary youth, "their political orientation and their methods of work are correct"[252] when they decide to study revolutionary theories, participate in production, and join the worker-peasant masses. The rural areas are wide open. It is extremely important for the maturation of the educated youths themselves—with the construction of a new socialist countryside, the criticism of Lin Biao and Confucius, and the narrowing of the essential disparities between the worker and the peasant and between mental and physical labor—that the educated youths go to the rural areas to

[252] Mao Zedong, "The Orientation of the Youth Movement," in *Selected Works*, vol. 2, 230.

accept reeducation from the poor and lower-middle peasants, to participate in class struggle, production struggle, and scientific experiments in the rural areas, and to be exposed to various tests and experiences.

Industry Is the Leading Factor in the Socialist Economy

Fully Exploit the Role of Industry as the Leading Factor

Agriculture is the foundation of the national economy. Industry is the leading factor of the national economy. Industry is not only a sector that produces the means of livelihood, but is also a sector which manufactures the means of production. The improvement of the means of production plays a significant role in the development of social production. From the historical perspective, the evolution from stone implements to metal tools to various machines represent not only milestones but also benchmarks for the various economic epochs of human society. That industry is the leading factor of the national economy means that the development of industry will certainly bring forth advanced tools for the various sectors of the national economy, promote technical innovations in the national economy, and consequently increase labor productivity and social production.

Industry is divided into light industry and heavy industry. Light industry is primarily concerned with producing the means of livelihood. Heavy industry is primarily concerned with producing capital goods and manufacturing the means of production [tools]. To play the role of the leading factor in the national economy, it is necessary to give full scope to heavy industry, which produces capital goods and manufactures the means of production. In socialist society, the role of heavy industry as the leading factor in the national economy is described as follows: to provide various modern agricultural machines, motive power, chemical fertilizers, pesticides, and other means of production for agriculture; to produce various light industrial machines and light industrial raw materials, and promote technical innovation and labor productivity in light industry, so that light industry can provide ever richer and more varied industrial products for daily use; and to provide modern equipment for transportation, construction, and national defense industries in order to promote technical innovation and development in these fields. From this, we can see that the role of heavy industry as the leading factor is not only manifested as the necessary condition for realizing agricultural

mechanization, but is also manifested as a necessary condition for realizing technical innovation for the whole national economy and is a necessary condition for consolidating national defense, guaranteeing national security, strengthening proletarian dictatorship, and supporting world revolution. Just as Chairman Mao pointed out, "Without industry there can be no solid national defense, no well-being for the people, no prosperity or strength for the nation."[253] The role of industry as the leading factor is determined by its important role in the above mentioned aspects.

That the role of industry as the leading factor is primarily realized by heavy industry does not mean that light industry is not important. Although light industry does not produce production tools, it is still an important sector of the socialist national economy. It is basically a sector for the production of the means of livelihood. Like agriculture, it is an indispensable sector for reproduction of labor power. Light industry is a necessary complement to agriculture. It processes agricultural and sideline products, produces various necessary means of livelihood for the laboring people of the urban and rural areas, and assists agriculture to play better the role of the foundation in the national economy. Compared with heavy industry, light industry is characterized by small investment and quick returns. Light industry provides capital accumulation for the state and is an important source of capital funds for building heavy industry. Chairman Mao paid special attention to the position and role of light industry in the national economy. He pointed out, "agriculture must develop along with industry, for only thus can industry secure raw materials and a market, and only thus is it possible to accumulate more funds for building a powerful heavy industry."[254] Chairman Mao clearly pointed out that the development of heavy industry depends not only on agriculture but also on light industry. He pointed out the important role of light industry which people easily forget.

Gradually Realize Socialist Industrialization

The important role of industry in the national economy objectively requires the socialist country to pay attention to the development of socialist industry. For countries in which industrial development is relatively backward, an important task facing the proletariat after it seizes political power

[253] Mao, "On Coalition Government," 239.

[254] Mao, "On the Correct, Handling of Contradictions Among the People," 403.

is to rapidly develop modern industry, realize socialist industrialization, and build the originally economically backward country into a strong socialist country with modern agriculture, modern industry, modern national defense, and modern science and technology.

In addition to bringing into play the role of industry more fully as the leading factor and thus guaranteeing the independence of the national economy and consolidating national defense, the realization of socialist industrialization has a more far reaching significance. The gradual realization of socialist industrialization will certainly increase the proportion of the sector of the economy under state ownership and strengthen the leading capacity of the state economy in the whole national economy. The development of socialist industrialization will accelerate the development of industry in areas where industry was formerly backward and change the irrational distribution of industries. At the same time, the ranks of the working class will expand, which will be favorable to strengthening the leadership of the working class over the whole country. The gradual realization of socialist industrialization will also certainly accelerate agricultural mechanization and raise industry's capacity to support agriculture, thus creating favorable conditions for gradually narrowing the disparities between the urban and rural areas and between the worker and the peasant. It is precisely because of the significance of the realization of socialist industrialization that Chairman Mao, in personally directing the formulation of the Party's General Line in the 1953 transition period, stipulated that gradual socialist industrialization is an important task that the whole Party and the whole people should strive to achieve.

Old China was a semicolonial and semifeudal country. Under the oppression of imperialism, feudalism, and bureaucratic capitalism, the level of production was extremely backward. There were very few modern industries. The few modern industries that existed consisted primarily of light industry and textile industry. When the country was liberated in 1949, the annual output of steel was only 158,000 tons. There was nothing to speak of in many important industrial sectors.

Faced with this "poor and blank" condition inherited from old China, rapidly realizing socialist industrialization was a very pressing problem for the Chinese proletariat who wielded political power. In the past more than twenty years under the brilliant leadership of Chairman Mao, significant

measures have been taken to accelerate the realization of socialist industrialization.

To realize socialist industrialization in China, it is necessary to build a complete socialist industrial system which combines large, medium, and small enterprises, which is distributed geographically in a comparatively rational manner, and in which the iron and steel industry and the machine-building industry are the center. This national industrial system is built on the foundation of existing industrial systems in various coordinated regions and provinces. Once modern industrial systems that are complete and relatively independent, but which all vary according to local conditions, have been established in a planned fashion and step by step in every coordinated region and within the framework of many provinces, the formation of the national industrial system will take place very quickly.

How to realize socialist industrialization? Chairman Mao pointed out that "In discussing our path to industrialization, we are here concerned principally with the relationship between the growth of heavy industry, light industry and agriculture."[255] To realize socialist industrialization, it is of course necessary to give priority to developing heavy industry. But, giving priority to developing heavy industry does not mean that agriculture and light industry can be ignored. Chairman Mao pointed out:

> 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.[256]

Based on the interrelations among agriculture, light industry, and heavy industry, Chairman Mao formulated a revolutionary line to realize socialist industrialization with greater, faster, and better results at lower costs—namely, to develop heavy industry by developing more light industry and agriculture. Through this method, agriculture and light industry have developed. They can not only provide ever greater amounts of the means of livelihood and improve people's lives, but can also solve the problem of capital accumulation and markets for heavy industry in order to make the development of heavy industry more stable and reliable. From a long-range viewpoint, this method will lead to greater and better development of heavy industry.

[255] Mao, 403.

[256] Mao, 403.

In opposition to Chairman Mao's revolutionary line, there was the revisionist line advocated by the Liu Shaoqi and Lin Biao clique, which had fewer, slower, and poorer results at higher costs—namely, developing heavy industry at the expense of agriculture and light industry. Because it neglects the development of agriculture and light industry, this line of lopsidedly developing heavy industry does not meet the requirements of the peasants to strengthen the collective economy; it does not take care of the livelihood of the broad masses and will certainly result in discontent among the people and the improper development of heavy industry.

Under the guidance of Chairman Mao's revolutionary line, the revisionist line of Liu Shaoqi and Lin Biao has been criticized and repudiated, the interrelations among agriculture, light industry, and heavy industry have been correctly handled, brilliant results have been achieved in China's socialist industrialization, and the rudiments of an independent and modern industrial system have been developed.

In Industry, Learn from Daqing

The process of socialist industrialization is a process of intense struggle between two classes, two roads, and two lines. In the process of leading China to realize socialist industrialization, Chairman Mao advocated, in addition to scientifically pointing out a road for socialist industrialization based on the interrelations among agriculture, light industry, and heavy industry, important policies such as independence, self-reliance, arduous struggle, and "smash foreign conventions and follow our own road to develop industry." It was a pointed criticism and repudiation of the "slavish submission to foreign conventions" and the "snail's pace" advocated by the Liu Shaoqi and Lin Biao clique. Following Chairman Mao's teaching, China's working class displayed the revolutionary spirit of daring to think, daring to speak up, and daring to act and gave impetus to the rapid development of China's industrial construction. The Daqing Oil Field is an industrial model for building socialism with greater, faster, and better results at lower costs. In the struggle between the two lines, it firmly adhered to Chairman Mao's proletarian revolutionary line.

The new Daqing Oil Field was formerly a barren plain. When several hundreds of thousands of staff and workers arrived there in 1960 to construct the oil field, it was "a blue sky above and a grass plain below." The

weather was cold and the ground was frozen. There were no houses, no beds, no cooking equipment. Production conditions were also very difficult. Several dozen giant drilling machines were soon set up on the grass plain. But the equipment was incomplete; there were not enough trucks or cranes and no highways. Roads were muddy. Water and electricity supplies were grossly inadequate. Under such difficult conditions, the heroic Daqing workers firmly adhered to putting proletarian politics in command and repeatedly studied Chairman Mao's works, especially "On Practice" and "On Contradictions." They armed their minds with Marxism-Leninism-Mao Zedong Thought, fought heaven and earth, fought class enemies, and displayed the revolutionary spirit of self-reliance and arduous struggle. In just a little over three years, a big, first-class oil field had been established in China with high speed and high quality. China has been basically self-sufficient in oil products since 1963. The Daqing workers also conducted a large amount of scientific research and solved several important technical problems concerning world oil field exploitation. Following Chairman Mao's teaching concerning how to run an enterprise with diligence and thrift, the total state investment was recovered in 1963. On the eve of May Day in 1974, the capital it had accumulated for the state amounted to eleven times the state investment, achieving greater, faster, and better results at lower costs. Even more important, the Daqing Oil Field has trained a worker corps that has class consciousness, drive, a good style of work, organization, and discipline ,and which can endure hardship and fight hard battles. It is because of this revolutionized corps that the Daqing Oil Field develops continuously and rapidly and embodies a great victory for Chairman Mao's proletarian revolutionary line.

The Daqing Oil Field is a red banner on China's socialist industrial front. "In industry, learn from Daqing" is Chairman Mao's great call. There is a basic similarity between the Daqing Oil Field and the Dazhai Brigade. Comrade Zhou Enlai pointed out in his Political Report to the Tenth National Party Congress:

> One basic experience from our socialist construction over more than two decades is to rely on the masses. In order to learn from Daqing in industry and to learn from Dazhai in agriculture, we must persist in putting proletarian politics in command, vigor-

> ously launch mass movements and give full scope to the enthusiasm, wisdom and creativeness of the masses.[257]

The experience of Daqing demonstrated that to educate people with Marxism-Leninism-Mao Zedong Thought and to build a workers corps is the most basic thing in socialist enterprise construction. With such a corps of iron and steel armed with Mao Zedong Thought, there is no fear of hardship or difficulties. The harder it is, the further the corps will advance, overcoming all difficulties in order to build socialist industries with greater, faster, and better results at lower costs. People like Lin Biao slandered the working class as being merely interested in issues of "livelihood." The Daqing experience is a slap in their faces. In building socialist industry, whether the political and ideological education of the staff and workers is given priority, whether we trust the masses, whether we dare to mobilize the masses, whether we insist on following the mass line, and whether the road of self-reliance and arduous struggle is followed are important indicators of whether the banner of "In industry, learn from Daqing" is truly upheld and whether Chairman Mao's revolutionary line has been truly executed.

Chairman Mao's call for "In industry, learn from Daqing" indicated the direction for China's industrial development. It greatly aroused the working class of China to be self-reliant, strive hard, and rapidly transform the outlook of China's Industry. The astute advancement of the mass movement to "Learn from Daqing in industry" will certainly accelerate the pace of China's socialist industrialization and build China into a great socialist country with modern agriculture, modern industry, modern national defense, and modern science and technology.

The National Economic Plan Must Follow the Order of Agriculture, Light Industry, and Heavy Industry

Promote the Rapid Development of the National Economy Following the Order of Agriculture, Light Industry, and Heavy Industry

That agriculture is the foundation and industry is the leading factor of the national economy is an objective necessity. The general policy of "agriculture as the foundation, industry as the leading factor" formulated by Chairman

[257] Zhou, "Report to the Tenth National Congress of the Communist Party of China."

Mao to develop the national economy correctly reflects this necessity and is a model for developing the socialist national economy.

Under the guidance of the General Line for building socialism and the general policy for developing the national economy, China's national economic plan is arranged in the order that Chairman Mao suggested of agriculture, light industry, and heavy industry. That is to say, in arranging the national economic plan, we must start from agriculture and place agriculture in the primary position. Whether it is in the allocation of capital funds or the supply of material goods, the needs of agriculture cannot be neglected. At the same time, we must also take care that the development of heavy industry and other sectors of the national economy cannot exceed the amount of food grain, raw materials, capital funds, and labor force that can be provided by agriculture. The development of heavy industry must be based on the foundation of developing agriculture and light industry. In China, as a result of the implementation of this policy, the relations between industry and agriculture are relatively harmonious. Agricultural production and industrial production steadily increase. The market is thriving and prices are stable. A prosperous and lively scene prevails over industrial and agricultural production. Historical experience demonstrates that the development of the national economy in the socialist country must take agriculture as the foundation and industry as the leading factor and correctly handle the relations among agriculture, light industry, and heavy industry. This is an indisputable truth. Unlike China, Soviet revisionist social imperialism exploits and oppresses its laboring people at home and engages in aggression and expansion abroad. It frenetically militarizes its national economy, develops the armament industry at all costs, destroys the development relations among agriculture, light industry, and heavy industry, and leads its national economy into severe crises. These measures of the Brezhnev clique that wants "more guns at the expense of butter" lead to severe inflation, commodity shortages in the market, and short supplies. The laboring people are impoverished.

The Order of Agriculture, Light Industry, and Heavy Industry Will Certainly Promote the Consolidation of the Worker-Peasant Alliance

The problem of the development relations among agriculture, light industry, and heavy industry in the socialist national economy is not only

a question of the proportional relations among these national production sectors; it is also a question of the interrelations between the workers and the peasants and a question of the worker-peasant alliance.

Under the socialist system, the basic interests of the worker and the peasant are identical. Under the leadership of the working class, the mutually supporting and promoting worker-peasant alliance is established for a common struggle to build socialism and realize communism. But certain disparities still exist between the urban and rural areas and between the worker and the peasant with respect to economics, culture, technology, and material livelihood. These disparities are the remnants of the old society. To allow these disparities to exist for a long time, or even to expand, and not to create conditions to narrow or eliminate the disparities is detrimental to the consolidation of the worker-peasant alliance.

In his analysis of the relations between the leading class and the class that is led, Chairman Mao pointed out:

> The leading class and the leading party must fulfill two conditions in order to exercise their leadership of the classes, strata, political parties and people's organizations which are being led:
>
> (a) Lead those who are led (allies) to wage resolute struggles against the common enemy and achieve victories;
>
> (b) Bring material benefits to those who are led or at least not damage their interests and at the same time give them political education.[258]

After the working class has seized political power, led the peasants to overthrow the landlord class, and realized land reform and agricultural collectivization, it is still necessary to lead the peasants to fight a determined battle against the class enemy in the rural areas, conduct socialist education to help them further realize agricultural mechanization on the basis of collectivization, raise their material and cultural living standards gradually on the basis of production development, and lead them to follow resolutely the socialist road. This way, the disparities between the urban and rural areas can be narrowed and the worker-peasant alliance can be further consolidated.

[258] Mao Zedong, "On Some Important Problems of the Party's Present Policy," in *Selected Works*, vol. 4, 182.

Therefore, the arrangement of the national economic plan according to the order of agriculture, light industry, and heavy industry is basically an important aspect in the correct handling of the relations between the worker and the peasant. The essence of this problem is the issue of consolidating the leadership of the working class, consolidating the alliance between the worker and the peasant, having the working class struggle with the bourgeoisie for the allegiance of the peasants, and a new issue of class struggle under the socialist system. Chairman Mao's theory concerning the interrelations among agriculture, light industry, and heavy industry, the general policy of developing the national economy with "agriculture as the foundation and industry as the leading factor," and the arrangement of the national economic plan according to the order of agriculture, light industry, and heavy industry indicated the road to solving these problems.

Major Study References

- Karl Marx, "Capital," vol. 3, chapter 37.
- Mao Zedong, "On the Correct Handling of Contradictions Among the People," sections 3 and 12.

Review Problems

1. Why do we say that agriculture is the foundation of the national economy? How can the job of supporting agriculture be done well?
2. Why do we say industry is the leading factor of the national economy? Why must attention be paid to the development of agriculture and light industry while developing heavy industry?
3. What is the immense significance of correctly handling the relations among agriculture light industry, and heavy industry?

18

FRUGALITY IS AN IMPORTANT PRINCIPLE IN THE SOCIALIST ECONOMY

Practice Frugality and Economic Accounting

The socialist production process is one of planned allocation of labor time and striving to economize on labor time. To practice frugality and economic accounting in all enterprises and in managing the national economy is the essential condition for building socialism with greater, faster, and better results at lower costs.

Frugality Is a Necessity in Socialist Economic Development

The Significance of Frugality to Socialist Economic Development

What frugality means here is the economizing of manpower, materials, and funds. Economizing manpower means to save live labor; economizing materials means to save embodied labor; and economizing funds means to save live and embodied labor manifested in currency circulation. Therefore, all frugality is in fact the economizing of live and embodied labor, or the economizing of labor time.

In socialist society, saving labor time assumes an immense significance. Marx pointed out:

> Ultimately, all economy is a matter of economy of time. Society must also allocate its time appropriately to achieve a production corresponding to its total needs, just as the individual must allocate his time correctly to acquire knowledge in suitable proportions or to satisfy the various demands on his activity. Economy of time, as well as the planned distribution of labor time over the various branches of production, therefore, remains the first economic law if communal production is taken as the basis. It becomes a law even to a much higher degree.[259]

[259] Marx, "Outlines of the Critique of Political Economy," 109.

The goal of socialist production is to satisfy the needs of the state and its people. Frugality in labor time and planned allocation of labor time over the whole society in order to produce the maximum possible amount of use value with the minimum amount of labor expenditure is a basic path to guaranteeing to the greatest extent the satisfaction of the ever increasing needs of the state and its people. It is also in line with the objective requirement of the basic economic law of socialism. To violate the law of frugality is to violate the basic requirement of socialist economic development and to violate the basic interests of the proletariat and the laboring people. Therefore, whether frugality is enforced is primarily an issue of whether the objective law of the socialist economy is accepted and an issue of whether the basic interests of the proletariat and the laboring people are valued.

To practice frugality is an important way to increase accumulation through self-reliance in the socialist country. To engage in large-scale economic construction, the socialist country requires a large amount of capital funds. Where do the funds come from? Unlike capital imperialism and social imperialism, the socialist country cannot exploit its own people, engage in external aggression and plundering, demand war damages, or sell national resources to develop its economy. The socialist country can only rely on the diligent labor of its whole laboring people and internal frugality for accumulation. On the one hand, the production unit saves as much manpower, materials, and funds as possible, rationally allocates funds, and continuously expands the scale of production. On the other hand, nonproduction units such as state organs, military units, schools, and people's organizations must economize and eliminate waste in order to minimize the share of nonproduction expenditure in the state budget. This way, a large amount of capital funds can be accumulated for economic construction. The socialist country must practice frugality and oppose waste in order to accelerate socialist construction and better satisfy the ever increasing needs of the state and the people.

To practice frugality is especially important to China's socialist construction. China is a big country but is also an economically backward and poor country, a developing country. Chairman Mao pointed out:

> We want to carry on large-scale construction, but our country is still very poor—herein lies a contradiction. One way of resolv-

> ing it is to make a sustained effort to practice strict economy in every field.[260]

Therefore, Chairman Mao called upon the whole people:

> Diligence and thrift should be practiced in running factories, stores and all state-owned, cooperative and other enterprises; this principle should be observed in doing everything. It is the principle of practicing economy, one of the basic principles of socialist economy.[261]

The broad workers and poor and lower-middle peasants fighting at the forefront of production pay close attention to Chairman Mao's instructions. They understand the major significance of frugality. The laboring masses put it nicely, "Diligence without economy means pure waste of effort." Only through diligence and thrift can the laboring masses create wealth and play the greatest possible role and can China soon be developed into a big and strong socialist country.

To practice frugality is also necessary if a socialist country is to discharge its obligations related to internationalism. Only by saving more can we contribute more to world revolution.

Chairman Mao pointed out:

> all our 600 million people—must strive for increased production and economy, and against extravagance and waste. This is of prime importance not only economically, but politically as well.[262]

Diligence and frugality have always been the virtue of the proletariat and the laboring people. Under the guidance of Chairman Mao's revolutionary line, the broad masses of China practice diligence and frugality. It has developed into a common habit. Ostentatious display and waste are the poison of the bourgeoisie and all exploitative classes. Like their master Confucius, the Liu Shaoqi and Lin Biao clique were all people who "never worked with

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[260] Mao, "On the Correct Handling of Contradictions Among the People," 401.

[261] Mao Zedong, "Editor's Notes from 'Socialist Upsurge in China's Countryside' (section 28: Note to 'Run the Cooperative with Diligence and Thrift')," in *Selected Works*, vol. 5, 246-247.

[262] Mao, "On the Correct Handling of Contradictions Among the People," 402.

[their] four limbs and [who] could not distinguish the five grains." Extravagance and waste are the innate nature of the exploitative class. They hated the policy of "building the country with diligence and economy" formulated by Chairman Mao. In capital construction work, they went after "the big, the foreign, and the glamorous" projects. In resource management, they resorted to what was nominally known as "generous budget but tight expenditure." In fact, it was "generous budget and generous expenditure." In operation and management, they even clamored that "money will not escape abroad even if accounts are not reckoned for three years." Their criminal intent was to corrode those people among the revolutionary ranks who are irresolute, waste national resources, undermine socialism, sabotage proletarian dictatorship, and restore capitalism. Therefore, to practice frugality and oppose waste will not only accelerate socialist construction, but will also represent a powerful political struggle against people like Liu Shaoqi and Lin Biao. It is also a thorough criticism and repudiation of traditional concepts and established influence. We must consciously resist the corrosion and attacks of bourgeois ideology and extend the glorious tradition of the proletariat to establish new enterprises with ardor and to practice diligence and economy.

