

**RETHINKING SOCIALISM**  
**WHAT IS SOCIALIST TRANSITION?**  
**DENG-YUAN HSU & PAO-YU CHING**



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# INTRODUCTION

My co-author Deng-yuan Hsu and I wrote this paper a little over two decades ago. Many changes have taken place in the past two decades. Hsu passed away in 2009, so as this paper is to be published in printed form, I have the opportunity to write an introduction to reflect my current thinking on the significance of the Russian and Chinese revolutions. Rereading this paper, more than 20 years later, I believe that the analysis we made of China's socialist transition is still basically sound and that during the socialist transition, and especially through the Great Proletarian Cultural Revolution, China advanced a very big step forward on the road to socialism.

To begin, I again quote Lenin:

We do not claim that Marx or the Marxists know the road to socialism in all its completeness. That is nonsense. We know the direction of this road, we know what class forces lead along it, but concretely and practically it will be learned from the *experiences of the millions* who take up the task.<sup>1</sup>

The two most important historical events in the 20<sup>th</sup> century were the 1917 Russian Revolution and the 1949 Chinese Revolution. These two heroic revolutions were led by the vanguard of the proletariat: the Communist Party of the USSR and the Chinese Communist Party. After the revolution millions of people, tens of millions of people, even hundreds million of people did take up the task and traveled the

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<sup>1</sup> V. I. Lenin, "From a Publicist's Diary (*Peasants and Workers*)" in *Collected Works*, Vol. XXV.

road to socialism for quite a distance—in the Soviet Union from 1917 to 1956 and in China from 1949 to 1978, although in both the USSR and China the socialist transition did not begin until after a period of consolidation. The concrete experiences of what the Russian and Chinese revolutionaries were able to accomplish are like footprints recorded on the road to socialism. The record of their struggles have taught us many lessons about the class forces that were leading them forward and the