> We must help all our young people to understand that ours is still a very poor country, that we cannot change this situation radically in a short time, and that only through decades of united effort by our younger generation and all our people, working with their own hands, can China be made prosperous and strong.[263]

The Socialist System Opens a Broad Avenue to Frugality

In socialist society, there is not only a need for practicing frugality, but also a possibility for rationally and widely achieving frugality with respect to live and embodied labor on various battlefronts and in each individual sector of socialist production. This is chiefly because the laboring people in socialist society have become their own masters. The ultimate purpose of saving as much manpower, material resources, and funds as possible in order to provide more accumulation for the state and the collective and to

[263] Mao, "On the Correct Handling of Contradictions Among the People," 389.

better expand reproduction is to serve the interests of the proletariat and the laboring people. Therefore, practicing frugality is a conscious objective of the broad masses of laboring people. Once the socialist activism of the masses has been mobilized, all methods for frugality are employed: warehouses and storehouses are inventoried to tap potential material resources; technical innovations are made in a big way to tap the potential of unused equipment; labor organization and methods of operation are improved to tap labor potential; and comprehensive utilization is advanced to turn "waste" into valuable items and transform "the useless" into the useful. For example, the main plant of Northeast Pharmaceuticals mobilized the masses to advance comprehensive utilization. The broad laboring masses and technicians all taxed their brains to find ways to use "solid waste," "fluid waste," and "gaseous waste." As a result, several tens of new products were added. The main distillery in Beijing formerly produced only liquor. After advancing a mass movement to increase production and practice economy, several tens of important products were produced from the "three wastes" of the plant. It developed a comprehensive enterprise, turning out a great variety of products. The broad laboring masses are concerned with frugality and practice it in thousands of ways. This is not possible in a capitalist society. Under capitalism, the capitalist practices frugality in his own enterprise. The purpose is to minimize costs and extract maximum surplus value. The essence of frugality is to increase the exploitation of hired labor. Marx pointed out:

> Capitalist production, when considered in isolation from the process of circulation and the excesses of competition, is very economical with the materialized labor objectified in commodities. Yet, more than any other mode of production, it squanders human lives, or living labor, and not only blood and flesh, but also nerve and brain.[264]

The working masses are extremely resentful of the so-called frugality practiced by the capitalist and will resolutely resist and rebel against it.

Under the conditions of socialist public ownership, the law of frugality not only plays a role within various enterprises; more importantly, it plays a role in the whole national economy. The socialist economy is a planned economy. "[Labor time's] apportionment in accordance with a definite

[264] Marx, "Capital," vol. 3, 92.

social plan maintains the proper proportion between the different kinds of work to be done and the various wants of the community."[265] The socialist country can, through the national economic plan, rationally use manpower, material resources, and funds, centrally organize production and circulation, unfold socialist cooperation over the whole country, and combine the frugality of individual enterprises with the frugality of the whole society. Under capitalism, because of competition among enterprises and chaotic production, it is basically not possible to practice frugality in, a systematic manner throughout the whole society. This is especially so because of the serious waste of manpower, material resources, and funds connected with the periodic occurrence of business cycles. Marx pointed out:

> The capitalist mode of production, while on the one hand, enforcing economy in each individual business, on the other hand, begets, by its anarchic system of competition, the most outrageous squandering of labor power and of the social means of production, not to mention the creation of a vast number of employments, at present indispensable, but in themselves superfluous.[266]

Frugality and waste constitute a unity of opposites. The process of practicing frugality must inevitably be the process of opposing waste. To practice frugality, it is first necessary to strengthen the masses' and cadres' education concerning ideology and the political line, continuously advance the struggle against waste, and establish the idea of building the country with diligence and economy and arduous struggle. The Party's ideological and political work is the basic guarantee that the consciousness of the masses and the cadres to practice frugality will be raised and the policy of running enterprises with diligence and economy will be carried out. To combine ideological and political work with meticulous economic work, a rational system must be established. To strengthen economic accounting in the national economy and in various enterprises and to run the enterprises on the basis of economic accounting is a very important system.

[265] Marx, "Capital," vol. 1, 89.

[266] Marx, "Capital," vol. 1, 530.

Economic Accounting Is an Important Means to Develop the Socialist Economy with Greater, Faster, and Better Results at Lower Costs

Use Economic Accounting to Realize Greater, Faster, and Better Results at Lower Costs

Economic accounting is the analysis of economic activities through bookkeeping. In the production struggle, people learned a long time ago the importance of economic accounting. In the primitive commune of India there was a bookkeeper to record agricultural accounts and all events connected with them. Marx borrowed the story of Robinson Crusoe, popular among bourgeois economists, to explain the necessity of bookkeeping in the production process. Marx pointed out: For Robinson, who lived on an isolated island,

> Moderate though he be, yet some few wants he has to satisfy, and must therefore do a little useful work of various sorts, such as making tools and furniture, taming goats, fishing and hunting. . . . Necessity itself compels him to apportion his time accurately between his different kinds of work. . . . His stock-book contains a list of the objects of utility that belong to him, of the operations necessary for their production.[267]

The more social the production process becomes, the greater the necessity for economic accounting.

> [Bookkeeping] is. . . more necessary in capitalist production than in the scattered production of handicraft and peasant economy, more necessary in collective production than in capitalist production.[268]

Under different social systems, the content, format, and social consequences of economic accounting are different. In capitalist society, the capitalist uses economic accounting to extract the greatest possible amount of surplus value with the smallest possible amount of capital. The stricter this economic accounting, the more capital is saved, the more cruel is the

[267] Marx, 87.

[268] Marx, "Capital," vol. 2, 139.

exploitation of hired labor, and the poorer the laboring people become. In socialist society, economic accounting no longer reflects capitalist relations of production. Rather, it reflects socialist relations of production. Through economic accounting, the proletariat and the laboring people consciously employ the law of saving labor time to develop socialist production with greater, faster, and better results at lower costs and to better satisfy the needs of the state and the people.

Greater, faster, and better results at lower costs are important characteristics of socialist production. Socialist economic accounting is an important means to realize greater, faster; and better results at lower costs. Looking at it from the whole national economy, greater, faster, and better results at lower costs are inseparable. In production, if frugality is practiced to reduce consumption of raw materials, fuel, labor, and costs, the same amount of manpower, material resources, and funds can produce more products. At the same time, meticulous calculation, diligence and economy, the rational choice of raw materials, and the substitution of cheaper and better raw materials for more expensive and poorer quality raw materials can also lead to an increase in production by raising the quality of products and improving the durability of products. The manpower, material resources, and funds thus saved can be used to develop production of other items to accelerate socialist construction.

The bourgeoisie tries its best to extract the greatest possible amount of surplus value by using the smallest amount of capital. Soviet revisionism regards the pursuit of profit as the highest principle of economic accounting. Profits in the enterprises of Soviet revisionist state monopoly capitalism are a transformation of surplus value. Economic accounting in capital imperialism and social imperialism is the economic accounting of the exploitative class. It is diametrically opposed to socialist economic accounting.

The Laboring Masses Are the Masters of Economic Accounting

The position of the laboring masses in socialist economic accounting and capitalist economic accounting is entirely different. Because economic accounting in the capitalist enterprise serves the bourgeoisie but is fundamentally opposed to the interests of the laboring people, economic accounting is the business of only a few experts employed by the bourgeoisie. Socialist economic accounting serves the interests of the laboring people and is

in line with their basic interests. Therefore, economic accounting in the socialist enterprise is not merely the work of experts, but should and can become an economic activity that has the conscious participation of the laboring masses.

Economic accounting in China's socialist enterprise combines the laboring masses and the experts. China's experience demonstrates that to do a good job in economic accounting, the masses must participate. Economic accounting by experts must be based on mass accounting. Because the broad laboring masses have rich practical experience gained from fighting a long battle on the production forefront, they are familiar with their own production conditions. They know clearly where waste exists and where frugality can be further increased. They know very well how to improve techniques to raise efficiency, and how to calculate labor costs, material resources, and funds in order to achieve greater, faster, and better results at lower costs. Group accounting, organizations for economic supervision, and conferences to analyze economic activities in China's socialist enterprises are some of the better forms of economic accounting activities resulting from the masses taking control of financial management and the combination of the laboring masses and the experts. In the socialist enterprise, the masses, as their own masters, participate in group accounting, analysis of economic activities, and financial management. This way not only does economic accounting play a greater role in realizing greater, faster, and better results at lower costs, but it also presses the leadership personnel and the broad cadres to act according to the Party line and general and specific policies so that the enterprise will advance along the socialist road.

In socialist economic accounting, it is also important to exercise the role of the experts. Keeping in touch with the various workshops and departments in the enterprise makes the experts more familiar with the situation of the economic activities of the whole enterprise and facilitates the leadership and organization of the various economic activities. Of course, the experts must also go down, to the production forefront, fully rely on the masses, strengthen investigation and research, respect the creativity of the masses, and promptly solve problems of economic accounting arising in the process of production. Only thus can their proper role be fully exercised.

The System of Economic Accounting Is a Management System of the Socialist Enterprise

The System of Economic Accounting Embodies the Relations Between the State and State Enterprises and the Relations Among Enterprises

After the socialist country establishes a socialist state economy, how should the state enterprise be managed?

The socialist state economy based on the socialist state ownership system is the property of the whole laboring people. The socialist state possesses and manages the state economy as the representative of the whole laboring people. The socialist state stipulates production and operational plan assignments for the state enterprise and centrally allocates the output and earnings of the state enterprise to meet the needs of the state and the people.

Does state management of the state economy imply that there is no relative economic independence in the many state enterprises? Does this mean that all means of production and compensation for personnel are provided free to the state enterprise, that all products of the state enterprise are passed on to the state without any compensation, and that there is no independent accounting of profit or loss in the state enterprise? This kind of management system existed in history and is called the free supply system in enterprise management. In the 1918 to 1920 period of military communism[269] in the Soviet Union, this system of management of state enterprises was adopted. It was necessary under the special historical condition of military communism. But it is not practicable under the general conditions of building socialism. Under the condition of a free supply system, the absence of an independent accounting of profit and loss would make it difficult to detect where efficiencies or waste existed in the process of production and operation. Thus, it would be unfavorable to mobilizing the operation activism and strengthening the responsibility of the working personnel of the state enterprise. This would be in contradiction to the law of frugality.

[269] War Communism was a policy implemented by the Bolsheviks during the Russian civil war to ensure the revolution's survival. It was a necessary and temporary measure to centralize the economy, requisition grain from peasants, and prioritize resources for the Red Army. Though harsh, it was essential for defending the Soviet state against internal and external threats, paving the way for the future socialist transformation.—Ed. FLP

Then, is it all right to let state enterprises be independently responsible for their profits and losses? This is even less practicable. If this were the case, the socialist state ownership system could exist only in name and would degenerate into an enterprise ownership system, a small group ownership system, and ultimately a private ownership system. The economic law of capitalism would certainly exert itself.

In socialist society, the economic management of enterprises by the state objectively requires a system such as the system of economic accounting. What is the economic accounting system? In simple terms, it is an economic management system that guarantees the central leadership of the state and at the same time permits the relatively independent operation of enterprises.

As early as 1942, Chairman Mao brought up the principle of "centralization in leadership, and decentralization in management" in his directive to establish an economic accounting system in all state sectors of the economy. Centralized leadership means planned management of state enterprises according to centralized lines, directives, and policies and, in the light of concrete conditions, assigning enterprises various production targets including variety, quantity, quality, product value, labor productivity, costs, and profits to be turned over to the state. The enterprise must be responsible for the state plan and fulfill the various targets assigned by the state. Decentralized management means state allocation of funds to state enterprises according to their production and operational needs. Enterprises use funds allocated by the state and organize production, supply, and marketing activities according to the plan assignments set up by the state. Every state enterprise possesses some relative independence. It is responsible for its own profit and losses and relies on its own income to pay for its expenses and to furnish accumulation to the state. Decentralized management under centralized state leadership requires, on the one hand, that the state enterprise improve management of production and operation, strengthen economic accounting, and guarantee the fulfillment of the state plan. On the other hand, the state must create the necessary conditions for the state enterprise to improve production and operation, such as the prompt announcement of production plans and the proper organization of raw materials supply and production cooperation. The management of the state enterprise by the state through the economic accounting system guarantees centralized leadership by the state over state enterprises and also facilitates the enterprise's exercise

of socialist operational activism. It both avoids excessive control unfavorable to enterprise economic accounting and prevents excessive enterprise independence which may lead to the capitalist tendency of free operation.

Under the system of economic accounting, the characteristic feature of the economic relations among state enterprises is joint cooperation but independent accounting. State enterprises are the property of the proletariat and the whole laboring people. They belong to the same owners. They are related not only by the division of labor, but also by the fact that their identical basic interests require them to coordinate and closely cooperate on their own initiative. They are fundamentally different from capitalist enterprises based on the private ownership system. However, under the system of economic accounting, state enterprises are all units with relatively independent accounting and independent operation. Economic transactions and cooperation among them must be recorded to facilitate the calculation of economic benefits. The exchange of manpower, material resources, and funds among enterprises must therefore be inspired by the cooperative style of communism and follow the principle of equivalent exchange.

The above mentioned relations between the state and state enterprises and among state enterprises under the system of economic accounting enable the state enterprises to fully exercise their operation responsibility and activism under the centralized leadership of the state. Lenin once pointed out:

> Trusts and factories have been founded on a self-supporting basis precisely in order that they themselves should be responsible and, moreover, fully responsible, for their enterprises working without a deficit.[270]

Some people wonder, since all state enterprises are state property, why it is necessary to have such a refined accounting system among them. This idea, which negates the system of economic accounting, violates the socialist principle of frugality. In socialist society, increases in production and the practice of economy rely primarily on the Party's ideological and political work to raise the consciousness of the cadres and the masses. But it is also necessary to establish a system of responsibility with respect to operation

[270] V. I. Lenin, "To G. Y. Sokolnikov," *Collected Works*, vol. 35 (Moscow: Progress Publishers, 1973).

and management. If the system of economic accounting were not implemented, it would not be favorable to strengthening the operational responsibility of the management personnel, and substantial waste of manpower, material resources, and funds would result.

Corresponding with the duality in the socialist production process, the state enterprise must, in its process of economic accounting, calculate output, variety, and quality in light of their use value. It must also calculate costs, prices, profits, and so forth in light of their exchange value. Plan targets assigned by the state to state enterprises in its management through the system of economic accounting include product variety, specifications, quantity, quality, and other material targets as well as the value targets such as costs, output value, and surrendered profits. Material targets and value targets are complementary and necessary. But, the existence of value categories indicates the existence of commodity production and the existence of contradictions between use value and exchange value in commodities. The proletariat must develop production to satisfy the needs of the socialist state and the people according to the requirements of the basic socialist economic law. They must correctly handle the contradictions between use value and exchange value and realize greater, faster, and better results at lower costs throughout the whole economy. The agents of the bourgeoisie in the socialist economy will certainly exploit the contradictions between use value and exchange value to push the revisionist line of "producing more if profits are high and less if profits are low; don't produce if there are no profits" and conspire to restore capitalism. Therefore, the process of implementing the system of economic accounting will be full of the struggle between the two classes, the two roads, and the two lines. To win victory in this struggle, we must correctly understand and use the various value categories in the system of economic accounting.

Correctly Use the Value System to Do a Good Job in the System of Economic Accounting

Capital funds, production costs, profits, and other value categories in the socialist economic accounting system reflect socialist relations of production. They are essentially different from capital funds, production costs, profits, and other categories in the capitalist economy.

Capital funds in the socialist state enterprise are state property and are fundamentally different from capital in the capitalist enterprise. Capital is created by surplus value and reflects the exploitative relations of capital over hired labor. Capital funds in the socialist state enterprise are that part of the accumulated state wealth used for production and operation. The use of these funds by the enterprise to engage in production and operational activities follows the requirements of the basic socialist economic law and serves to expand reproduction and satisfy the ever increasing needs of the state and the people. The rational use of capital funds has tremendous significance in developing the socialist economy.

The production funds of the state enterprise can be classified as fixed capital and working capital according to the nature of their circulation in the production process. The material form of fixed capital funds is manifested by machines, plants, and so forth. The full exploitation of fixed capital assets is equivalent to the expansion of production capacity with a given amount of fixed assets. The state must stipulate a rational depreciation method and depreciation rate for fixed assets for the state enterprise (including visible and invisible depreciation) in order to ensure a continuous replacement of the fixed assets of the enterprise and permit necessary technical innovation. This is a necessary economic condition for the enterprise to maintain simple reproduction and a certain degree of expanded reproduction. The state also allocates to state enterprises a certain amount of working capital for their own use. If their needs exceed their allocated quota, they can borrow funds from the state bank. This is instrumental in urging the enterprises to accelerate the turnover of working capital and continuously reduce the ratio between production and funds (the amount of working capital funds required for each 100 *yuan* of production) through the correct calculation of the inventory quota of various materials and goods and the consumption quota of raw materials and fuel per unit output, and reduction of the production cycle, the improvement of production and marketing work, and other means.

The production cost of socialist products and the production cost of capitalist products are two essentially different economic categories. Capitalist production cost is capital consumption. The reduction of production costs in a capitalist enterprise indicates capital saving and the intensification of labor exploitation. Production costs in a socialist enterprise are expenses con-

nected with the production of a certain amount of products. Because enterprises under the economic accounting system have to depend on income from the sale of products to pay for their expenses and to obtain profits, the continuous reduction of production costs indicates the saving of labor time and higher labor productivity. More accumulation is thus available to the state or the collective. The role of cost reduction in socialist construction can be gauged by the following figure: According to 1972 data, every 1 percent reduction in total costs in China's industrial enterprises amounted to enough capital investment for three Yangtze River bridges in Nanjing.

Profits in socialist state enterprises are essentially different from profits in capitalist enterprises. Capitalist profits consist of transformed surplus value expropriated by the capitalist. Profits in socialist enterprises are the net social income created by the laboring masses. They are concentrated in the hands of the state through surrendered profits and taxes and are mainly used to expand socialist production and improve the people's livelihood.

Profits in the socialist economy can also be looked at from the viewpoint of the whole national economy. Under certain conditions, the socialist state can allow some enterprises to just break even or even to run at losses. For example, some interior and local industrial enterprises established to effect a more rational geographical distribution may not be making profits for the time being because of unfavorable conditions. But the development of these industries is favorable to the long-term interests of the national economy and the establishment of a strategic, strong, and stable hinterland. Therefore, even though these enterprises do not make any profit for the time being, the state still supports their development. Another example is that some enterprises producing certain products, especially new products, new materials, and products which support agriculture, may run at losses within a certain period of time. But the development of these products is instrumental in industrial construction and agricultural production. Temporary and planned losses can be allowed for the interests of the whole national economy and to consolidate the worker-peasant alliance. Needless to say, the enterprise must mobilize the masses to actively reduce production costs by improving production techniques and labor productivity and change losses into profits. These profits from the viewpoint of the whole national economy are called "advanced profits." These advanced profits embody the superiority of the socialist system. Of course, this does not mean that profits

in industrial enterprises and sectors are no longer important and losses can be legitimately made because of poor operation on the part of individual enterprises. Profits of the whole national economy are ultimately based on profits from individual enterprises and sectors. Therefore, enterprises suffering temporary losses should try hard to improve operation, reduce production costs, reduce losses, and turn losses into profits to provide more accumulation to the state.

Profits from socialist state enterprises are the main source of socialist accumulation. The socialist enterprise must criticize and repudiate putting "profits in command" on the one hand and oppose erroneous ideas that pay no attention to costs, profits, and increasing accumulation for the state on the other.

Having "profits in command" puts the achievement of the highest possible profits in the primary position. Production is guided only by profit. Production plan assignments from the state are ignored. This is a capitalist principle of operation and must be criticized and repudiated. Under the socialist system, because of different production conditions and supply demand conditions, state plan prices may not always be identical with the value of products. Other things being equal, when the product price is higher than the value, profits are higher. If the reverse is true, profits are lower. If state enterprises violate plan targets set by the state with respect to quantity and variety, and expand production of products with high production value and high profits and reduce production of products with small production value and low profits, this is a manifestation of putting "profits in command." The "total economic accounting system" implemented by the Soviet revisionist renegade clique to put profits in command is an important measure to restore capitalism. The essence of the "total economic accounting system" is the thoroughly capitalistic principle of profits. In the "total economic accounting system. . . the most important summary indicators of enterprise finance are profits and the profit rate." To a very large extent, the enterprise can determine the variety and quantity of production according to the size of expected profits. To increase profits, the enterprise can dismiss workers and increase labor intensity to "reduce production costs." This "total economic accounting system" that puts profits in command is an exploitative system imposed on the laboring people of the Soviet Union by the Soviet revisionist bureaucratic monopoly bourgeoisie.

The socialist state enterprise must also make profits. But there is no similarity to having profits in command. The socialist state enterprise only allows socialist profits to be increased by following the Party's line and general and specific policies, fulfilling the assignments specified by the state plan, and increasing production and practicing economy with proletarian politics in command.

Through increasing production and practicing economy, the socialist state enterprise increases profits and provides more accumulation to the state. In this way, it contributes to socialist revolution and socialist construction. Revenue from state enterprises (surrendered profits, taxes, and so forth) represents more than 90 percent of the revenue in China's state budget. If the enterprise cannot actively increase accumulation for the state, or even suffers unnecessary losses, revenue in the state budget will be reduced, thus adversely affecting socialist revolution and construction and the discharge of the obligations to internationalism.

In summary, the state's implementation of management by means of the economic accounting system in state enterprises is for the purpose of better realizing this directive of Chairman Mao:

> To run cooperatives with diligence and thrift it is necessary to raise labor productivity, practice strict economy, reduce costs of production, institute economic accounting and combat extravagance and waste. All cooperatives must raise labor productivity and reduce costs of production. As for economic accounting, it is to be taken up gradually. As the cooperatives grow in size, they cannot manage without economic accounting; they must learn to do it step by step.[271]

Strengthen Management with the Economic Accounting System in the Rural People's Communes

The means of production and labor power under the socialist collective ownership system belong to individual collective organizations of the laboring people. Each collective economic organization is an accounting unit. It organizes production under the direction of the state plan and sells commodities according to prices set by the state. It operates independently and

[271] Mao Zedong, "Debate on Cooperative Transformation," in *Selected Works*, vol. 5, 212.

is responsible for its profits and losses. Production and income distribution are carried on within the collective. At the same time, accumulation is provided to the state through taxes. The socialist national economy is a unified whole. The unified national economic plan drawn up by the state includes the state economy as well as the collective economy.

It is necessary to practice economic accounting not only in the management of state enterprises but also in the sector of the collective economy, because it will strengthen the economic accounting system and consolidate and promote the development of the collective economy.

China's socialist economy under the collective ownership system of the laboring masses exists in agriculture, industry (including the handicraft industry), transportation, and commerce. But it is most important in agriculture. Here we are mainly concerned with the problem of strengthening management by means of the economic accounting system in the collective economy of the rural people's commune.

China's rural people's commune at present uses the three-level ownership system of the commune, the production brigade, and the production team. The commune, the brigade, and the production team are all accounting units that operate independently and are responsible for their profits and losses. Financial transactions among the commune, the production brigade, and the production team and the allocation of material resources and labor power must be based on the principle of "equivalent exchange on a voluntary and mutually profitable basis."

In the economy of the rural people's commune under the collective ownership system, management by means of the economic accounting system is implemented in commune-operated enterprises by the commune and in brigade-operated enterprises by the brigade. The commune and the brigade exercise unified leadership over their respective enterprises, allocate a certain amount of capital funds to each enterprise, demand that they use these funds in a responsible way to fulfill the production plan assignments given to them by the state, the commune, and the brigade, and require them to discharge their expenses with their incomes and fulfill or overfulfill the accumulation assignments set by the commune and the brigade. With the development of commune and brigade operated enterprises and with the development of the collective economy at various levels, more and more units within the people's commune are adopting management by the economic accounting

system, and management by the economic accounting system must be further strengthened.

The production team is a basic accounting unit that operates independently. The collective fund of the production team is not allocated by the production brigade or the commune. It comes from the contribution and accumulation of the members. The commune and the brigade should lead, help, and support the production team to develop the collective economy. They cannot use the funds of the production team to develop the commune or brigade economies. Between the production brigade and the production team, there does not exist a relationship of management by the economic accounting system. This is to say, the production brigade is not ultimately responsible for profits or losses incurred by the production team. The teams themselves are responsible for their own profits and losses.

Although there does not exist a relationship of management by the economic accounting system among the commune, the production brigade, and the production team, the production team must also adopt economic accounting. Economic accounting in the production team consists primarily of calculating the annual consumption of embodied and live labor in production, accounting for annual income and expenses, reducing expenses and costs, avoiding nonproduction labor and other expenditures, and firmly opposing careless expenses and waste. Especially important is the establishment of a sound system of financial management. All financial expenditures must be subject to the required approval procedure. Democracy in financial matters must be practiced. All incoming and outgoing items must be announced monthly to the members. People must have separate responsibilities for food grain, material resources, money, and accounts to prevent excessive consumption, theft, and losses. Once economic accounting is strengthened and the system of financial management is improved, production costs can be reduced, the accumulation of production funds and members' income can be increased, and the broad members will love the collective economy all the more and will struggle for further consolidation and development of the collective economy and oppose spontaneous capitalist tendencies.

Major Study References

- *Marx, Engels, Lenin, and Stalin on Communist Society*, chapter 7.[272]
- Mao Zedong, "Editor's Notes from 'Socialist Upsurge in China's Countryside' (section 28: Note to 'Run the Cooperative with Diligence and Thrift')."
- Mao Zedong, "On the Correct Handling of Contradictions Among the People," section 11.

Review Problems

1. Why do we say that only socialist society is capable of practicing total frugality?
2. What are the effects of adopting management by the economic accounting system on building the socialist economy with greater, faster, and better results at lower costs?
3. How can the issue of profits in the socialist economy be correctly handled?

[272] *Marx, Engels, Lenin, and Stalin on Communist Society* (Shanghai: People's Press, 1958).

19

EXCHANGE IS AN ECONOMIC FORM THAT RELATES PRODUCTION TO CONSUMPTION

Socialist Exchange and Currency Circulation

Most of the products of socialist labor enter the realm of production consumption and personal consumption only through exchange. What are the characteristics of socialist exchange? How is it realized? What are the objective laws governing it? In developing the socialist economy, these are the issues that must be clearly understood.

Socialist Exchange Possesses Brand New Qualities and Characteristics

Socialist Exchange Is a New Type of Exchange in History

Exchange is determined by production. The fact that socialist production is a new type of production in the history of mankind determines that socialist exchange must also be a new type of exchange in the history of mankind. To recognize the qualities and characteristics of socialist exchange, first and foremost, one must see what essential exchange relations actually exist in socialist society.

For a considerable period of time, there have existed in socialist society the following major exchange relations: (1) the exchange relations among socialist state enterprises, the basis of which is the relative operational and managerial independence of state enterprises; (2) the exchange relations between the socialist state economy and the collective economy, the basis of which is the existence of two systems of socialist ownership; (3) the exchange relations within the socialist collective economy, the basis of which is that the means of production and the products belong to the different collective economies; (4) the exchange relations among peasants, as well as between peasants and the urban population and between peasants and the socialist commercial sector, the basis of which is the existence of family sideline production carried on by members of the rural people's commune; and (5) the exchange relations between state enterprises and their staff and workers, the

basis of which is the socialist state's distribution of personal consumer goods to the staff and workers by means of money wages.

The above five types of exchange can be classified into three forms according to the economic relations they reflect.

The first exchange relationship represents one form. This is, exchange within the socialist state ownership system. Through exchange, products pass from one state enterprise to another, but they are still state property; no transfer of ownership rights is involved. The only change is that these products are used by different enterprises. We know that the exchange of commodities is an exchange between different owners. Exchange between state enterprises is not exchange between different owners. Therefore, this type of exchange has lost the basic characteristic of commodity exchange. It begins to resemble the direct social distribution of products of the future communist society. However, because each state enterprise is still a relatively independent unit of operation, prices are still set in exchanges, and the principle of equivalent compensation is adopted. Thus, exchanges between state enterprises still possess certain characteristics of commodity exchange.[273] This form of exchange, because it has lost the basic property of commodity exchange, should be called product exchange to distinguish it from commodity exchange between different owners.

The second through fourth types of exchange relations represent another form. Even though there are big differences in these three types of exchange relations—some exchanges being based on the socialist public ownership system and others on family sideline production, reflecting the complex relations of labor exchange between workers and peasants and among peasants—these types of exchange are still exchanges between different ownership systems or different owners. Here, after an exchange, the ownership rights to the products have been transferred. Therefore, they still possess the basic features of general commodity exchange. This form of exchange should be called commodity exchange.

[273] According to the socialist definition, the primary difference between a commodity and a product is that the commodity involves a transfer of ownership through the market mechanism, while a product is usually allocated through direct distribution without any transfer of ownership.—Ed.

The fifth type of exchange relationship differs from the above two forms. The way in which the staff and workers of state enterprises use their labor compensation to buy consumer goods resembles Marx's description:

> He receives a certificate from society that he has furnished such-and-such an amount of labor (after deducting his labor for the common funds), and with this certificate he draws from the social stock of means of consumption as much as the same amount of labor costs. The same amount of labor which he has given to society in one form he receives back in another.[274]

This is also an exchange. The same principle is used to regulate commodity exchange. Namely, a certain amount of labor in one form is exchanged for an equal amount of labor in another form. However, this exchange has already assumed a new content. The staff and workers of socialist society are the masters of the state and the enterprises. They do not sell their labor power. The exchange between the state and the staff and workers is a special type of exchange. It is actually a form of distribution of personal consumer goods among staff and workers in the socialist state. This type of exchange, because it involves a transfer of ownership rights and because the same principle used in the exchange of commodities of equal value applies here, will still be treated in the category of commodity exchange in our later analysis.

These five types of exchange relations, which take three different forms, can finally be grouped according to two aspects, product exchange and commodity exchange. These two types of exchange are different in nature and have their own characteristics.

Product exchanges between state enterprises are mainly exchanges of means of production. This type of exchange is a link between production and production consumption and is directly related to production; it is an act of production.

Because socialist product exchange is directly related to production and because socialist production develops in a planned and proportional way, the exchange of important means of production must be allocated by the state strictly according to the plan rather than through market transactions. Although socialist commodity exchange is also carried on under the guidance of state plans, it cannot be allocated through the plans, because the

[274] Marx, *Critique of the Gotha Program*, 14.

objects of exchange, being mainly personal consumer goods, can only be exchanged through market transactions.

Since socialist product exchange is realized through state planned allocation, any contradictions in supply and demand can be resolved in a planned manner by the state by adjusting production or product circulation plans or by economizing and finding substitutes. Here, the law of value no longer has any regulatory significance; it merely has a little influence. The law of value, however, does have a certain regulatory function in socialist commodity exchange. Although the total amount and composition of consumer goods entering circulation are determined by the state plans and although the society's purchasing power is also regulated by the state plans, state planning is for the purpose of guaranteeing people's livelihood needs. Through a state circulation plan for consumer goods, personal consumer goods still go through the market. The socialist state cannot dictate what and how much the consumer should buy. Under normal circumstances, if the prices of some personal consumer goods are too high, their sales volume declines. If their prices are too low, their sales volume expands. Having recognized this law, the socialist state has to use this regulatory function under specified conditions to bring about an equilibrium between supply and demand. For example, some luxury commodities can be sold in definite amounts at prices higher than their value if demand exceeds supply. Conversely, to expand the market and satisfy people's livelihood needs, daily necessities can be sold at prices equal to or below their values if they are produced in a sufficiently large quantity to meet all demand.

Product exchange in socialist society is unprecedented in history. Commodity exchange in socialist society is also different in principle from any historical commodity exchange. Commodity exchange from slave society to capitalist society is all based on the private ownership system. With the exception of those exchanges of family sideline products produced by members of rural people's communes and inhabitants of cities and towns, commodity exchange in socialist society is all based on the socialist public ownership system. Its purpose is to satisfy the needs of the state and the people. It is a new form of exchange. Under socialist product exchange and commodity exchange, there begin to emerge elements of direct social distribution of the means of production and consumer goods, developing the promising prospect of developing from a socialist to a communist society.

Exchange in Turn Promotes the Development of Production and the Improvement of People's Livelihood

In the process of social reproduction, production plays a determining role. However, exchange directly and indirectly reacts with it. Engels said:

> Each of these two social functions [of production and exchange] is subject to the influence of what are for a large part special external factors, and consequently each has what are also for a large part its own special laws. But on the other hand, they constantly determine and influence each other to such an extent that they might be termed the abscissa and the ordinate of the economic curve.[275]

This statement of Engels is applicable to commodity as well as to product exchange.

The development of socialist industrial and agricultural production is the material basis of socialist product and commodity exchanges. Chairman Mao pointed out as early as 1942 that "the general policy guiding our economic and financial work is to develop the economy and ensure supplies."[276] That is to say, only when agricultural production is developed can there be enough means of production to satisfy the needs for further developing production and expanding capital construction and can there be enough consumer goods to enliven the market and stabilize prices. Without the development of industrial and agricultural production, it is impossible to improve socialist product and commodity exchanges.

On the other hand, socialist exchange also plays an immense initiating role in the development of socialist industrial and agricultural production. Through socialist product exchange, the exchange of material resources among various regions of the country and among various state enterprises in different sectors of the national economy is realized. Through socialist commodity exchange, the economic relations between agriculture and industry, production and consumption, the economy under the state ownership system and under the collective ownership system, and the urban and rural areas are achieved. State material resources departments in charge of socialist

[275] Engels, *Anti-Dühring*, 159.

[276] Mao Zedong, "Economic and Financial Problems in the Anti-Japanese War," in *Selected Works*, vol. 3, 99.

product exchange actively organize the exchange of the means of production among state enterprises. The socialist commercial departments responsible for socialist commodity exchange actively organize and purchase commodities at the appropriate time from the industrial and agricultural production sectors and sell them to the consumers in a planned and systematic manner. This plays an immense role in rapidly developing the national economy in a planned and proportional manner and in improving the livelihood of the urban and rural areas. It is also an important aspect of consolidating the worker-peasant alliance.

The promotional role of socialist exchange with respect to production and consumption can only be fully exercised through people's correct handling of the various contradictions in the exchange process.

A very important link in actively promoting the development of production through socialist product exchange is whether the material resources departments can fully understand and correctly handle the contradictions between the supply of and the demand for the means of production within the state ownership system. In the process of high speed development in the socialist national economy, on the one hand, the supply of the means of production generally increases at a higher speed than that of consumer goods. On the other hand, the quantity, quality, variety, and specifications of the means of production often do not fully satisfy the development requirements of socialist construction. These contradictions between the supply of and the demand for the means of production will objectively exist for a long time and will be manifested in the various departments of the national economy, various regions, and various state enterprises. Only through regular study and correct management, properly balancing plans, and matching supply with demand, can a continuous relative balance between the production of, and the requirements for, means of production be maintained and rapid development of socialist production be achieved.

The process of socialist commodity exchange is even more complex. The objects of commodity exchange are mainly consumer goods, but they also include a certain amount of means of production. Relations between the state economy and the collective economy, within the state economy, and among the collective economies all exist in commodity exchange. In complex commodity exchanges, the contradictions between supply and demand will also exist for a long time. It is concretely manifested in the contradic-

tions within the specialized commercial departments responsible for commodity exchange work, agriculture, industry, and consumers.

The contradictions between socialist commerce and agriculture are mainly manifested by the proportions of agricultural and sideline products that are purchased or retained—by purchasing prices, by the forms in which such products are purchased, and by the supply and prices of industrial products. Some part of agricultural and sideline production is commodity production for the satisfaction of social needs. The other part is self-sufficient production to satisfy the peasant's own needs. In the process of purchasing, it is necessary to suitably arrange the proportions of agricultural and sideline products to be purchased or retained, so that the state can obtain the required amount of agricultural and sideline products and so the peasant can also take care of his production and livelihood. At the same time, when socialist commerce purchases agricultural and sideline products, it must also be good at sending industrial products to the rural areas. It must strive to ensure the inflow and outflow of goods to satisfy fully the requirements of both socialist agricultural production and the peasants' livelihood. The purchasing prices of agricultural and sideline products and the supply prices of industrial products directly affect the income of the peasant, the expansion of agricultural production, and state accumulation. It is necessary to determine reasonable purchasing prices for agricultural and sideline products and supply prices for industrial products so that an exchange relationship of equivalent values between industrial and agricultural products can be maintained. Handling the contradictions between commerce and agriculture according to correct principles makes it possible to do a good job in commodity exchanges between the urban and rural areas and is favorable to mobilizing the activism of the peasants in socialist production, promoting the development of industrial and agricultural production, and consolidating the worker-peasant alliance.

The contradictions between socialist commerce and industry are mainly internal contradictions in the state economy. State industry is engaged in production. State commerce is engaged in the market. The contradictions between industry and commerce are mainly contradictions involving the quantity, quality, variety, and price of industrial products on the one hand and market requirements on the other. There is a relative stability in industrial production. But market requirements change. The contradictions

between relatively stable industrial production and variable market requirements often bring about contradictions between industry and commerce. Another contradiction is the lack of coordination between the production plan and the marketing plan, which results from inadequate investigation and research in the development, changes, and laws of production and the market. The influence of capitalist ideas of operation or the interference of the revisionist line further aggravates the contradictions between industry and commerce. To correctly handle the contradictions between industry and commerce, the commercial departments must follow the requirements of the basic economic law of socialism, strengthen investigation and research, duly report the consumer requirements to the industrial departments, bring about closer cooperation between industry and commerce, and actively help the industrial branches develop production, expand variety, and raise quality in order to together better satisfy the needs of the state and the people.

The contradictions between supply and demand in the commodity exchange process are ultimately manifested as contradictions between socialist commerce and the broad masses of consumers. With the rapid growth of industrial and agricultural development, the purchasing power of the people has been continuously raised. It is natural that they require socialist commerce to provide a better and greater variety of consumer goods. However, the growth of social production always lags behind the growth of social demand. Therefore, correctly handling the contradictions between commerce and agriculture and between commerce and industry is the precondition for correctly handling the contradictions between commerce and the consumers. But this is not enough. To correctly resolve the contradictions between commerce and the consumers, those who work in commerce must further establish the concept of wholeheartedly serving the people.

China's commercial workers put it well: "The counter is limited to three feet in height, but service to the workers, peasants, and soldiers is unlimited." Only when this mental outlook is established can socialist commerce actively organize supplies of commodities, rationally allocate commodities, and properly arrange the socialist market according to the various requirements of the workers, peasants, and soldiers. At the same time, in organizing for the people's livelihood, socialist commerce should not merely passively adapt to consumer demand; it should actively influence consumption, direct consumption, and do a better job of organizing for the people's livelihood

according to the development conditions of socialist industrial and agricultural production and the conditions of national resources.

The sphere of distribution is not merely a place where products and commodities are exchanged. It is also a battleground for class struggle between the proletariat and the bourgeoisie. This battleground is familiar to the bourgeoisie, but not as familiar to the proletariat. New and old bourgeois elements resort to bribery, speculation, and other illegal means and to inciting improper practices such as barter and backdoor deals to corrode people's ideology and undermine socialism.[277] The agents of the bourgeoisie inside the Party try hard to push the revisionist line, which aims at restoring capitalism in the circulation sphere. The clique of Liu Shaoqi, that renegade, traitor, and scab, widely instituted the idea of putting "regulations in command" in product exchange, advocated "service to all the people" in commodity exchange, and encouraged the nefarious practice of backdoor deals. This is a betrayal of Marxism. To push back the frantic attack of the bourgeoisie, we must hold firmly to Chairman Mao's proletarian revolutionary line, criticize the revisionist line, hold firmly to having proletarian politics in command, and observe and handle problems with the viewpoint of class struggle so that socialist exchange not only promotes production development and improves the people's livelihood, but also consolidates the socialist economic base and proletarian dictatorship.

Socialist Exchange Must Have Appropriate Forms of Organization

Product Exchange Needs an Appropriate Supply System and Channels

The circulation process of the means of production from production to production consumption is very complex. Appropriate forms of exchange under the guidance of a central state plan are required so that the means of production can go from the production sphere to the production consumption sphere at the proper time, in the right amount, and with quality in order to promote the development of production.

The form of product exchange reflects the interrelations in product exchange among enterprises, among regions, and among departments with-

[277] Implied here is the unauthorized or illegal transactions between state enterprises.—Ed.

in the state ownership system and between the central economic departments and the local economic departments. China's socialist construction experience tells us that it is very significant to rationally set up a system of supply of material resources in handling these interrelations.

China's material resources supply system adopts the principles of "unified leadership, control by level, and specialized operation" in line with Chairman Mao's great strategic policy of "be prepared for war, be prepared for natural disasters, and do everything for the people" and his teaching "Let the local units do more things under a unified central plan." As manifested in product exchange, the state classifies the means of production into three groups according to their significance and functions in the national economy. The first group is "material resources under unified allocation." These resources are vital for developing the national economy. Examples are steel, copper, and important mechanical and electrical equipment. They are allocated centrally by the state planning departments to ensure the needs of the state's important construction projects. The second category is "material resources which are under the control of a department [of the central government]." These are important resources in the national economy, such as tin, nickel, and those which are either highly specialized or are used as supplements to other products, such as metallurgical furnace materials. They are allocated by the responsible control departments in a balanced manner. The third group is "material resources under local control." These are resources not included in the first and second groups which are controlled by provinces, municipalities, and autonomous regions. The material resources required for socialist construction are numerous and varied. If they were all centrally controlled by the state planning department, socialist construction could be adversely affected. Unified leadership, managed by different levels and operated according to specialization, meets the need for building socialism with greater, faster, and better results at lower costs.

At present, based on the above principle, China's material resources supply system is selectively and systematically adopting the method of "regional balance, differential allocation, regulation of variety, and guaranteed delivery to the state under a unified state plan." This requires that, with a unified state plan and guaranteed delivery to the state as preconditions, locally produced raw materials and equipment are balanced locally and complemented locally. This method supports the implementation of the great strategic

policy of preparing for wars, preparing for natural disasters and doing everything for the people. It encourages the gradual establishment of an industrial system among various cooperation regions or even among provinces, the mobilization of central and local activism, the proper handling of the interrelations between the central and local units, as well as among regions and among enterprises, and the promotion of production growth.

After a proper material resources supply system is established, appropriate concrete forms of product exchange and channels for it are also required to expedite the flow of goods, so that the means of production can be circulated from one state enterprise to another state enterprise more quickly and economically through rational circulation links. At present, there are basically three types of concrete forms and circulation channels in China's product exchange.

The first is direct supply. This is a form of exchange in which raw materials and equipment produced by a state enterprise are directly delivered to the user without going through any middle link. However, it is arranged under a unified state plan and according to the supply contract among enterprises. This form of product exchange shortens the circulation time, reduces circulation expenses, stabilizes the supply and demand relations, and helps improve product equality. It is the direction of development for the form of product exchange. But this form of exchange cannot be used under all circumstances. In general, it is suitable for circulation among those enterprises where supply and demand volumes are large and the supply-demand relation of products is stable.

The second is supply by material resources branches. This is also conducted under a unified state plan. Like the previous form of exchange, it is also within the scope of plan allocation. However, it must go through the material resources branches. In other words, according to the product supply contract, raw materials and equipment produced by a state enterprise must first be collected and sent to state material resources branches. After necessary processing and arrangement by the material resources branches, they are supplied to enterprises for consumption. Raw materials and equipment subject to this form of exchange are generally in great demand, but the demand from individual units is small. If they were all to be delivered directly by the producing enterprise to the consuming enterprises, the producing enterprise would have to have a vast supply organization in order to deliver

goods on time. Consequently, although it seems slower and more expensive to use state material resources branches rather than direct supply, in fact, it means that storage charges and transportation fees can be reduced and the means of production can be supplied faster to the consuming enterprises. In addition, because the state needs to keep a reserve of some means of production and state enterprises may also have a sudden demand for some means of production because of changes in plan assignments, state material resources branches are needed to form a middle link for managing and organizing the supplies of the means of production.

The third is supply organized by commercial branches. These are products that can be used for production consumption or personal consumption. Some are small spare parts and small metal tools with assorted specifications and limited usage. It is more convenient to have these small and assorted means of production managed by commercial branches so that they can be bought by the user unit in the market at any time.

The Three Channels of Commodity Exchange

Socialist commodity exchange must also have appropriate channels in order to facilitate goods circulation and fully exercise its function. At the present stage, China's socialist commodity exchange is conducted through the three channels of state commerce, commerce on the basis of collective ownership, and trade fairs. These three channels of commodity exchange constitute China's unified socialist market. They perform different functions according to their different positions.

State commerce is the main body and leading force in the unified socialist market. It leads the commerce of the collective ownership system and rural trade fairs. Most of the commodities and all wholesale links are controlled by state commerce. Commodities are delivered to the consumer in a planned manner by state commerce according to the principle of overall design, appropriate arrangement, and guaranteeing key points.

Commerce taking place under the collective ownership system assists state commerce. Commerce under the collective ownership system refers mainly to rural supply and marketing cooperatives. Urban cooperative stores also belong in the category of commerce under the collective ownership system.

In China, after the proletariat seized political power, it was faced with an extremely broad rural market in which the individual economy was dominant. If this market were not occupied by socialism, it would be occupied by capitalism and become a hotbed for capitalism. While actively developing state commerce, the rural laboring people were mobilized to organize rural supply and marketing cooperatives to purchase agricultural and sideline products and to supply industrial products. It was critically necessary to make the people assistants of state commerce in the rural areas in order to regulate supply and demand and control the market. Experience has shown that the establishment and development of the supply and marketing cooperative in China has played a very important role in strengthening socialist commerce, severing the relationship between the individual economy and the capitalist economy, and promoting the socialist transformation of the individual economy.

The cooperative stores were originally formed by individual workers in the urban areas. They were a transition from individual commerce to state commerce. At the present stage, the existence of cooperative stores makes it convenient for the urban inhabitants to buy daily commodities.

Rural trade fairs are a supplement to socialist commerce. The small quantities of family sideline products produced by the collectives' peasants, with the exception of those retained for their own consumption and those sold to the state, can be marketed at rural trade fairs according to state regulations. Trade fairs are places where peasants exchange what they have for what they want and where peasants exchange directly with urban people. No middlemen are allowed.

Rural trade fairs have a dual character. On the one hand, they promote the development of agricultural and sideline production, increase the team members' income, and enliven the rural economy. On the other hand, rural trade fairs are an unplanned market. If they are allowed to develop without control, they will interfere with the socialist planned market and nurture capitalist power. Under the socialist system, if rural trade fairs are to be allowed to exist for a period of time, leadership and management over them must be strengthened in order to foster their positive role and restrict their negative role so that they better serve the socialist economy.

Money Must Be the Servant of Socialist Exchange

Money Under the Socialist System Begins to Acquire New Properties and Functions

In human history, money appeared as a medium of exchange when trade developed to a certain degree. Since commodity production and commodity exchange still exist in socialist society, money is still necessary.

In socialist society, money is not only related to socialist commodity production and commodity exchange, it is also related to socialist product production and product exchange. The economic conditions of socialism have changed the nature and functions of money.

Money, in its relation to commodity production and commodity exchange, is still an accounting unit under the socialist system, but it no longer reflects capitalist relations of production. Capitalist commodity production and commodity exchange, which embody the exploitation of hired labor, are no longer associated with this money. It is associated instead with socialist commodity production and commodity exchange, which embody the exchange of labor between the worker and the peasant.

The means of production exchanged among state enterprises, so far as their leading aspect is concerned, are no longer commodities but products. However, in its planned leadership over the national economy, the socialist state must use money as a unified standard to measure social labor, whether in the formulation of production targets, the allocation of material resources, or the distribution of the total social product. This means that money under the socialist system begins to have a new property—namely, a means to measure labor in national economic planning work. And the further we go, the more important this new property of money becomes. In the course of development, with the gradual elimination of commodity production and commodity exchange, money as an accounting unit will also gradually be eliminated. Even then, however, a means of measuring labor will still be necessary in national economic work.

In the distribution of personal consumer goods in socialist society, in addition to being an accounting unit, money also serves as labor coupons. The distribution of personal consumer goods in the departments under socialist state ownership is conducted this way: the state pays money wages to the staff and workers according to the principle of "from each according to his ability, to each according to his labor." The staff and workers use the

money to buy the consumer goods they need. Here, the role of money is similar to that of labor coupons. Marx once said: "[A portion of labor time] serves as a measure of the portion of the common labor borne by each individual, and of his share in the part of the total product destined for individual consumption."[278]

This change in the nature of money under the socialist system reflects the characteristics of socialist relations of production. This change is embodied in the functions of money.

The first function of money is as a measure of value. This is true also in socialist society. In socialist society, money is used to measure both the social labor embodied in commodities and the social labor embodied in all products. The socialist state uses the function of money as a measure of value to set the prices of commodities and products and to fix targets of production, costs, and profits in value terms in order to exercise planned management of the national economy.

When money acts as a means of circulation in the socialist system, it serves not only as a medium of exchange for commodities but also as a medium of exchange for products. In socialist society, this function of money is carried out by paper currencies. Paper currencies have no intrinsic value. They are merely value symbols. In China, these value symbols are the *renminbi* issued by the People's Bank of China. The function of money in the socialist state is as a means of circulation to promote the economic relations between industry and agriculture, between the urban and rural areas, and among state enterprises.

In socialist society, money performs as a means of payment. The socialist state enterprise uses this function of money to pay taxes and profits to the state and wages to the staff and workers, and to repay loans from fraternal enterprises. The socialist state uses this function of money to centralize and distribute state budget funds and credit funds.

In socialist society, money also serves as a means of accumulation and savings. The net social income created by the laboring people becomes the socialist accumulation of the state in the form of money. The part of the labor compensation of the laboring people that is not yet spent is also deposited in the state bank in the form of money to be used to promote socialist construction.

[278] Marx, "Capital," vol. 1, 89–90.

In the foreign economic relations of the socialist state, gold serves as a universal currency. In the socialist state's foreign aid and foreign trade, gold serves as a general means of payment and an embodiment of social wealth. Because China's *renminbi* is a rare and stable money in the world, it has earned a good reputation. In China's foreign trade, more and more countries are willing to use the *renminbi* as a means of calculating prices and for international accounting.

In socialist society, because the means of production are publicly owned, individuals cannot purchase them. Money, therefore, cannot generally be converted into capital. A decisive blow is thus dealt to the money fetishism popular under the capitalist system. However, since money still exists in an independent form as exchange value, money can be used to purchase almost all consumer goods. Therefore, remnants of money fetishism must still exist. Lin Biao publicly advocated the nonsense "Let us all get rich" with the intention of corroding people's thought with money fetishism and undermining the socialist system. Therefore, it is an historical mission of the proletariat and the whole laboring people in the historical stage of socialism to repeatedly criticize and repudiate such ideas of the exploitative class as "money can bribe gods," "money can persuade a ghost to work the grinding stone," and "get promoted and make a fortune" and to wage an unending struggle against the criminal activities such as corruption, theft, bribery, speculation, and opening underground factories that are carried on by new and old bourgeois elements.

Use the Law of Money Circulation to Serve Socialist Construction

In the process of production, exchange, distribution, and consumption, there is a movement of money corresponding to the movement of commodities and products. In capitalist society, production and exchange are carried on blindly and spontaneously. Money circulation in the market is also carried on blindly and spontaneously. In socialist society, production, exchange, and distribution are all carried on according to plans. The socialist state can expand and contract the money supply in a planned way, achieving planning in money circulation in order to make it serve socialist construction. To achieve planning in money circulation, it is first necessary to understand the movement of money under the socialist system and to know the objective law of money circulation.

In socialist society, product exchange among state enterprises does not generally require actual money (cash) transactions. Price calculation in the product exchange process is performed by using the function of money as a measure of value. When money performs its function as a measure of value, no cash is required on hand. Only the concept of money is required. Payments in the product exchange process are effected through account clearings in the state bank, so no money transaction is required for this either.

In socialist society, there are four main channels for issuing and withdrawing money (money circulation channels).

First, state enterprises, business units, and state organs obtain money from the state bank to pay wages to staff and workers. Staff and workers use their wages to buy personal consumer goods or to pay for other labor expenses. This way, money flows back to the bank through the commercial sector and service industries. In addition, staff and workers can save by directly depositing money in the bank without any commodity exchange.

Second, the commercial branches obtain money from the state bank to purchase agricultural and sideline products from rural collective economies. A part of the money income from the sale of agricultural and sideline products is used by the collective economies to buy chemical fertilizers, insecticides, agricultural machines, and other means of production from the state. This way, this part of the money again returns to the bank. Another part of the money income of the collective economy is distributed to the peasants of the collectives according to their labor contributions. The peasants use it to buy industrial products from commercial branches or save it. This way, this part of the money also ultimately returns to the bank.

Third, through their purchases at trade fairs, a part of the money income of the urban people also circulates. However, it must also finally return to the bank through the peasants' purchases of industrial products and savings deposits.

Fourth, economic transactions among state enterprises, business units, and state organs are basically conducted by transfers of credit. But some assorted and small payments also require cash. State enterprises, business units, and state organs can only retain the amount of cash specified by the state. Any amount over and above this limit must be deposited in the state bank. Therefore, the amount of money needed for such circulation is limited.

These money circulation channels are closely related to socialist commodity exchange. Money circulation is determined by commodity circulation. According to the law of money circulation explained by Marx, the formula for money circulation is:

$$\text{Amount of money as means of circulation} = \frac{\text{Total money value of commodities}}{\text{Money circulation velocity}}$$

This formula is still valid under the socialist system. This formula says that the amount of money needed for circulation in a given period of time is directly proportional to the total money value of commodities that require money to be realized and inversely proportional to the velocity of money circulation. Since paper currencies are only value symbols of money, the issue of paper currencies should correspond to the amount of money needed for circulation. Only in this way can the value of money be stable and its active role in socialist economic movement be fully exercised. If too little money is issued, commodities may pile up in the circulation sphere because the medium of exchange is lacking, and they will not reach the consumer in time. If too much money is issued, it will result in too much money chasing limited amounts of commodities. The prices of commodities will then rise in the trade fairs, and the value of the paper currency will fall. The socialist state consciously uses the law of money circulation to match money circulation with commodity circulation and promote the planned movements of socialist production, exchange, distribution, consumption, and other links through a planned regulation of the channels of money circulation.

China's *renminbi* is a rare and stable money in the world. Mainly because under the guidance of Chairman Mao's proletarian revolutionary line, China's industry and agriculture continuously develop, fiscal revenues are plentiful, and international payments are balanced. A strong socialist economy lays a stable material foundation for China's money and permits the state to release a large amount of commodities continuously into the market at stable prices to match the demand from the increasing purchasing power of the people. The stable value of the *renminbi* is also a result of the state's conscious use of the law of money circulation and the planned management of money circulation to realize a balance between income and cash payments. On the one hand, the state controls the release of

money through a planned regulation of the number of staff and workers, the rate of wage increases, the purchasing power of state enterprises, business units, and state organs, and the regulation of the purchasing prices of agricultural products. On the other hand, the state organizes the withdrawal of money from circulation by duly and sufficiently supplying commodities required by the urban and rural people, by regulating planned prices, and by mobilizing the people to save. This way, the amount of *renminbi* in circulation is matched by the amount of circulation required, thus guaranteeing the stable value of the *renminbi*.

The planned regulation of money circulation in the socialist state is carried on through the state bank. In China, the People's Bank is the state bank. The People's Bank of China, which issues and withdraws *renminbi* and regulates money circulation in a planned way according to the development of production and the requirements of commodity circulation, becomes a nationwide cash income-outgo center. The People's Bank of China also centrally organizes non-cash account clearings among all the state economic branches, enterprises, and units. It is also a nationwide credit center that seeks to achieve a fuller use of idle money through its deposits and payments purchases. In summary, all money accounting and payment activities develop from the central point of the state bank. The socialist bank is not only an economic organization, but also a state bank in charge of managing the national economy in the proletarian state. It plays a very important role in socialist revolution and socialist construction.

Major Study References

- Karl Marx, "Capital," vol. 1, chapter 3.
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Review Problems

1. What are the new features and characteristics of socialist exchange? What is the difference between socialist product exchange and commodity exchange?
2. What are the forms of organizations and channels through which socialist product exchange and commodity exchange are realized?

3. What are the characteristics of the nature and functions of money under the socialist system? How can the socialist state organize money circulation in a planned way?

20

CORRECTLY HANDLE THE RELATIONS AMONG THE STATE, THE COLLECTIVE, AND THE INDIVIDUAL

The Distribution and Redistribution of the Socialist National Income

Products produced in socialist society must generally go through exchange and distribution before they are consumed. The repeated and continuously renewing process of production, exchange, distribution, and consumption is a process of reproduction. The correct handling of the relations among the state, the collective, and the individual with respect to distribution and the correct distribution of the social product and national income play an important role in the smooth conduct of socialist reproduction.

The Socialist National Income Comes from the People and Is Spent on the People

The Socialist National Income Can Continuously Increase at a High Speed

Socialist reproduction has its own characteristics. These characteristics are actually simply the repeated occurrence of the characteristics of socialist production. The purpose of reproduction is to satisfy the ever increasing needs of the socialist state and the people. It is not for the purpose of exploitation as in capitalism. Socialist reproduction is carried on in a planned and proportional way. It is not the blind competition of capitalism. Socialist reproduction is continuous expanded reproduction. It is not interrupted by cyclical economic crises as in capitalism. These characteristics of socialist reproduction are inevitably reflected in the creation and distribution of the socialist national income.

National income is the total social product produced by the laborers of the material production branches in a country at a given period of time (usually a year) minus the depreciation of the means of production. It is the wealth created by the laborer of the material production branches.

Because of the dual character of socialist production, the national income created by socialist production is manifested in products as well as in value. National income in the form of products cannot be calculated by simple addition because of the different variety of products. But since it has value, its total and rate of increase can be calculated at current prices or constant prices.

The main factors determining the creation and increase of national income are as follows: increases in social labor, increases in labor productivity, and savings in the social consumption of the means of production.

In general, other factors being equal, the higher the amount of labor engaged in social production, the higher the national income created, both in physical and in value terms. Under socialism, the purpose of production and reproduction is to satisfy the ever increasing needs of the state and the people. The scale of reproduction increases year after year, and the national income can also sustain its growth. Under capitalism, the purpose of production and reproduction is exploitation. The expansion of reproduction is often interrupted by economic crises. Relative overproduction is aggravated, leading to mass unemployment, which is a unique social problem in capitalism. This way, the increase in the capitalist national income will certainly be adversely affected.

Also, if the amount of labor is constant, then the faster the labor productivity in the production enterprise is increased, the faster the physical volume of national income—that is, national income computed at constant prices, will increase. In socialist society, the initiative and activism of the laboring people can be fully exercised. Advanced technology can be widely disseminated. The advancement of mass technical innovation and technical revolution provides a broad vista for increasing labor productivity and national income. In capitalist society, the laboring people are oppressed and exploited. The initiative and activism of labor are suppressed. Advanced technology is used only if it results in more surplus value. Therefore, the increase in labor productivity and national income face tremendous obstacles.

Let us look at the third factor in determining national income. If the total social product is fixed, then the more the means of production are saved in the production process, the smaller the deduction from the total social product will be and the faster the growth of national income will

be. In socialist society, the laboring people are the masters. They can be actively concerned with the saving, substitution, and comprehensive utilization of raw materials and the regular maintenance and full utilization of the means of production. The planned nature of socialist reproduction enables the means of production to be more fully and rationally utilized in the whole society. All these make it possible to save the means of production, reduce their consumption, and increase national income. In capitalist society, although the capitalist tries to save the means of production to reduce capital expenses, a large amount of waste results from competition and chaotic production. In addition, underutilization of capacity in the enterprises frequently idles a large amount of equipment. All these are unfavorable to increasing national income.

Because the factors determining the creation and growth of national income are different under different social conditions, the national income of the socialist country can increase faster than the national income of the capitalist country in the long run.

The Distribution of National Income Complies with the Basic Interests of the Laboring People

How is national income to be distributed after it has been created? The distribution of national income is ultimately determined by the ownership pattern of the means of production. In socialist society, the means of production are publicly owned. The laboring people are the masters in production. Therefore, the distribution of national income must comply with the interests of the laboring people and satisfy the ever increasing needs of the state and the laboring people in a planned manner.

National income is created by the laborer in the material production branches. It must first undergo an initial distribution in the material production branches. In enterprises under the socialist state ownership system, national income is divided into two parts after the initial distribution: one part is wages to be used by the laborer in state enterprises for personal consumption; the other part is net income to become the centralized net income of the state after it is surrendered to the state in the form of taxes and profits.

In enterprises under the collective ownership system, after a primary distribution, one part of the national income becomes labor compensation for

commune members for personal consumption; the other part becomes the net income of the collective. The net income of enterprises under the collective ownership system, unlike state enterprises, is not surrendered wholly to the state. A part of it is surrendered to the state as taxes to become part of the centralized net income of the state. The other part is retained as a public accumulation fund and a public welfare fund to be used for expanded reproduction of collective enterprises and collective welfare.

After the initial distribution in the material production branches, the socialist national income becomes state income, income of collective enterprises, and income of individual laborers. It is an important matter of principle to correctly handle the relations between the state, the collective, and the individual with respect to distribution. Chairman Mao teaches us:

> On the question of distribution, we must take the interests of the state, the collective and the individual into account. We must properly handle the three-way relationship between the state agricultural tax, the cooperative's accumulation fund and the peasants' personal income, and take constant care to make readjustments so as to resolve contradictions between them.[279]

This instruction of Chairman Mao referred to the collective economy. But this principle also applies to the distribution of the whole national income.

After the initial distribution, a part of the national income must be reinvested (or plowed back into the economy), thus creating income again.[280] Why must national income be redistributed? This is because in socialist society, in addition to the material production branches, there are also cultural, educational, and health branches, some service industries, the armed forces, and state administration organs. These nonmaterial production branches do not create national income, but they are necessary for the development of

[279] Mao, "On the Correct Handling of Contradictions Among the People," 385.

[280] The centralized net income which the socialist state obtained in its participation in the first round distribution of national income is plowed back to the economy for various purposes. However, not every item of the income thus plowed back will generate income in the second round of income distribution. For instance, the state appropriated funds to state-operated enterprises for production purposes that involve neither transfers of ownership nor creation of income do not go through the process of redistribution of national income.

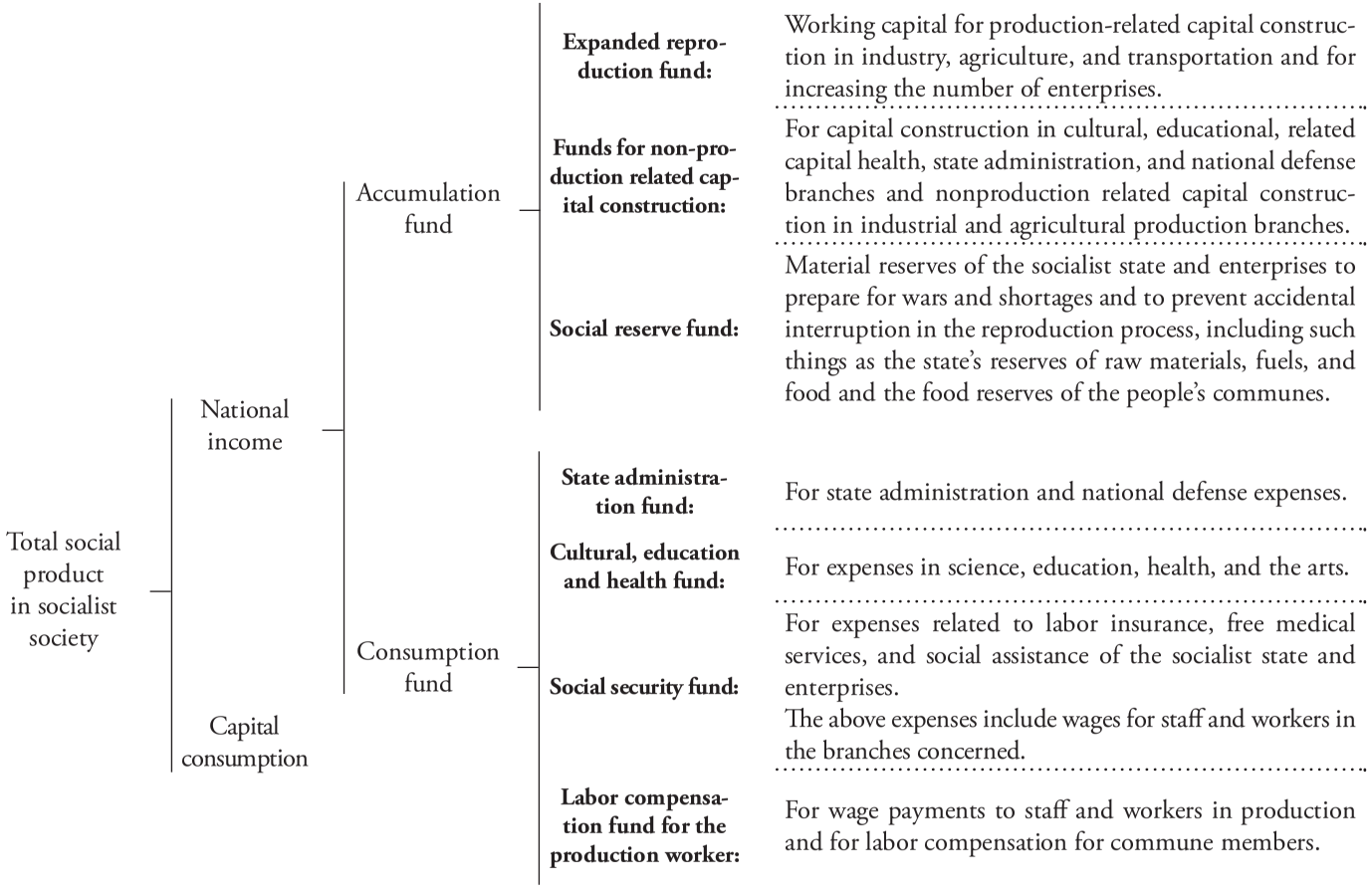
socialist society, the enrichment of the material and cultural life of the laboring people, and the consolidation of proletarian dictatorship. The personal income of the laborer in these non-production branches is provided through a redistribution of the national income. In addition, a redistribution of the national income is needed to satisfy the needs for social welfare and social assistance. This way, it becomes the personal income of those who enjoy such welfare and assistance.

The redistribution of the national income is carried on mainly through the socialist state budget, but activities of service industries can also bring about a redistribution of the national income. For example, barber shops and laundries charge certain fees to those who have received their services. From these charges, a part is used to pay wages to their employees. This way, personal income from the initial distribution is transformed into personal income of laborers in service industries, constituting a redistribution of the national income.

The redistribution of national income is also carried on to some extent through price adjustments. For example, the lowering of selling prices for industrial products and the raising of procurement prices for agricultural products in effect increase the income of the peasant.

National income in socialist society is divided into two parts after distribution and redistribution. One part is under the control of the socialist state and enterprises under the collective ownership system to expand reproduction and satisfy other common social needs. The other part belongs to the individual laborer to satisfy his personal livelihood needs. These two parts of the national income are finally grouped into accumulation funds and consumption funds according to their different uses.

After distribution and redistribution of the social product and the national income, the final result can be categorized as in the table below.


Total social product in socialist society
National income
Capital consumption
Accumulation fund
Consumption fund
Expanded reproduction fund:
Working capital for production-related capital construction in industry, agriculture, and transportation and for increasing the number of enterprises.
Funds for non-production related capital construction:
For capital construction in cultural, educational, related capital health, state administration, and national defense branches and nonproduction related capital construction in industrial and agricultural production branches.
Social reserve fund:
Material reserves of the socialist state and enterprises to prepare for wars and shortages and to prevent accidental interruption in the reproduction process, including such things as the state's reserves of raw materials, fuels, and food and the food reserves of the people's communes.
State administration fund:
For state administration and national defense expenses.
Cultural, education and health fund:
For expenses in science, education, health, and the arts.
Social security fund:
For expenses related to labor insurance, free medical services, and social assistance of the socialist state and enterprises.
The above expenses include wages for staff and workers in the branches concerned.
Labor compensation fund for the production worker:
For wage payments to staff and workers in production and for labor compensation for commune members.

After distribution and redistribution, the part of the socialist national income that goes for the laborer's personal consumption contributes directly to his welfare. The part that goes to society contributes to the laborer's collective welfare and his long-term interests. Just as Marx said:

> The "undiminished proceeds of labor" have already surreptitiously become converted into the "diminished" proceeds, although what is withheld from the producer in his capacity as a private individual benefits him directly or indirectly in his capacity as a member of society.[281]

The socialist national income comes from the people and is spent on the people. It is fundamentally different from the distribution of the national income in the old society. In a society dominated by the exploitative class, the national income created by the laboring people is largely expropriated by the exploitative class to support a handful of parasites. People like Lin Biao vainly attempted to restore this order in which man exploits man in China. They advocated what Mencius, a faithful disciple of Confucius, said: "Without the gentleman, no one will rule the uncultured, without the uncultured, no one will support the gentleman." In their eyes, the domination and oppression of the laboring people were immutable laws. However, today is the age of imperialism and proletarian revolution; the exploitative system is doomed. This system is already extinct in socialist society. The laboring people will no longer support the "gentleman" of the exploitative class. People like Lin Biao, who vainly attempted to turn history backward, could not escape being crushed by the wheel of history.

The Important Role of Public Finance in the Distribution and Redistribution of National Income

The State Budget Is an Important Link in the Financial System

In socialist society, the distribution and redistribution of national income is carried on mainly through finance. The socialist financial system consists of the state budget, state bank credits and loans, and state enterprise finance. Of these, state enterprise finance is the basis of the socialist finance system. It systematically reflects the use and turnover of capital funds in

[281] Marx, *Critique of the Gotha Program*, 14.

the production activities of enterprises. It also effects an initial distribution of national income to form the centralized net income of the state. State banks distribute temporarily idle funds in the national economy through loans to meet the needs for short-term working capital in production. The state budget obtains its revenues from its participation in the distribution of national income to meet the needs of consolidating proletarian dictatorship and economic and cultural construction. A fairly large part of the national income, especially a major part of socialist accumulation, is effected through state budget allocations. The state budget is a major link in the socialist finance system.

How does the state budget participate in the distribution of national income? Because the state budget consists of revenues and expenditures, this question has to be answered from the two aspects of the budget: revenues and expenditures. Budget revenues of the socialist state generally include income from enterprise and services, various taxes, and other income items. These budget income items come largely from the net income of socialist enterprises. In China, the net income of socialist state enterprises are at present surrendered entirely to the state budget in the form of taxes and profits. As early as 1959, payments surrendered by China's state enterprises represented 91.8 percent of the state budget. Payments surrendered in the form of taxes by rural people's communes represented 7.4 percent of the state budget. Together, the two sources represented 99.2 percent of state budget revenues. In China's budget revenues, the items of public debt and foreign debt no longer exist. China has become a socialist country without any internal or external debt.

Socialist state budget expenditures generally include economic construction expenditures, social, cultural, and education expenditures, and national defense and foreign aid expenditures. Through these budget expenditures, various funds are established in a planned manner to meet the needs of consolidating proletarian dictatorship, expanding production, and developing cultural, educational and health services. Among budget expenditures, economic construction and social, cultural, and educational expenditures are of major importance. Expenditures for these two items increased from about 36 percent in 1950 to about 70 percent of China's state budget expenditures in 1970. However, in imperialist and social-imperialist countries, in order to encroach upon and plunder the laboring people of foreign countries and

to oppress and exploit the laboring people of their own countries, expenditures for armament expansion and government administration represent a very substantial proportion of state budget expenditures. Expenditures often exceed revenues, resulting in sizable budget deficits.

The above conditions show that socialist finance is a distribution relationship centering on the socialist state's participation in the distribution and redistribution of national income. Its purpose is to consolidate proletarian dictatorship, develop the economy and cultural, educational, and health services, and discharge its internationalist obligations. The differences between socialist finance and capitalist finance lie in the fact that socialist finance ultimately serves the interests of the broad masses of laboring people, rather than encroaching on those interests, and that it participates in the distribution and redistribution of national income outside the production sphere, as well as in the production sphere. It links the state budget, state bank credit, and state enterprise finance closely together to serve production growth.

The Economy Determines Finance, and Finance Affects the Economy

Since socialist finance is a relationship of distribution and redistribution of national income centered on the state, it is thus closely related to the development of the national economy. Marxism tells us that production determines distribution and distribution in turn affects production. Different forms of distribution in different societies are determined by different forms of social production. And the wealth made available by society for distribution is also determined by the national income created by the production sphere. Chairman Mao instructed us on the dialectical relations between the economy and finance: "The general policy guiding our economic and financial work is to develop the economy and ensure supplies. . . . [Whether it is] a good or a bad financial policy affects the economy, it is the economy that determines finance."[282] Since liberation, the vast numbers of financial personnel have followed Chairman Mao's instruction. They first paid special attention to the economy to promote a sustained increase in industrial and agricultural production. As a result, a stable and reliable material basis for China's finance has been secured, and the scale of revenues and expenditures has developed at a relatively high speed. From 1950 to 1970, China's total

[282] Mao, "Economic and Financial Problems in the Anti-Japanese War," 99.

agricultural production in value terms increased by 1.1 times, and the total industrial production in value terms increased by 13.1 times. China's state budget revenues increased by more than 9 times and state budget expenditures increased by more than 8 times.

The fact that the economy determines finance shows that a one-sided emphasis on finance, an ignorance of the importance of developing the economy, and a pure financial viewpoint that seeks to solve financial problems through purely financial means are erroneous. People holding a purely financial viewpoint who do not understand the dialectical relations among the economy, finance, production, and distribution and do not actively concern themselves with and promote production growth will not be able to solve the problem of financial revenues and expenditures.

The economy determines finance, but finance is not simply a passive or negative factor. It, in turn, plays a very important role in economic development. When the state wants to carry out economic construction and the enterprise wants to increase production, the necessary funds must be arranged. Through its participation in the distribution of national income, socialist finance allocates budget funds from its centralized net income to state enterprises to provide funds for economic construction. In the allocation of funds, if a balance can be achieved in the distribution of material resources—in other words, if the movement of value can be tied up with the movement of material resources (that is, the movement of use values)—so that a certain amount of funds can be exchanged for a corresponding amount of material resources, and so that they are used economically and properly, a high speed development of the national economy in a planned and proportional manner can be guaranteed. Conversely, if socialist finance misallocates funds, such that the movement of value does not match the movement of material resources, or if material resources are not used rationally, the development of the national economy will be hindered.

Socialist finance centralizes the national income that is created in the production sphere: in the hands of the state. This centralized net income of the state is then used to develop the national economy. This in itself is not sufficient. The vast numbers of financial workers, because of their wide contact with and their knowledge of the conditions of various enterprises, should also help enterprises improve management and operation, facilitate cooperative relationships, help enterprises perfect the interrelations within

and among enterprises, and do a better job of tapping potentials in order to continuously promote the development of social production and the increase in national income. This way, on the basis of a developing economy, the sources of socialist finance can be augmented and guaranteed.

The Proportional Relations Between Accumulation and Consumption Are Overall Proportional Relations

Socialist Accumulation Is the Source of Expanded Reproduction

In the distribution and redistribution of national income, there are proportional relations between accumulation and consumption, which directly affect the development of the national economy and the improvement of the people's livelihood. Like the proportional relations between the two major categories and the proportional relations among agriculture, light industry, and heavy industry, the proportional relations between accumulation and consumption are also overall proportional relations.[283]

In the process of distribution and redistribution of national income, socialist finance must guarantee a certain amount of accumulation to be used for expanded reproduction. Accumulation is the source of expanded reproduction. However, in different societies, accumulation has different characteristics. In capitalist society, the laboring people are oppressed and exploited. They do not have enough to eat or wear, to say nothing of accumulation. Only the exploitative class has accumulation. But this accumulation serves to further the exploitation and oppression of the laboring people by the exploitative class. In socialist society, the laboring people control political power and own the means of production. They can thus accumulate funds through the state and the collective to be used to expand reproduction and to serve the interests of the laboring people. The more wealth accumulated by socialist society, the larger the scale and capacity of social production and the higher the standard of material and cultural life. The result will be overall moral, intellectual, and physical development. Material and spiritual conditions will also be gradually accumulated for the transition to communist society.

[283] The two major categories in socialist enlarged reproduction are accumulation and personal consumption.—Ed.

However, all opportunists and revisionists have attempted to gloss over the essential difference between socialist and capitalist accumulation. They have advocated a complete distribution of the socialist national income. More than a hundred years ago, a leader of the German workers' movement, La Salle, proposed a so-called "undiluted labor income." Dühring proposed another nonsensical "complete labor income." Like La Salle, Dühring and other swindlers of the same ilk, Liu Shaoqi also clamored that socialism meant "more distribution" and "more take-home pay." Lin Biao maliciously slandered China as "a rich state with poor people." He attacked socialist accumulation as "disguised exploitation" and conspired to get rid of socialist accumulation. To such ridiculous propaganda, Marx and Engels dealt head-on blows in *Critique of the Gotha Program* and *Anti-Dühring*. If the revisionist fallacies were implemented, there would not be any social accumulation. As a result, the socialist economy would not be able to carry on expanded reproduction. It could only maintain simple reproduction, or the function of accumulation would be transferred to private parties. This way, capitalism would be restored. Thus, we can see that the fallacies of distributing and spending everything advocated by Liu Shaoqi and Lin Biao represent a vain attempt to undermine the socialist economy and restore capitalism.

The Ratio Between Accumulation and Consumption Must Be Appropriate

Aside from what is used as accumulation funds, the rest of the socialist national income is used as consumption funds.

> The problem of the proper relation of accumulation to consumption between the two sectors themselves are complicated problems for which it is not easy to work out a perfectly rational solution all at once.[284]

At any given period of time, the national income is limited. If the part used to increase accumulation is raised, then the part used to increase consumption has to be somewhat lower. A higher level of accumulation will certainly accelerate the pace of socialist reproduction, but it will also mean that the increase in the laboring people's standard of living will have to be temporarily slowed down. Conversely, if the part used to increase consumption is raised, the part used to increase accumulation must be somewhat

[284] Mao, "On the Correct Handling of Contradictions Among the People," 378.

lower. A higher level of consumption can, of course, better satisfy the present livelihood needs of the laboring people, but the pace of socialist expanded production must then be slower. This will affect further improvement of the laboring people's livelihood. These conditions show that there are contradictions between socialist accumulation and consumption. But the contradictions are not antagonistic in nature. They are contradictions among state interests, collective interests, and individual interests. In other words, they are contradictions between overall interests and partial interests and contradictions between the people's long-term and short-term interests.

In arranging the proportional relations between accumulation and consumption, we must first base any increase in accumulation on appropriately improving the livelihood of the laboring people. At the same time, any increase in consumption must also be based on continuously expanding production and improving labor productivity. The interests of the state, the collective, and the individual must be considered simultaneously. If we pay no attention to improving the livelihood of the laboring people and one-sidedly emphasize accumulation, it will not meet the objective requirements of socialist economic development; it will discourage the production activism of the laboring people. Conversely, if we pay no attention to accumulation and one-sidedly emphasize consumption, it will not be in the basic and long-term interests of the laboring people. In order to create favorable conditions for the correct handling of this contradiction, we must endeavor to develop social production. As long as production is developed and national income is increased, the livelihood of the laboring people can still be improved, even if accumulation is appropriately increased. Therefore, for the overall and long-term interests of socialism, it is necessary to emphasize the revolutionary spirit of arduous struggle and building the country with diligence and economy.

Accumulation and consumption are a proportional relation in value terms. The proper handling of this proportional relation requires corresponding material resources as a guarantee. As for accumulation, it is used for capital construction and expanded reproduction. Once a certain amount of funds is available, there must also be a corresponding amount of the means of production.[285] Of the total national product in socialist production, only

[285] A small part of accumulation funds is used to purchase consumer goods, but the major part is used to purchase means of production.—Ed.

the added portion is to be used for expanded reproduction, while the other portion, equivalent to the previous year's consumption, is to be used for simple reproduction. Therefore, to maintain a balance between supply and demand, the total capital fund accumulated must first equal the increase in the means of production. Otherwise, either the means of production will fall short of the accumulated fund, making expanded reproduction impossible, or the added means of production will not be sold, thereby creating a surplus. In either case, socialist expanded reproduction will be affected.

As far as consumption is concerned, since consumption funds are used to satisfy the material and cultural needs of the socialist state and the broad masses of laboring people, sufficient consumer goods must be available to guarantee that these needs will be satisfied. If the increase in consumption funds does not correspond to the increase in consumer goods, then either the supply of consumer goods will exceed the demand, resulting in unplanned inventory accumulation, or demand for consumer goods will exceed their supply, resulting in shortages. Either way, it will be difficult to properly attain the goal of satisfying the needs of the state and the laboring people.

It can thus be seen that in order to maintain the proper proportional relations between accumulation and consumption, it is necessary to develop production by all means. Only when the production of the means of production and consumer goods is solved can both accumulation and consumption be increased and the contradiction between accumulation and consumption be better resolved. Here, it is of decisive importance to raise labor productivity continuously, use the means of production thriftily, and create more material wealth without increasing the use of manpower, material resources, and finance.

Major Study References

- Karl Marx, *Critique of the Gotha Program*.
- Frederick Engels, *Anti-Dühring*, part 3, chapter 4.
- Mao Zedong, "On the Correct Handling of Contradictions Among the People," sections 1 and 3.
- Mao Zedong, "Economic and Financial Problems in the Anti-Japanese War."

Review Problems

1. How is socialist national income distributed and redistributed? What is the essential difference between this and the distribution of capitalist national income?
2. What is socialist finance? How should we understand the relations between socialist finance and the economy?

21

HOW ARE PERSONAL CONSUMER GOODS DISTRIBUTED IN SOCIALIST SOCIETY?

The Socialist Principle of "From Each According to His Ability, to Each According to His Labor"

The distribution of personal consumer goods is an important aspect of relations of production. Like the distribution of national income, the distribution of personal consumer goods is basically determined by how the means of production are owned. Once this is decided, it interacts with the consolidation and development of the ownership system.

"From Each According to His Ability, to Each According to His Labor" Is a Profound Revolution in the Distribution System

Distribution Is Determined by the Ownership of the Means of Production

The distribution relations of consumer goods in any society are not subject to people's willful choice. The ownership relations determine the distribution relations. Who controls the means of production is a matter of decisive importance. Marx pointed out:

> The prevailing distribution 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.[286]

In capitalist society, because the means of production are controlled by the capitalist, the destitute worker can only sell his labor power and subject himself to exploitation and oppression by the capitalist. In socialist society, because the means of production are controlled by the proletariat and the whole laboring people, a socialist public ownership system is established. The distribution power is controlled by the proletariat and the laboring people and the principle of distribution favors the laboring people.

[286] Marx, *Critique of the Gotha Program*, 16.

Therefore, distribution cannot be divorced from the ownership system. To talk about distribution without any reference to the ownership system is "distribution determinism." More than a hundred years ago, La Salle, a scab hidden in the German workers' movement, argued that poverty among the laboring people could be eliminated if there was an "equitable distribution." The Liu Shaoqi-Lin Biao clique of renegades and traitors also nonsensically said that "the contradictions between the relations of production and the productive forces in socialist society are mainly manifested in the issue of distribution" and that once the distribution issue is resolved, "the people will be rich and the country will be strong." All these are merely copies of "distribution determinism." Before the proletariat seized political power, to advocate "distribution determinism" was to praise the capitalist mode of production. According to them, the only minor fault was uneven distribution. Therefore, the capitalist system did not need to be overthrown; all that was needed was to improve "distribution." However, since the means of production were controlled by the bourgeoisie, how could the distribution relations be fundamentally altered? "Distribution determinism" is a poison that paralyzes the fighting spirit of the revolutionary people. After the proletariat seized political power, to advocate "distribution determinism" was to attempt to divert the revolutionary goal of the revolutionary people to the stray path of bourgeois welfare and make them forget the consolidation and development of the socialist public ownership system and the historical mission of continuing revolution under proletarian dictatorship in order to facilitate the restoration of capitalism by Liu Shaoqi, Lin Biao, and such swindlers.

"From Each According to His Ability, to Each According to His Labor" Is a Negation of the Exploitative System

In socialist society, the social product belongs to the laboring people. Does this mean that the whole social product can be distributed directly to the laboring individuals in the production branches? Certainly not. Marx pointed out in his *Critique of the Gotha Program* that in socialist society, the following deductions should be made from the gross social product before distribution: first, the replacement of the consumed means of production; second, the augmentation for expanded reproduction; and third, the establishment of reserve funds and insurance funds for emergencies and natural

disasters. In addition, the following deductions have to be made before personal distribution: first, administration expenses not related to production; second, expenses for social needs such as schools and health facilities; and third, funds for disabled persons, and so forth.[287] Today, in addition to the above deductions, the socialist state must also establish foreign aid funds to support the revolutionary struggles of the world's people.

What remains of the gross social product after necessary social deductions becomes personal consumer goods that can be distributed to the laborers in the production branches. In socialist society, the basic principle for the distribution of personal consumer goods is "from each according to his ability, to each according to his labor." This is to say, every laborer must exert himself to the fullest possible extent in social labor, and then society will distribute to him an amount of consumer goods that corresponds with the amount of labor he provided.

The realization of the principle "From each according to his ability, to each according to his labor" is a profound revolution in the distribution system in history. In the several thousand years during which class antagonism has existed in human society, there have been all kinds of systems by which man exploited man, man oppressed man, and man ate man according to the principle of "those who labor do not reap, those who reap do not labor." In slave society, the slave owner treated his slaves as talking tools. They were fed like livestock and led the life of cattle and horses. In feudal society, the peasant had to deliver 50, 60, or even 80 percent of his harvest to the landlord while living in abject poverty. In capitalist society, the wages from the worker's labor are not enough to feed or clothe his family. Moreover, he is constantly threatened by unemployment. Inequality in the ownership of the means of production inevitably brought about this relationship between the exploiter and the exploited in the distribution system. In socialist society, public ownership of the means of production replaces private ownership. This makes it possible to realize the principle of "from each according to his ability, to each according to his labor," which benefits the laboring people. This principle takes labor as a yardstick for the distribution of consumer goods. All able-bodied people must participate in labor. Those who do not work do not eat. This is a fundamental negation of the distribution system

[287] Marx, 13.

in which man exploited man for several thousand years. It is an epochal advance in the distribution system.

In socialist society, why must the distribution of personal consumer goods follow the principle of "from each according to his ability, to each according to his labor" rather than the principle of "from each according to his ability, to each according to his need"? This is because socialist society has just emerged from capitalist society, and the disparities between the worker and the peasant, between the urban and the rural areas, and between mental labor and physical labor still exist. Labor still has not become the first requirement in the lives of the majority of the people. The social product has not reached an affluent level. And because class and class struggle exist in socialist society, the exploitative class always spreads the malevolent thoughts of "loving leisure and hating labor" and "reaping without laboring" to poison the laboring people. Under these conditions, it is not possible or practical to realize distribution according to needs. Only the principle of "from each according to his ability, to each according to his labor" meets the development needs of the productive forces and can be understood and accepted by the broad masses of laboring people.

Of course, distribution according to labor is still not the highest ideal of the proletariat. What the proletariat tries to realize in the future is the communist principle of "from each according to his ability, to each according to his need." This is because equal rights embodied in distribution according to labor still bear traces of the old society. Just as Marx pointed out, "[It] is still—in principle—bourgeois right."[288] The use of a uniform yardstick—labor—to determine the distribution of consumer goods leads to equality. But, conditions vary among laborers. Some are stronger, while others are weaker. Some have to support more people, and others only support a few people, and so forth. Under the conditions in which an equal amount of labor obtains an equal amount of compensation, the standard of living of those who are strong, skilled, and have few mouths to feed is higher. For those in the reverse situation, the standard of living is lower. De facto inequality results. This inequality is fundamentally different from that in the old society. Here, the issue of man exploiting man does not arise. But it is still a "defect" compared with the ideal of common affluence among the

[288] Marx, 15.

proletariat and the communist principle of from each according to his ability, to each according to his need.

> But these defects are inevitable in the first phase of communist society, as it is when it has just emerged after prolonged birth pangs from capitalist society. Right can never be higher than the economic structure of society and its cultural development conditioned thereby.[289]

On the one hand, the principle of distributing personal consumer goods according to the labor provided is historically inevitable and cannot be negated at will. On the other hand, it does have shortcomings. As a result, it cannot thus be idealized or solidified. With an ever increasing abundance of the social product and an ever higher communist consciousness among the people, there is a transition process from distribution according to labor to distribution according to need. In socialist society, there are some elements of distribution according to need in the social welfare services run by the state or the collective, such as the free medical care for staff and workers and the labor insurance provided by the state. Therefore, at present, we must adhere to the stage theory of revolutionary development and implement the socialist principle of "from each according to his ability, to each according to his labor." Furthermore, we must insist on the theory of continuing revolution, actively create favorable conditions, gradually increase the elements of distribution according to need and, when future conditions are ripe, replace "distribution according to labor" with "distribution according to need."

Avoid Two Tendencies in the Distribution of Personal Consumer Goods

In socialist society, there is an acute struggle over the issue of distribution according to labor. The Liu Shaoqi clique advocated high wages, high bonuses, and high compensation for literary work. They attempted to cause a gap between high and low in distribution to undermine the solidarity among the people, discourage the production activism of the laborer, obstruct the development of the productive forces, and nurture a privileged class as a social basis for their restoration of capitalism. This conspiracy of the Liu Shaoqi clique was smashed during the Great Proletarian Cultural Revolution.

[289] Marx, 15–16.

To oppose polarization and gradually narrow disparities in distribution is a revolutionary mission of the proletariat. In his summary of the experience of the first proletarian government in the world, the Paris Commune, Marx had a high evaluation of the practice by which "all officials, high or low, were paid only the wages received by other workers," which was adopted by the commune heroes.[290] He regarded it as a great innovation and fully affirmed this revolutionary experience. In the early period of the establishment of the Soviet government, Lenin temporarily had to resort to high salaries for the bourgeois educated class because of the need for struggle. But he clearly pointed out: "The corrupting influence of high salaries—both upon the Soviet authorities and upon the mass of the workers—is indisputable," and he deeply criticized and repudiated high salaries.[291] Chairman Mao consistently teaches us: "All our work cadres, whatever their status, are the servants of the people."[292] He opposes high salaries for the minority and demands us to rationally bring about a gradual narrowing of the disparities in personal income between the working personnel of the Party, the state, the enterprises, the people's communes, and the people.

Why do the proletarian revolutionary teachers repeatedly remind us to pay attention to this problem and repeatedly affirm the Paris Commune principle? This is because a polarization in distribution is not consistent with the socialist public ownership system and socialist interrelations. In socialist society, the laboring people are masters of the state and enterprises. Their labor skills are basically taught by society. Their labor contribution to society may vary because of the division of labor practiced in the old society and other conditions, but differences in the standard of living cannot be too large. A gradual narrowing of the three disparities is objectively required to advance on the road of common affluence. Second, if the polarization in distribution were allowed to develop, a privileged stratum in society would be formed. It would serve as a social basis for a bourgeois restoration of capitalism. This is unfavorable to the consolidation of proletarian dictatorship. In today's Soviet Union, a bureaucratic monopoly bourgeoisie who expropriates others' labor product has formed a bourgeois privileged stratum. This is the new exploitative class represented by the Brezhnev renegade clique

[290] Marx, *The Civil War in France*, 13.

[291] V. I. Lenin, "The Immediate Tasks of the Soviet Government," in *Collected Works*, vol. 27.

[292] *Jiefang ribao* [*Liberation Daily*], Yanan, December 16, 1944.

that rules the laboring people of the Soviet Union. Third, the polarization in distribution is unfavorable to strengthening solidarity among the laboring people. It also provides room for the bourgeois idea of fame and wealth. Therefore, we must guard against this tendency.

To oppose polarization in distribution does not mean absolute egalitarianism, which equalizes all labor compensation regardless of the difficulty of the work and of differences in labor intensity and contribution. The Paris Commune advocated that all state employees should only get salaries equivalent to those of the worker. However, it also accepted wage differentials among workers, though this differential could not be large. Absolute egalitarianism is totally inconsistent with the socialist principle of "from each according to his ability, to each according to his labor." It must be opposed. Chairman Mao pointed out clearly more than forty years ago that:

> Absolute equalitarianism, like ultra-democracy in political matters, is the product of a handicraft and small peasant economy—the only difference being that the one manifests itself in material affairs, while the other manifests itself in political affairs.[293]

As with polarization in distribution, absolute egalitarianism hurts labor activism, hinders production development, affects the increase of the social product, and is unfavorable to socialist enterprise.

In socialist society, the distribution of personal consumer goods requires, on the one hand, the implementation of the principle of distribution according to labor and the acceptance of disparities. On the other hand, we must also guard against polarization and expropriating others' labor product. The standards of living among the laborers must be gradually evened out to achieve common affluence. This is a contradiction. Even if this contradiction is handled relatively correctly under given conditions, new contradictions will arise when these conditions change. This requires that we seriously study Marxism, thoroughly understand the Party's policies, investigate and do research in depth, closely rely on the masses, and correctly handle these contradictions with proletarian politics in command.

[293] Mao Zedong, "On Correcting Mistaken Ideas in the Party," in *Selected Works* , vol. 1, 92.

There Are Two Basic Forms of Distribution of Personal Consumer Goods

The Wage System Is the Chief Form of Distribution in the State Economy

In the socialist stage, because commodity production and commodity exchange still exist, a certain amount of money is paid by the state to the staff and workers as labor compensation for a certain amount of labor provided to society, according to a fixed standard in the socialist state ownership system. These money incomes of the staff and workers are known as wages.

Wages under the socialist system are fundamentally different from wages under the capitalist system. Under the capitalist system, labor power is a commodity. Wages are incomes for the sale of labor power. They embody the relations between the employer and the employee, between the exploiter and the exploited, existing between the capitalist and the worker. Under the socialist system, workers are masters of the state and the enterprises. Labor power is not a commodity. It cannot be sold to themselves. Wages are no longer a transformation of the value or price of labor power. They are a form of state distribution of personal consumer goods according to the principle of "from each according to his ability, to each according to his labor."

There are two major forms of wages—namely, time-rate wages and piece-rate wages. Time-rate wages are calculated on the basis of labor time. Within a given period, a fixed wage is paid by the day or month according to the wage level set by the socialist distribution principle. Piece-rate wages are calculated on the basis of labor product. Wages are paid at a per-unit rate according to the number of pieces of product of a certain quality which the laborer completes. In China, there is a development process between these two forms of wages. Before 1958, the piece-rate wage system was used in a large number of occupations and jobs that were done by hand. This was consistent with the development level of the productive forces in China and the degree of ideological consciousness among the broad staff and workers. It was instrumental in the recovery and development of production. However, with the development of mechanization, automation, and the ideological consciousness of the staff and workers, especially after the Great Leap Forward in 1958, many defects and negative effects of the piece-rate wage system were revealed: (1) With technical progress, it was increasingly

difficult to implement individual piece-rates in many kinds of work. Also piece-rate wages adversely affect technical innovation. (2) The piece-rate system was unfavorable to solidarity among workers. It easily led to contradictions between time-rate workers and piece-rate workers, between new and old workers, between the upstream and downstream work processes, and between workers of different shifts. (3) The piece-rate system easily nurtured the idea of being primarily concerned with personal income and not with the collective enterprise. It was also unfavorable to elevating political and ideological consciousness. Therefore, at the demand of the broad staff and workers, the piece-rate system was abolished in most enterprises, and the time-rate system was adopted. The form of wages used in China today is mainly time-rate wages. Piece-rate wages are used only in some units and for some varieties of work.

The issue of wages is a complicated one. It involves not only the relations among the state, the collective, and the individual, but also the relations among workers, between the worker and the peasant, and between the worker and the peasant on the one hand and other laboring people on the other. The issue of wages must be handled with extreme seriousness and caution.

The experience in socialist revolution and construction shows that in handling the issue of wages, we must firmly adhere to putting politics in command and strengthening ideological education. We must also pay attention to the following principles: on the basis of developing production and increasing labor productivity, the wages of the staff and workers are gradually increased, but not excessively. The magnitude of wage increases cannot exceed the increase in labor productivity. To determine wage standards and wage increases, an overall arrangement must be made, taking into account the relation between the worker and the peasant. In determining wage scales of the staff and workers, we must oppose the tendency toward polarization and greater disparities and guard against any development that may lead to absolute egalitarianism by denying wage differentiation. Increments in wages and collective welfare must go hand in hand, to gradually raise the ratio of collective welfare and systematically and conditionally explore the factors that will result in distribution according to needs.

Under the socialist system, the conditions of distribution according to need have improved with the development of production. Therefore, any

increase in the standard of living among the workers is reflected not only in wage increases, but also in the improvement of the conditions of distribution according to need, such as social welfare. In the modern revolutionary Beijing opera, "The Harbor," the retired wharf worker Ma Hongliang sang: "In the new society, we wharf workers become proud masters. We are taken care of in birth, old age, illness, and death. The benevolence of the Communist Party and Chairman Mao is higher than heaven!" These sentences represent the true feelings of the working class who are liberated in the new society. They reflect the immense superiority of socialist relations of production. It is very important to understand the essential difference between capitalist wages and socialist wages and the fundamental difference between the distribution relations of the new and the old societies. It can strengthen our responsibility as masters of our destiny and elevate the consciousness of socialist labor.

The Work Point System Is the Chief Form of Distribution in the Rural Collective Economy

The distribution of personal consumer goods in the rural people's commune under the collective ownership system also follows the principle of "from each according to his ability, to each according to his labor." However, because the degree of public ownership in the collective ownership system is different from that in the state ownership system, there are different characteristics in the concrete form of distribution. In units under the state ownership system, the means of production and products belong to the state and are allocated and distributed centrally by the state. Therefore, labor compensation in the whole society can be standardized and wages can be paid in money. In the collective ownership system of the rural people's commune, the basic system of "three-level ownership with the production team as the basis" has been adopted at the present stage. The means of production and products belong to various collective units. Therefore, distribution for the whole society cannot be centralized. Even egalitarian distribution among communes or among production teams is not possible. Distribution can only be carried out independently within a collective unit according to its own production conditions.

With the exception of commune-run enterprises in which the wage system is partially in force because their revenues are relatively stable, distri-

bution according to labor in the collective economy of the rural people's commune is carried out by means of work evaluation and point allotment. In some production teams, work points based on labor quotas are also used for some farm activities according to the custom of the masses. Work points are a standard with which to evaluate the amount of the members' participation in collective labor. They are also a standard for the distribution of labor compensation. The amount of income obtained by a member from a production team is determined by the amount of work points as well as by the money value of each work point (work point value). The money value of work points is not specified in advance. It is determined by the annual income of the production team after a certain amount of accumulation has been deducted. Because of the differences in management and operation, techniques and equipment, and natural and transportation conditions, the income of various production teams varies. There may also be differences in accumulation deductions. Therefore, the incomes of members in different production teams are not uniform.

These disparities should be gradually reduced by actively helping the backward communes and teams catch up with the advanced units. But absolute egalitarianism must be avoided, or the development of agricultural production and the consolidation of the collective economy will be adversely affected. "We should do everything possible to enable the peasants in normal years to raise their personal incomes annually through increased production."[294]

It is important that this requirement be realized. It is not only favorable to increasing the standard of living of the peasant, narrowing the disparity between the worker and the peasant, but is also favorable to consolidating and developing the collective economy and consolidating proletarian political power.

How then can the income of the peasant be increased? Ultimately, we must develop production before we can improve distribution. To develop production, we must firmly adhere to putting proletarian politics in command, educate the peasants with Marxism-Leninism-Mao Zedong Thought, and establish the idea of farming for revolution in order to mobilize fully the labor activism of the broad members. We must insist on a thorough implementation of the policy of taking grain as the key link to ensure all round

[294] Mao, "On the Correct Handling of Contradictions Among the People," 385.

development and fully utilize the manpower, material resources, and finance in the rural areas. We must strengthen management and operation and practice scientific farming to increase crop yields. We must budget carefully, practice economy, and find substitutes to reduce costs as much as possible and increase production and income, and so forth.

In calculating labor compensation for members, we must not only oppose the method of having "work points in command, paying no attention to ideological education," but must also carry out the principle of from each according to his ability and to each according to his labor. Among male and female members, "the principle of equal pay for equal work for men and women must be carried out." Unequal pay for equal work in which "men get ten work points for each labor day but women should not get more than eight points" is contrary to the socialist distribution principle.

Nurture the Communist Labor Attitude

Building Socialism and Realizing Communism Require the Nurturing of the Communist Labor Attitude

In socialist society, the principle of "from each according to his ability, to each according to his labor" in the distribution of personal consumer goods must be carried out. This is for certain. But the principle of "distribution according to labor" is not immune to change. With change in conditions, it will gradually evolve into "distribution according to need" and will be completely replaced by "distribution according to need" when we advance into the communist society in the future. This requires that we grasp the socialist distribution principle in our work. But it also requires that we look further ahead, publicizing and advocating the communist labor attitude.

What is communist labor? Lenin said under communism, workers are

> capable of working without remuneration in the interests of society, in the interests of all the working people, [they are] capable of "working in a revolutionary way". . . capable of rais-

> ing productivity of labor, of organizing the work in an exemplary manner.[295]

Only after the proletariat seizes political power and when the laboring people become masters of the state and enterprises can communist labor arise and gradually develop. This is because under the exploitative system, the laboring people all toil for the exploiting class. Therefore, there cannot be any labor activism. In socialist society, things are completely different. The laboring people have been transformed from hired slaves into masters of the state and enterprises. Every job and every labor product is related to the interests of the laboring people. The laboring people no longer labor for the exploiter, but for their own class. Therefore, there is an immense socialist activism among the laboring people. This is a basic condition for the gradual establishment of the communist labor attitude.

The appearance and gradual development of the communist labor attitude is a significant event in the history of human development. We should publicize it and applaud it. We should extend it and forge it into a strong force for overthrowing the old world and establishing the communist new world.

To establish the communist labor attitude is "the most radical rupture with traditional property relations. . . the most radical rupture with traditional ideas."[296] It is also a prolonged battle in which the proletarian ideology defeats the bourgeois ideology in the superstructure. If we did not break with "'the narrow horizon of bourgeois right,' which compels one to calculate with the cold-heartedness of a Shylock whether one has not worked half an hour more than somebody else, whether one is not getting less pay than somebody else,"[297] and if we did not penetratingly criticize and repudiate the capitalist moral of working only for money, the proletarian ideology would not overrun this battleground, the communist labor attitude could not be

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[295] Lenin, "A Great Beginning."

The original text, as well as the basic translation, featured a different quotation from the one we've used here. Because of the many layers of successive translations (from Russian to Chinese, to English), the real title of Lenin's article, used by the Shanghai People's Press, has escaped us. We have therefore opted for the present quote, whose content is close to the original.—Ed. FLP

[296] Marx, Engels, *Manifesto of the Communist Party & Principles of Communism*, 54–55.

[297] Lenin, *The State and Revolution*, 95.

established, and socialist revolution and construction would be hindered. Therefore, we should favor "the dissemination of communist ideology" so that more comrades will become models who are willing to work hard and earn less.[298]

Establishing the communist labor attitude can accelerate socialist construction and actively prepare favorable conditions for the realization of communism. Communist society is a bright and perfect society. It is a goal for the struggle of the proletariat and the laboring people. It is an inevitable trend of social development. However, communist society can only be achieved through the brave struggle and diligent hard labor of millions of revolutionary people. Before liberation, our revolutionary elders had only five cents per person per day for cooking oil, salt, and vegetables. They had no wages or welfare. They struggled with imperialism, feudalism, and bureaucratic capitalism under extremely difficult conditions for the liberation of the proletariat. They worked hard and fought courageously. It was this communist spirit that helped our revolutionary seniors to defeat the reactionaries and establish a new China. Today, we still need to carry on and foster this communist labor spirit of arduous labor without pay and the revolutionary tradition of courageous struggle to build socialist society and to realize the communist society in the future.

In Nurturing the Communist Labor Attitude, We Must Criticize and Repudiate Material Incentives

The appearance and gradual establishment of the communist labor attitude indicate the gradual growth of the communist ideology and the gradual decline of the capitalist ideology. Therefore, in the process of nurturing and fostering the communist labor attitude, it is inevitable that an acute struggle between the two classes, the two ideologies, and the two lines will unfold. It is the nature of the bourgeoisie to be attracted by money and profit. But the bourgeoisie generalizes it as universal human nature. They say that "to work for money" is "human nature" in order to poison the proletariat.

Modern revisionists try to replace the socialist principle of "from each according to his ability, to each according to his labor" with "material incentives." They treat the laboring people as hired slaves and think that if money is not used as an incentive, there will not be any labor activism. Soviet

[298] Mao Zedong, "On New Democracy," *Selected Works*, vol. 2, 356.

revisionists have consistently advocated "material incentives." They have nonsensically declared that they are "a most important lever" for increasing labor productivity. To advocate material incentives, the Liu Shaoqi and Lin Biao clique even based their argument on such fallacies as Confucius's saying that "the gentleman pursues what is right, the small people seek what is profitable." They claimed that "the drive to work is stimulated by material incentives" and "production activism will not be high if we don't use a little more money." They slanderously said that all there is in the heads of the laboring people is "financial windfalls" and "wealth and treasure." They regarded material incentives as a panacea that can "cure all illnesses." Why did they make so much noise? Their ultimate intention was to lead the laboring people to the stray path of bourgeois individualism and to restore capitalism. The worker comrades put it nicely: material incentives are the opiate to paralyze the revolutionary combat spirit, sugarcoated arsenic and a soft dagger than can kill without shedding a drop of blood.

In socialist society, the bourgeois preference for leisure over labor is inevitably reflected among the laboring people so that some of them do not work hard and their socialist labor activism is not high. What can we do about such cases? Should we insist on having politics in command and strengthening ideological education, or should we rely on putting money incentives and cash in command? This is an issue that involves which direction the proletariat and the laboring people should follow. It is an issue of which road to follow.

Politics is the commander and the soul. Only by holding firmly to having proletarian politics in command, doing a good job in ideology and politics, continuously instilling in the broad masses the socialist and communist ideology, criticizing and repudiating the capitalist tendency, and at the same time seriously carrying out the principle of "from each according to his ability, to each according to his labor" can the socialist activism of the masses be fully mobilized. To educate the laboring masses with Marxist ideology is meticulous work. It has to be done with perseverance and a great deal of effort. But, the activism thus mobilized is socialist, communist, solid, and long-lasting.

People who had been deeply affected by the poison of capitalist material incentives behaved differently. They had a basic doubt about the effects of ideological work. Some began by doing some ideological work, but after a

couple of unpleasant experiences, they would shake their heads and think that there were no lasting effects to ideological work. They would say: "It does not work. Only money can do the trick." They were afraid of doing arduous and meticulous ideological work. Once difficulties were encountered, they would resort to bonuses. But the result was usually "the more rewards are given, the worse it gets. Ideology is bankrupt and evil practices multiply." They were not good at discovering the essence of socialist activism of the masses. They did not have faith that anything can be transformed under certain conditions. In fact, although the consciousness of the laboring people may differ in level and in the rate of transformation, favorable results would be achieved if we could hold firmly to putting proletarian politics in command, doing ideological education and being patient and meticulous in our work.

Chairman Mao consistently extols the communist labor attitude. He more than once has called upon us to learn from the selfless spirit of Comrade [Norman] Bethune and from the complete and thorough devotion to the interests of the people of Comrade Zhang Side. With the nurturing of Marxism-Leninism-Mao Zedong Thought, there have appeared in China millions of Communist combatants like Comrades Bethune and Zhang Side. Their wholehearted devotion to revolution and to the people will forever radiate the communist brilliance and encourage us to advance courageously along the road of revolution!

Major Study References

- Karl Marx, *Critique of the Gotha Program*.
- V. I. Lenin, "A Great Beginning."
- Mao Zedong, "On Correcting Mistaken Ideas in the Party."
- Mao Zedong, "On the Correct Handling of Contradictions Among the People," sections 3, 7, 9.

Review Problems

1. How can the principle of "from each according to his ability, to each according to his labor" be correctly understood and thoroughly implemented?

2. What are the essential differences between socialist wages and capitalist wages?
3. Why do we have to thoroughly implement the principle of "from each according to his ability, to each according to his labor" as well as to promote the communist labor attitude in the socialist stage?

22

MUTUAL AID AND EXCHANGE

The External Economic Relations of the Socialist State

Our time is one of imperialism and proletarian revolution. When the proletariat has seized political power and established socialism in one or several countries, certain economic interrelations inevitably arise among socialist countries, between socialist states and other states that have gained their national independence, and between the socialist states and the imperialist and capitalist countries. The external economic relations of the socialist state are closely related to socialist economic construction at home and to international situations. We must know something about the socialist state's external economic relations.

External Economic Relations Are a Component of the Socialist State's Foreign Relations

External Economic Relations Must Obey the Proletarian Revolutionary Diplomatic Line

After the October Revolution, Lenin pointed out repeatedly that the socialist state under proletarian dictatorship was the base from which to advance the proletarian world revolution. The state that first achieved a socialist victory must raise high the combat banners "The proletariat of the world, unite!" and "The proletariat and the oppressed nations of the world, unite!" It must strengthen its solidarity with the proletariat, the oppressed peoples, and the oppressed nations of the whole world and strengthen its solidarity with all countries that are victims of imperialist aggression, sabotage, interference, control, and bullying in order to form an extensive united front to oppose imperialism and new and old colonialism.

The fundamental principle of the foreign relations of the socialist state is firm adherence to proletarian internationalism. China's revolutionary diplomatic line is: to develop a relationship of mutual cooperation with socialist countries under the principle of proletarian internationalism; to support the revolutionary struggles of all oppressed peoples and nations;

to work for peaceful coexistence with countries under different social systems on the basis of mutual respect for territorial integrity and sovereignty, nonaggression, noninterference in each other's internal affairs, equality and mutual benefit, and peaceful coexistence; to oppose imperialist policies of aggression and wars; and to oppose the power politics and hegemony of the superpowers. This is a Marxist line. It is consistent with the basic interests of our people and also with those of the world's people.

The external economic relations of the socialist state are components of the external relations of the socialist state. These relations must be conducted under the guidance of the revolutionary diplomatic line. Therefore, in its handling of external economic relations, the first thing the socialist state always does is actively develop relations of friendship and cooperation among the socialist countries and between the socialist countries and the nationalist countries. It handles international economic relations on the basis of the five principles of peaceful coexistence. Whatever the form of economic aid, the sovereignty of the recipient countries must be strictly respected. No strings should be attached, no privileges should be requested. It must be genuine assistance to the recipient countries for their development of independent national economies. International trade should be developed on the basis of equality and mutual benefit. Economic development should be promoted on a mutual basis, according to mutual needs and possibilities and with mutual respect for each other's sovereignty and aspirations.

In Handling External Economic Relations We Must Treat Each Case Distinctively According to the Particular Situation

In handling external economic relations, the socialist state must treat each case distinctively according to the social system of each country.

The relations among the socialist countries are the newest international relations in human history. The socialist countries use Marxism and internationalism as their common ideological basis. They adopt proletarian dictatorship as their common economic basis and regard the building of socialism and the realization of the great ideal of communism as their common goal of struggle. Chairman Mao pointed out:

> Since the beginning of history, no relations between countries have resembled those between the socialist states, which share their ups and downs, trust and respect each other, and assist and

> support each other. This is because the socialist state is a new form of state. It is a state which has overthrown the exploitative class and in which the laboring people are in power. In the interrelations among these states, the principle of unifying internationalism and nationalism is realized. Common interests and common ideals have bound us closely together.[299]

The firm adherence to the principle of proletarian internationalism and the mutual economic assistance and support among the socialist states have immense significance in accelerating the building of socialism and in increasing the strength to oppose imperialism and social imperialism in various countries.

Although the social systems of the socialist states and the nationalist states may differ, they have both suffered imperialist aggression. They have a common desire to protect national independence and to oppose the imperialist policy of aggression and wars and the hegemony of the superpowers. Therefore, the socialist states and the nationalist states can establish and develop relations of friendship and cooperation under the banner of opposition to imperialism and to new and old colonialism and on the basis of the five principles of peaceful coexistence. The aid provided by the socialist states to assist the nationalist states of Asia, Africa, and Latin America in developing their national economies is instrumental in opposing the two superpowers and their lackeys, protecting the national independence and sovereignty of various countries, and promoting the progressive enterprise of mankind.

> As for the imperialist countries, we should unite with their people and strive to coexist peacefully with those countries, do business with them and prevent a possible war, but under no circumstances should we harbor any unrealistic notions about them.[300]

Only by firmly adhering to independence and self-reliance and developing an acute struggle with them can these countries be forced to agree within a certain time period to the establishment of some degree of peaceful coexistence and the development of trade and the organization of associations and exchanges among the people.

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[299] *Renmin ribao* [*People's Daily*], November 7, 1957.

[300] Mao, "On the Correct Handling of Contradictions Among the People," 404-405.

The Essence of Soviet Revisionist External Economic Relations Is Overseas Aggression and Expansion

Lenin pointed out: "'World domination' is. . . the substance of imperialist policy."[301] To conceal its criminal intention of fighting for world hegemony, Soviet revisionist social imperialism always hides under the cloak of "socialism" in its external economic relations. It is, therefore, even more deceitful and dangerous than standard imperialism. Stripped of its cloak, what stands before the people is a ferocious devil.

The main external economic activity of Soviet revisionism is the sale of armaments. These are the most profitable transactions. From its entrance into the world arms market in 1955 until 1972, its accumulated sales of arms amounted to $28.5 billion. In the beginning of the 1970s, arms sales by Soviet revisionism represented 37.5 percent of the world arms sales. It had surpassed the United States and had become one of the world's biggest arms dealers. Especially in recent years, Soviet revisionism has stepped up its expansion of arms transactions to obtain windfall profits. They are a bunch of old hands at fishing in troubled waters and making war profits. During the Middle East War, the arms sold by Soviet revisionism to the Arab countries were priced very high. They had to be paid for in liquid foreign exchanges. In order to buy some arms to protect themselves against Israeli aggression, some countries had to borrow dollars in the Western money market to pay these Soviet revisionist arms dealers. *Call*, a periodical published by Asian and African writers, put it nicely: "Through their own prolonged and painful experience, the Arab people finally realize this fact: Soviet social imperialism is an enemy disguised as a 'friend.' This type of enemy is even more dangerous than an open enemy."

The foreign trade and so-called economic aid of Soviet revisionism are also tools for aggression and expansion used by the new czars. They not only resort to such shameful practices as buying low and selling high, substituting inferior goods for regular goods, pushing unsalable goods, and all sorts of manipulation and speculation, but also adopt coercive measures to force other countries to trade only with them. When some "fraternal countries" want to free themselves from the control of Soviet revisionism and trade with the Western countries, Soviet revisionism resorts to

[301] Lenin, "A Caricature of Marxism and Imperialist Economism."

threats. In September 1972, an attaché in the Soviet revisionist embassy in Czechoslovakia was ordered to publish a public speech in the *Freedom Daily* (*Ziyoubao*). He assailed "some (Czech) plants and enterprises" for "often buying some products from the West" and for "only exploring possibilities for the import of machines and equipment from the capitalist countries." He said threateningly,

> We hope our partners in the socialist states understand that if their domestic markets are not open to the machines and equipment of the Soviet Union, then the Soviet Union will not be able to develop further our economic relations because our supply capacity of fuels and raw materials is limited.

This is the countenance of a rascal. However, from 1964 to 1971, Soviet revisionism's imports from eleven Western countries increased by more than 61 percent, of which the majority were machines and equipment. This is simply a case of "only the state governor can set fires while the people are not allowed even to light their lamps." This is the "partnership" that Soviet revisionism wants to establish.

In its external economic relations, Soviet revisionism says all the nice things and does all the bad things. No matter how smooth their talk is and how attractive their outer garments look, the results of their external aggression and expansion can only meet ever greater resistance from the people of the various countries subject to their control, enslavement, and exploitation. The external aggression and plunder of Soviet revisionist social imperialism are like picking up a rock to strike one's own feet. They will only hasten its end.

External Economic Aid Given by the Socialist State Is an Internationalist Obligation

The Revolutionary Struggle of the People of the World Is Mutually Supporting and Mutually Assisting

The proletarian revolutionary enterprise has always been an international enterprise. The revolutionary struggles of the proletariat in various countries are components of the proletarian world revolution.

A country's victory in its socialist revolution and socialist construction cannot be separated from the support provided by the proletariat and the

revolutionary peoples of the whole world. In our revolutionary struggle and in our socialist revolution and socialist construction, our people have been consistently supported and assisted by the proletariat and revolutionary people of the world. Chairman Mao pointed out,

> In the epoch in which imperialism exists, it is impossible for a genuine people's revolution to win victory in any country without various forms of help from the international revolutionary forces, and even if victory were won, it could not be consolidated.[302]

The proletariat must liberate not only itself, but also the whole of mankind. If the whole of mankind cannot be liberated, the proletariat itself cannot be ultimately liberated either. Therefore, those countries in which the proletariat has already seized power should not only support the just struggles of the proletariat, the oppressed peoples, and the oppressed nations of the whole world politically and morally, but should also assist them with material aid. This is an internationalist obligation that should be fulfilled by every socialist country.

Whether or not the proletarian internationalist principle is firmly upheld and whether or not the proletarian internationalist obligation is fulfilled have always been a focal point in the struggles between Marxism and revisionism. All revisionists oppose proletarian internationalism. What they worship are bourgeois chauvinism and national self-interest. In the resolute struggles with the renegades of the Second International, Lenin defended and developed the proletarian internationalist principle. He pointed out,

> Proletarian internationalism demands, first, that the interests of the proletarian struggle in any one country should be subordinated to the interests of that struggle on a world-wide scale, and, second, that a nation which is achieving victory over the bourgeoisie should be able and willing to make the greatest national sacrifices for the overthrow of international capital.[303]

[302] Mao, "On the People's Democratic Dictatorship," 418.

[303] V. I. Lenin, "Draft Theses on National and Colonial Questions," in *Collected Works*, vol. 31.

In his struggle with modern revisionism and with the revisionist line of "making peace with isms and reducing aid to international revolutionary struggles"[304] advocated by the Liu Shaoqi and Lin Biao clique, Chairman Mao repeatedly educated the whole Party and the people of the whole country with the proletarian internationalist spirit. Chairman Mao said: "People who have attained victory in their revolution should assist the people who are struggling for liberation. This is our internationalist obligation."[305] We must follow Chairman Mao's teaching, resolutely support the just struggles of the peoples of the world and honestly fulfill our internationalist obligation.

Only the Socialist State Provides Genuine Foreign Economic Aid

Under the guidance of the principle of proletarian internationalism, the economic relations among the socialist states are relations of mutual aid. They provide aid to one another, strictly respect the sovereignty of the recipient countries, attach no strings, and do not ask for privileges. They genuinely help the recipient country to rely on the strength of its own people, exploit its national resources and potential, gradually establish and develop an independent socialist economic system according to its own characteristics, and advance hand in hand on the socialist road.

At the same time, the socialist state also tries to develop economic relations with the nationalist states according to the principle of proletarian internationalism. As a result of a prolonged period of colonial rule, a lopsided "monocultural economy" has been established in the nationalist countries. Based on the concrete conditions of these countries, the socialist country first of all does its best to help them develop a diversified agriculture which aims at satisfying domestic needs, gradually altering their dependence on imports of major agricultural products and making their national economies develop healthily on the basis of gradually strengthening agriculture.

The socialist state also helps the nationalist countries establish the light industry necessary to free them from dependence on imports of the necessities for people's livelihood.

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[304] Namely, "peace" with imperialism, modern revisionism, and the reactionaries of various countries and "less" aid to the just struggles of the revolutionary peoples of various countries.—Ed.

[305] *Renmin ribao* [*People's Daily*], August 9, 1963.

The socialist state also helps the nationalist countries use their own resources to establish integrated industrial branches for everything from raw materials to finished goods (including heavy industrial branches) and actively helps these countries to advance on the road of independence and self-reliance by gradually sweeping away the economic aggression of imperialism and new or old colonialism.

In sum, foreign economic aid by the socialist state is an important factor in coordinating the international political struggle. It stands up against the strong and assists the weak, strengthens the world revolutionary forces, and opposes the policy of aggression and war adopted by the imperialists and social-imperialists.

Based on the doctrine of proletarian internationalism, the Chinese government announced in 1964 and later repeatedly affirmed eight principles for China's foreign economic aid:

(1) Provide foreign aid according to the principle of equality and mutual benefit. Do not regard aid as a one-way gift. Regard aid as mutual assistance.

(2) In providing foreign aid, strictly respect the sovereignty of the recipient country. Attach no strings and ask for no privileges.

(3) Provide economic aid without interest or at low interests. When necessary, lengthen the period of loan repayment to lessen the burden on the recipient country.

(4) The purpose of aid is not to create the recipient country's dependence on China but to help it to advance on the road of self-reliance and independent economic development.

(5) Projects chosen for aid in the recipient country should require low investment and short gestation so that the aid recipient country can increase its income and accumulation.

(6) Provide the best possible equipment and raw materials we produce and negotiate prices according to the international market conditions. If the equipment and raw materials provided do not meet the agreed specifications and quality, their return is guaranteed.

(7) In providing any form of technical aid, guarantee that the personnel of the recipient country will fully master this technical knowhow.

(8) Experts sent to the recipient country to help with construction should receive the same material treatment as the experts of the recipient country. No special requirements or treatment are allowed.

The above eight principles for foreign aid announced by our government are the concrete embodiment of Chairman Mao's proletarian revolutionary diplomatic line in foreign aid work. They are also a summary of the practical experience of China's foreign aid work.

Since the founding of the People's Republic, China has been pursuing the above eight principles for foreign economic aid. According to the needs of friendly countries, entire construction projects and general material resources have been provided and have been well-received by the peoples of recipient countries in Asia, Africa, and Latin America. Take the example of the Tanzania Zambia Railway currently under construction. It starts from Dar es Salaam, the capital of Tanzania, and heads west across the wide plains of Tanzania and Zambia to Kapiri Mposhi in Zambia, connecting with Lusaka, the capital. The total length is about 2,000 kilometers. Along this railway are high mountains, deep gorges, rivers, and swamps. The terrain is treacherous, the project huge, the investment high, and the difficulty immense. But it plays a vital role in developing the national economies of Tanzania and Zambia. In its construction, the workers and technicians of Tanzania, Zambia, and China share their joys and tribulations, struggle together, and are establishing a deep and sincere friendship. The peoples of Tanzania and Zambia fondly call this railway under construction "the road of friendship."

Soon after the People's Republic was founded, the Chinese people began to discharge their obligation with regard to foreign economic aid. With the development of China's economic construction and the increase in our economic strength, the size and scope of our foreign aid have gradually expanded. But, China is still a developing socialist state. The support provided to the peoples of various countries by China is mainly political and moral. The economic aid that can be provided by us is extremely limited. With the vigorous development of China's socialist revolution and socialist construction, it is certain that we will be able to reduce this inadequacy and contribute more to the progressive enterprise of mankind.

Actively Develop the Socialist State's Foreign Trade

There Are New Characteristics in the Foreign Trade of the Socialist State

Foreign trade belongs to the category of commodity circulation. It is commodity exchange between two countries. Differences in social systems also lead to differences in the nature of foreign trade. Under the capitalist system, foreign trade has always served as a means to augment capital. In the imperialist period, commodity export was closely related to capital export. Foreign trade became an important means by which the monopoly capitalist clique launched economic aggression, seizing high monopoly profits and competing for world hegemony.

The Chinese people are deeply familiar with imperialist economic aggression and plunder. In the more than one hundred years between the Opium War of 1840 and the founding of a new China in 1949, the imperialist countries, by forcing the unequal treaties on the Chinese people, seized a series of privileges such as dumping commodities and export capital in China. They colluded with Chinese bureaucratic capital, represented by the four clans of Chiang, Song, Gong, and Chen, to engage in cruel exploitation and plundering, buying cheap agricultural and subsidiary products and mineral ores, and selling expensive industrial products. Consequently, the foreign trade of old China was an important channel through which the blood and sweat of the Chinese people were extracted by imperialism and its lackeys.

The foreign trade of the socialist state is completely different from the foreign trade of imperialist and social-imperialist countries. It is a new form of foreign trade. The foreign trade of the socialist country is built on the basis of socialist public ownership of the means of production. The development of foreign trade in countries under proletarian dictatorship is favorable to accelerating socialist revolution and socialist construction and to supporting world revolution.

The foreign trade of the socialist state has the following characteristics:

First, the foreign trade of the socialist state is an independent foreign trade controlled by a state under proletarian dictatorship.

The state under proletarian dictatorship, in order to facilitate the building of socialism and defend national independence, must exercise state control over foreign trade. Chairman Mao pointed out on the eve of national liberation that "The restoration and development of the national economy

of the people's republic would be impossible without a policy of controlling foreign trade."[306] After liberation, the Chinese government implemented Chairman Mao's revolutionary policy, expelled imperialist economic aggression, annulled the privileges enjoyed by imperialism in China, got back control over the customs administration, and terminated the control of foreign merchants over China's foreign trade. At the same time, the Chinese government confiscated the foreign trade business of bureaucratic capital, gradually transformed the import and export business of medium and petty capitalists, and fundamentally transformed the semicolonial nature of the foreign trade of old China. The foreign trade of China has become an independent foreign trade controlled by a state under proletarian dictatorship.

State control over foreign trade plays an important role in guaranteeing the political and economic independence of China, defending China from imperialist economic aggression, minimizing the effects of economic crises from the capitalist world, and accelerating the pace of China's socialist construction through normal commercial exchanges with many countries of the world on the basis of equality and mutual benefit.

Second, the foreign trade of the socialist state is a foreign trade of equality and mutual benefit under the guidance of Marxism.

The foreign trade of the socialist state is an important aspect of the foreign activities of the socialist state. In its foreign trade relations, the socialist state thoroughly implements the principle of equality and mutual benefit and the principle of exchanging what one has for what one does not have, requires mutual respect for each other's sovereignty and aspirations, matches each other's needs and possibilities, and makes all efforts to maintain fair and reasonable prices.

Chairman Mao pointed out: "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."[307] We must carry on planned commercial exchanges among the socialist countries under the guidance of the principle of proletarian internationalism and according to the spirit of active cooperation and no nonsense. We must also continuously expand trade and mutual exchanges with the countries of the Third World whenever necessary

[306] Mao, "Report to the Second Plenary Session of the Seventh Central Committee of the Communist Party of China," 369.

[307] Mao, 371.

and possible in order to promote the common development of our national economies on the basis of self-reliance. We support the developing countries in improving the terms of trade for their raw materials, primary products, and finished products and in setting fair and profitable prices. We support them in establishing organizations among raw materials exporting countries and in carrying on a united struggle against colonialism, imperialism, and hegemony. We must also develop commercial exchanges with the capitalist countries according to needs, possibilities, and conditions. Chairman Mao pointed out:

> Everybody should know that it is none other than the imperialists and their running dogs, the Chiang Kai-shek reactionaries, who hinder us from doing business and also from establishing diplomatic relations with foreign countries. When we have beaten the internal and external reactionaries by uniting all domestic and international forces, we shall be able to do business and establish diplomatic relations with all foreign countries on the basis of equality, mutual benefit and mutual respect for territorial integrity and sovereignty.[308]

Therefore, we must soberly realize that commercial exchanges with the imperialist and social-imperialist countries are fraught with struggles.

In the world market and in commercial exchanges with the capitalist countries, the socialist state must fight for fair and reasonable prices for imports and exports. This is a class struggle between the proletariat and the bourgeoisie in the international economic arena. The domestic market of the socialist state is different from the foreign capitalist market. Prices of export commodities should be flexibly determined according to the needs of diplomatic policy and changes in the international market. Only in this way can the export commodities of the socialist state be sold at suitable prices. On the issue of prices, we oppose confusing the two types of markets that are different in nature, by transferring price oscillations from foreign to domestic market and thereby affecting price stability in the domestic market; or by applying stable price policy of domestic market to foreign market, thereby inflicting unnecessary losses on the wealth created by our working people.

[308] Mao, "On the People's Democratic Dictatorship," 418.

Third, the foreign trade of the socialist state is planned, centralized foreign trade under state management.

Centralized leadership and a unified external policy are the basic principles of the socialist state's foreign trade. Firm adherence to the principles of centralized leadership and unified external policy means that, according to the varieties of commodity, we must make rational division of labor and management, and bring into play both central and local activism on the basis of "unified understanding, unified policy, centralized planning, centralized command, and unified action."

A planned and centralized foreign trade is a manifestation of the superiority of the socialist system over the capitalist system. The private ownership system and the chaotic production conditions of capitalism determine the blind and competitive nature of capitalist foreign trade. The planned and proportional development of the socialist national economy objectively requires that foreign trade must be planned and conducted according to the state's import and export needs and capabilities and according to the national economic plan formulated by the state. The foreign trade of the socialist state grows with the development of the national economy. It also actively promotes the development of the whole national economy.

Develop Foreign Trade on the Basis of Independence and Self-Reliance

The foreign trade of the socialist state plays an active role in the development of the socialist economy. However, a rapid, planned, and proportional development of the socialist economy does not depend on the foreign market, but on the superiority of the socialist system and the planned economy and on the diligent struggle of the laboring people in the country. Independence and self-reliance constitute a basic policy of the socialist state in conducting economic construction. It is also a policy that must be strictly followed in foreign trade.

To develop foreign trade on the basis of independence and self-reliance requires a correct understanding and handling of the relationship between production and foreign trade. The relationship between foreign trade and production is one between circulation and production. The development of socialist production is the material basis of the expansion of foreign trade. Since the relationship between foreign trade and production is one between circulation and production, only by greatly promoting the development

of industrial and agricultural production can there be adequate supplies of exports and can there be more imports of needed materials. The internal linkage between circulation and production requires the foreign trade branches to go deep down to the forefront of industrial and agricultural production, be concerned with production, and promote production. They must strengthen investigation and research on foreign markets, actively introduce new foreign technology, new samples, new equipment and superior varieties to the production units, and raise new production problems in order to establish a mutually supporting and promoting relation.

To develop foreign trade on the basis of independence and self-reliance also requires a correct understanding and handling of the relationship between domestic trade and foreign trade. Foreign trade and domestic trade both belong to the circulation sphere. Their basic goals are identical—namely, to satisfy the needs of the socialist state and the people. Of course, there are also some contradictions based on the identical goals. For example, although there has been substantial development in China's industry, there are often contradictions in the allocation of goods between domestic trade and foreign trade because of the excess of demand over supply due to the weakness of the original foundation. To increase exports requires a corresponding reduction in the supply to domestic trade. However, the needed means of production that can be purchased as a result of exports help increase accumulation and expand reproduction. Therefore, this is really a contradiction between accumulation and consumption and between long-term interests and short-term interests. The correct handling of the relationship between domestic and foreign trade must start from the needs of national construction and the people's livelihood and must be based on the domestic market. At the same time, the importance of foreign markets should not be overlooked and must be taken into account through suitable arrangements. All commodities that vitally affect the national economy and the people's livelihood must first be used to satisfy domestic needs, and their exports should be controlled according to the state plan. The domestic trade in commodities that are only marginally related to the people's livelihood should be suitably reduced, and their exports increased. Some commodities are quite dispensable for the people's livelihood, and they should be exported as much as possible. There are other commodities that are valueless if discarded but valuable if collected. Their supplies should be expanded for exports.

The traitor clique of Liu Shaoqi and Lin Biao strongly advocated putting "foreign exchange in command" on the foreign trade battlefront in a vain attempt to basically transform the political orientation of the foreign trade of the socialist state and to convert China into an economic satellite of imperialism. This is the road that the socialist state will never follow.

Fully Exercise the Active Role of the Socialist State's Foreign Trade

The foreign trade of the socialist state is a component of the socialist economy. It is also a tool for foreign contacts. To develop foreign trade in a planned manner and to exercise fully its active role helps strengthen our own country's capacity for self-reliance, thereby accelerating socialist construction, and helps strengthen the friendship among the people of various countries, thereby promoting the world revolution.

As a matter of fact, there is no single country in the world that can produce all it desires. On the basis of a firm adherence to the policy of independence and self-reliance in developing the socialist economy, the socialist state can and should use foreign trade as a means to regulate the proportional relations in socialist expanded reproduction. Through foreign trade, certain badly needed materials can be imported to make up for temporary shortages of certain products and materials resulting from production conditions and natural conditions. Through foreign trade, some advanced technology can be introduced to serve as a model for catching up, thereby facilitating technical innovation in industrial and agricultural production.

To develop foreign trade in a planned way helps accelerate socialist construction. However, we cannot then give up the policy of independence and self-reliance. A handful of traitors, from Zeng Guofan and Li Hongzhang in the Qing dynasty to Liu Shaoqi and Lin Biao in the contemporary period, were advocates of a slavish attitude toward foreign things. They always criticized the inadequacies of China's proletariat and laboring people. Only the Western bourgeoisie made the grade. In foreign trade, they always advocated a total dependence on imports. "Even the moon is rounder overseas." China's laboring people are diligent, courageous, and intelligent. Since liberation, China's laboring people have become masters of the socialist state, and their intelligence and talent have exploded forth all the more. Whatever the Western bourgeoisie can do, the Chinese proletariat, too, can do. Even what the Western bourgeoisie cannot do, the Chinese proletariat can do.

The vain attempt of the anti-Party clique of Lin Biao to depend on Soviet revisionist social imperialism by way of surrender and betrayal merely reflected the degenerate spiritual state of the exploitative class in China. In the sphere of foreign trade, China's proletariat consistently adheres to Chairman Mao's policy of independence and self-reliance, continuously criticizes the counterrevolutionary revisionist line of Liu Shaoqi and Lin Biao, which worships things foreign and adopts a slavish attitude toward foreign things. "We should never tie the fate of socialist construction to the waist of another person!" This is the answer from the broad masses of workers.

The development of trade relations among the socialist countries on the basis of equality and mutual benefit can promote a rapid development of each other's economy and continuously strengthen the anti-imperialist and anti-revisionist forces. The trade contacts between the socialist states and the nationalist states help develop independent national economies and oppose the policy of aggressive expansion of the two superpowers, the United States and the Soviet Union. The trade contacts between the socialist states and the capitalist states help expand the international anti-imperialist united front and oppose the struggle for hegemony between the two superpowers, the United States and the Soviet Union. Therefore, the foreign trade of the socialist state is also a means of thoroughly implementing the proletarian diplomatic line.

Since the founding of the People's Republic, under the guidance of Chairman Mao's revolutionary line, China's foreign trade has promoted the development of industrial and agricultural production, expanded China's external influence, and supported the world revolution. Great achievements have been made. From now on, any further development of foreign trade will help us better implement proletarian internationalism, accelerate domestic socialist construction, and better support the world revolution.

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- Mao Zedong, "Report to the Second Plenary Session of the Seventh Central Committee of the Communist Party of China."

Review Problems

1. Why must the external economic relations of the socialist state be subordinate to the proletarian revolutionary diplomatic line? What is the reactionary nature of Soviet revisionist external economic relations?
2. Why do we say that the foreign economic aid of the socialist state must fulfill the internationalist obligation?
3. What are the characteristics of the socialist state's foreign trade?

[310] Lenin, *Collected Works*, vol. 33.

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COMMUNISM MUST BE REALIZED FROM SOCIALIST SOCIETY TO THE COMMUNIST SOCIETY

Like all other historical relations of production, socialist relations of production undergo a process of emergence, development, and extinction. After a long period of movement, socialist relations of production must necessarily be transformed into communist relations of production. Communism is the highest ideal of the proletariat and the millions of laboring people. It is the most perfect, most progressive, most revolutionary, and most rational social system. It is a natural tendency in human social development. It is the ultimate goal of proletarian revolution. Chairman Mao pointed out: "The ultimate aim for which all communists strive is to bring about a socialist and communist society."[311] Every revolutionary warrior should struggle for communism all his life.

Communism Is Irresistible

Socialist Society Is a Necessary Stage on the Way to 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.[312]

In socialist society, public ownership of the means of production has been established, the laboring people have become masters of society and enterprises, and Marxism has become the guiding thought of society. In these respects, socialist society possesses elements of communism. However, socialist society is merely the first stage of communist society. It is still an incomplete communist society. In socialist society, the bourgeoisie and all exploitative classes have been overthrown, but the influence of these class-

[311] Mao, "The Chinese Revolution and the Chinese Communist Party," 308.

[312] V. I. Lenin, "The Tasks of the Proletariat in Our Revolution," in *Collected Works*, vol. 24.

es on the economy, politics, and ideology will still exist for a long time to come. Disparities between the worker and the peasant, between the urban and the rural areas, and between mental and physical labor left behind by the old society and remnants of bourgeois legal rights reflecting these disparities will exist for a long time. In these respects, socialist society is different from communist society.

The historical task of the proletariat in the socialist period is to continuously sweep away capitalist elements and remnants in the relations of production and the superstructure, thoroughly defeat the bourgeoisie, eliminate all classes and class differences, eliminate all relations of production based on these differences, eliminate all social relations corresponding with such relations of production, change all concepts derived from these social relations, and push socialist society toward a higher and more perfect communist society. Therefore, socialist society becomes the necessary preparation for communist society, and communist society is, in turn, a natural tendency in the development of socialist society.

Then, what is a complete communist society?

Communist Society Is the Most Complete, Most Progressive, Most Revolutionary, and Most Rational Society

There is a precise content to scientific communism. According to Marxism-Leninism-Mao Zedong Thought, communist society is a society that has completely eliminated classes and class disparities. It is a society in which the whole people possess a high degree of communist ideological consciousness and moral standards. It is a society in which the whole people possess a high degree of labor activism and initiative. It is a society in which the social product is abundant. It is a society in which the principle of "from each according to his ability and to each according to his need" is adopted. It is a society in which the state will wither away.

Marx pointed out:

> In a higher phase of communist society, after the enslaving subordination of the individual to the division of labor, and with it also the antithesis between mental and physical labor, has vanished; after labor has become not only a means of life but itself life's prime want; after the productive forces have also increased with the all-round 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![313]

According to the Marxist theory of scientific communism, the realization of communist society requires the creation of the following conditions:

First, the thorough elimination of all classes and class disparities, including the natural disparities between the worker and the peasant, between the urban and the rural areas, between mental and physical labor, and bourgeois legal rights reflecting these disparities. In communist society, the basis for capitalist restoration will have been thoroughly eliminated. At that time, Chairman Mao's "May 7 Directive" will be fully realized. The whole people will become completely developed new communists. People will consciously grasp the objective law of social development and propel communist society continuously forward. Of course, the elimination of classes and class disparities does not mean that there will be no contradictions, and no struggles in communist society. At that time, there will still be contradictions between the superstructure and the economic substructure and between the relations of production and the productive forces, and there will be struggles between the advanced and the backward and between correct and erroneous lines. Therefore, even in communist society, it will still be necessary to continue revolution.

Second, the realization of a single communist system of ownership over the means of production by the whole people. In communist society, the communist system of ownership by the whole people will become the only economic substructure. The most advanced communist relations of production, which are based on this ownership system, will guarantee that the productive forces will develop at the fastest rate in order to increase labor productivity at an ever increasing pace. In order to realize communist ownership by the whole people, it is necessary to create the conditions in the socialist stage, gradually elevating socialist collective ownership to socialist state ownership and then from socialist state ownership to communist ownership by the whole people. The people's commune created by the Chinese people is a suitable organizational form for facilitating this transition.

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[313] Marx, *Critique of the Gotha Program*, 16.

Third, the creation of a very abundant social product. When communist society is achieved, the social productive forces will have developed to a new level. People's ability to conquer nature will be tens of thousands of times higher than it is now. At that time, people will fully utilize all natural resources to serve human society and will create a very abundant social product to satisfy the needs of the whole society and all the laborers. At that time, commodity production will have stopped. Commodities and money, which are in the domain of the commodity economy, will finally be retired from the historical stage and transferred to the museum of history. In communist society, the level of development of the social productive forces cannot be compared with the present level of development of the contemporary productive forces. Therefore, if we are enthusiastic about the communist enterprise, we should be enthusiastic about the development of the social productive forces.

Fourth, the cultivation of a high degree of communist ideological consciousness and moral standards among the whole people. Communist society will thoroughly sweep away bourgeois thought and all concepts of self-interest. The whole people will consciously transform both themselves and the world with Marxism-Leninism-Mao Zedong Thought. The whole world will assume a completely new appearance, and the new thought, new culture, new customs, and new habits of the proletariat will become common practice. Just as Chairman Mao pointed out, "The epoch of world communism will be reached when all mankind voluntarily and consciously changes itself and the world."[314] Of course, even at that time, there will still be contradictions between the advanced and the backward, between the correct and the erroneous, and between materialism and idealism, and struggle among people. But the nature and form of the struggle will be different from those of the class society.

Fifth, the adoption of the principle of "from each according to his ability and to each according to his need." When communist society is achieved, because the means of production will all have been brought under a single communist system of ownership by the whole people and because the social product will be very abundant and people's ideological consciousness will have been greatly elevated, the distribution of personal consumer goods will no longer be determined by people's labor contribu-

[314] Mao, "On Practice," 281.

tion to society but by their needs. Since the essential difference between mental and physical labor will be eliminated by then, every member of society will be able to exercise fully his physical and mental capacity in labor. This will inevitably lead to a profound change in the nature of labor. Labor will no longer be merely a means to earn a living, but will also be the primary necessity of people's lives. At that time, people's labor will no longer be for the purpose of getting certain remuneration, but will be conscious labor without remuneration and an important means of consciously transforming the subjective and objective world.

Sixth, the state will automatically wither away. With a thorough extinction of imperialism, capitalism, and exploitative systems throughout the whole world and with the extinction of classes and class disparities, the state as a means of class struggle will naturally disappear. Chairman Mao pointed out:

> 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[315]

Chairman Mao instructed us a long time ago:

> Communism is at once a complete system of proletarian ideology and a new social system. It is different from any other ideology or social system, and is the most complete, progressive, revolutionary and rational system in human history.[316]

Communist society is a society of boundless brilliance and boundless beauty. It is the most ideal society of mankind.

Pseudo-Communism Is Genuine Capitalism

"The theoretical victory of Marxism compelled its enemies to *disguise themselves* as Marxists."[317] The Soviet revisionist renegade clique and swin-

[315] Mao, "On the People's Democratic Dictatorship," 413.

[316] Mao, "On New Democracy," 338.

[317] V. I. Lenin, "The Historical Destiny of the Doctrine of Karl Marx," in *Collected Works*, vol. 18.

dlers like Liu Shaoqi and Lin Biao are contemporary pseudo-Marxists. They use the label "communism" to engage in capitalist restoration.

The pseudo-communism of the Soviet revisionist renegade clique is a typical representative of all sorts of contemporary pseudo-communism. They start from such reactionary positions as "productivity first" and "human nature" and foolishly say that "communism is the most humane and benevolent ideological system," is "all for the people and all for people's happiness," and is a good dish of "beef with beans." They never mention the thorough extinction of all classes, class disparities, and the bourgeois legal rights reflecting these disparities. They completely empty the revolutionary content of scientific communism. This brand of communism is not only false, but also very reactionary. This is "communism" centered on the decaying bourgeois outlook. This is "communism" modeled on the bourgeois life style. This is pseudo-communism and genuine capitalism.

In China, the Lin Biao clique of renegades also strove to advocate pseudo-communism. They foolishly said that communism was "public propertyism," that "'property' is the word to be stressed on the banner," and that communism was to make "everyone rich." The renegade clique never talked about eliminating the landlord and the bourgeoisie; all they cared about were the words "public" and "property." What class's "public" was it? What class's "property" was it? It is obvious. Their so-called "public" was what Confucius and his kind advocated: "When the great Dao prevails in the world, a public spirit will rule all under Heaven." Hence, it was the slave owner's "public," the landlord's "public," and the bourgeoisie's "public." The so-called "property" was the slave owner's "property," the landlord's "property," and the bourgeoisie's "property." Getting rich could only mean that the handful of exploitative classes would become millionaires. Had the renegades succeeded in carrying out their conspiracies, the proletariat and the broad masses of laborers would have once again lost all the means of production and would once again have been reduced to slaves in the abyss of hardship and suffering. This is what has happened in the Soviet Union. The Soviet revisionist renegade clique has already expropriated the wealth created jointly by the proletariat and the broad masses of laborers. It has become the "public property" of a handful of bureaucratic monopoly bourgeoisie. The broad masses of people of the Soviet Union are once again leading the miserable life of the czarist period and are trapped in an abyss of agony;

Chairman Mao pointed out incisively, "Today's Soviet Union is a bourgeois dictatorship, a big bourgeois dictatorship, German fascist dictatorship, and Hitler style dictatorship."[318] Therefore, it is evident that the "public propertyism" advocated by the Lin Biao clique contradicts the scientific communism of Marxism and is the same type of stuff as the pseudo-communism of Soviet revisionism.

The history of the communist movement clearly shows: communism is irresistible. No matter how the reactionary tries to obstruct the forward movement of the wheel of history, communism will finally win a thorough victory in the whole world.

The Realization of Communism Is a Profound Social Revolution

Uphold the Idea that Continuing Revolution Under Proletarian Dictatorship Is the Only Path for Realizing Communism

In the transformation from socialist society to communist society, the proletariat must thoroughly defeat the bourgeoisie and its ideology and eliminate all classes and class disparities. Therefore, whether in relations of production or in the superstructure, this transformation is a great stride in quality and is a series of profound social revolutions.

State power under proletarian dictatorship is something:

> a victorious people cannot do without even for a moment. It 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.[319]

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[318] *Renmin ribao* ["People's Daily"], April 22, 1970.

[319] Mao Zedong, "Why It Is Necessary to Discuss the 'White Paper'," in *Selected Works*, vol. 4, 448.

Mao is often quoted as referring to "magic weapons" or "protective talismans," which has provoked some confusion and contradictions, especially with dogmatic or literal readings of his writings. But Mao spoke of magic weapons (especially the "three magic weapons of the united front, the armed struggle, and party-building), not because he believed in mysticism, but in the context of referring allegorically to the Chinese classic, the *Investiture of the Gods*, in which a god bestows a character three magic weapons that will make him invincible in

On the basis of the fundamental principles of Marxism, Chairman Mao summed up the historical experience of proletarian dictatorship and put forth the theory of continuing revolution under proletarian dictatorship. Following the theory of continuing revolution under proletarian dictatorship requires that we be good at applying the standpoint, concept, and methodology of Marxism-Leninism-Mao Zedong Thought in observing and analyzing socialist society and that we adhere to the Party's General Line for the whole historical stage of socialism as the key link for further strengthening the proletariat's total dictatorship over the bourgeoisie in the political, economic, ideological, cultural, and educational spheres. This is the basic guarantee for building socialism and making the transition to communism.

Whether or not proletarian dictatorship is firmly upheld and whether or not continuing revolution under proletarian dictatorship is firmly upheld are important indicators of whether we are developing toward communism or retrogressing toward capitalism. The Soviet revisionist renegade clique tries hard to distort the theory of Marxist scientific communism, claiming that no revolution, class struggle, or proletarian dictatorship are necessary in the transition from socialism to communism. They foolishly say that "there are no antagonistic classes in socialist society. Therefore, the realization of the transition from socialism to communism does not have to go through social revolution or class antagonism." Although this renegade clique also advocates the realization of communism, it is merely a smoke screen to deceive the people, sabotage proletarian dictatorship, and restore capitalism. It is through the negation of the basic Marxist theory about the existence of classes, class contradictions, and class struggle that the Soviet revisionist renegade clique abolishes proletarian dictatorship, ceases continuing revolution under proletarian dictatorship, mobilizes the bourgeoisie to attack the proletariat, changes proletarian dictatorship into bourgeois dictatorship, and changes the socialist system into the capitalist system.

Only by adhering to continuing revolution under proletarian dictatorship can proletarian dictatorship be consolidated, the restoration of capitalism be prevented, socialism be built, and all the conditions necessary for the

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battle. This reference, while well-known to most Chinese people, has been misconstrued by many outside of China, leading to the strange conclusion that Mao equated the united front, the armed struggle, and party-building with weilding magical powers.—Ed. FLP

realization of communism be created. To thoroughly implement continuing revolution under proletarian dictatorship is a necessary road for realizing communism.

Hold Firmly to Proletarian Internationalism and Support World Revolution

The era we are in is the era of imperialism and proletarian revolution. Chairman Mao pointed out, "Ever since the monster of imperialism came into being, the affairs of the world have become so closely interwoven that it is impossible to separate them."[320] To realize communism, we must thoroughly eliminate imperialism, capitalism, and all systems in which man exploits man, so that the whole of mankind can be thoroughly liberated. Therefore, the seizure of political power in one country or several countries and the establishment of a socialist society by the proletariat do not mean the end of revolution. Only by liberating the whole of mankind can the proletariat finally liberate itself. This is because capital is an international force. As long as imperialism, capitalism, and exploitative systems still exist, imperialism and social imperialism will certainly use the two reactionary methods of armed intervention and peaceful fragmentation to oppose the socialist countries. Under these conditions, the socialist state will always face the threats of aggression and sabotage from imperialism and social imperialism. Since capital is an international force, the proletarian enterprise cannot but be an international enterprise. When the Russian proletariat seized political power in the October Revolution and was advancing the socialist revolution and socialist construction, Lenin clearly and precisely pointed out, "final victory is only possible on a world scale, and only by the joint efforts of the workers of all countries."[321] In his struggle with Trotsky, Stalin firmly adhered to and defended Leninism. But, the Khrushchev-Brezhnev renegade clique repeatedly claimed that in the Soviet Union, "socialism has achieved not only a complete victory, but a thorough victory." This is a downright betrayal of Leninism. Domestically, the purpose of the ridiculous claims of this renegade clique was to overlook the acute struggles between the proletariat and the bourgeoisie and conceal their conspiracy to restore capitalism internally. Abroad, it was to spread the illusion that the aggressive

[320] Mao Zedong, "On Tactics Against Japanese Imperialism," in *Selected Works*, vol. 1, 151.
[321] V. I. Lenin, "Report on Foreign Policy Delivered at a Joint Meeting of the All-Russia Central Executive Committee and the Moscow Soviet," in *Collected Works*, vol. 27.

nature of imperialism has changed and conceal their ugly countenance in their struggle for hegemony with the other "superpower."

Against the distortion and betrayal of Leninism by modern revisionism, Chairman Mao carries on, expounds, and extends Leninism. Chairman Mao pointed out:

> We have already attained a great victory. But, the defeated classes will still struggle. These people still exist. This class still exists. Therefore, we cannot talk about a final victory. We may not be able to say this for several decades. We cannot lose our vigilance. According to the viewpoint of Leninism, the final victory in one socialist country requires not only the efforts of its own proletariat and its broad masses of people, but must also wait for the victory of world revolution, the elimination of systems in which man exploits man, and the liberation of the whole of mankind. Therefore, to talk lightly about a final victory in our revolution is erroneous and inconsistent with Leninism. It is also contrary to the facts.[322]

To attain a final victory in the socialist revolution and to realize communism in the whole world, the proletariat of various countries is holding high the banner of proletarian internationalism, supporting each other, struggling together, and advancing courageously along the Marxist general line of international communism.

In the era of imperialism and proletarian revolution, part of the capitalist system has already entered the museum (in socialist states); the moribund rest, like a setting sun dangling precariously on a western hill, is struggling for its last breath and will soon too enter the museum. It is the communist doctrine and its social system that are sweeping over the world like ten thousand thunderbolts striking at the same time, powerful as towering mountains and mighty as swelling oceans, and it shall ever retain its youth and vitality. Marxist political economy uses the objective law of human societal development to analyze the process of movement of the relations of production of various social forms and arrives at the scientific conclusion that the capitalist system will surely perish and that the socialist and communist systems will surely win out. It points out the general tendency of historical

[322] *Hongqi* [*Red Flag*], 1969, no. 5.

development and is a powerful ideological weapon for the proletariat in making revolution.

The characteristic of the present international situation is that "the world is in a big mess." This "mess" is a reflection of the intensification of various basic contradictions in the contemporary world. It accelerates the disintegration and decline of corrupt reactionary power and promotes the awakening and strengthening of the newly emerging people's power. In the situation of "a big mess," rapid and drastic dissolution and reorganization occur after a prolonged period of contest and struggle among the various political forces of the world. A number of Asian, African, and Latin American countries have obtained independence one after another, and play an increasing role in international affairs. The socialist camp that existed briefly after the war no longer exists, because the Soviet Union, once a socialist state, has become a social-imperialist state. Owing to the law of uneven development in capitalism, the Western imperialist bloc is also disintegrating. Looking at it from the changes in international relations, there are three related, yet opposed aspects and three worlds in the contemporary world. American imperialism and Soviet revisionism are the First World. These two superpowers vainly attempt to dominate the world and are the biggest international exploiters, aggressors, and source, of new world wars. They possess large amounts of nuclear weapons and are engaged in a heated armament race. Externally, they station large numbers of soldiers, maintain large numbers of military bases, continuously control, sabotage, interfere with, and invade other countries, and exploit other countries economically. When it comes to bullying other people, Soviet revisionist imperialism, waving the socialist banner, is even more malicious. The developing countries in Asia, Africa, and Latin America, and other countries are the Third World. They are oppressed and exploited by colonialism and imperialism. They are the revolutionary motive power that pushes the wheel of history forward and are a major impetus in opposing colonialism, imperialism, and especially the superpowers. The developed countries between the First and Third Worlds are the Second World. Their conditions are complex. Some of them still maintain some forms of colonial relations with the countries in the Third World. At the same time, all these developed countries are subject to some extent to control, threats, and unfair treatment from this or that superpower. They have a varying desire to free themselves from the enslavement and

control of the superpowers and to defend their national independence and the integrity of their sovereignty.

China is a socialist state and is also a developing country. China belongs to the Third World. The Chinese people have consistently followed Chairman Mao's teachings, resolutely supported the struggle of the oppressed people and nations to fight for and defend national independence, and opposed colonialism, imperialism and hegemony. They stand with the people of the Third World and the whole world to push the wheel of history forward.

History develops through struggle. The world pushes forward amidst instability. The dawn of a new world in which there will be no imperialism, no capitalism, and no exploitative systems is just ahead of us. The great Chairman Mao teaches us, "[t]he future is bright [but] there will be twists and turns in our road."[323] Let us raise high the victorious banner of Marxism-Leninism-Mao Zedong Thought, unite with the world's proletariat and the oppressed people and nations of the world, be determined, fear no sacrifice, and overcome all difficulties to win a victory!

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- Karl Marx and Frederick Engels, *Manifesto of the Communist Party*.
- Karl Marx, *Critique of the Gotha Program*.
- Lenin, *The State and Revolution*, chapter 5.
- Mao, "On New Democracy."

Review Problems

1. What are the relationships and differences between the communist society and socialist society? What is the crux of pseudo-communism?
2. What conditions must be created to realize communism? Why do we say that the realization of communism is a profound social revolution?
3. How does a revolutionary warrior establish a vast communist ideal and fight for communism all his life?

[323] Mao Zedong, "On the Chongqing Negotiations," *Selected Works*, vol. 4, 49.

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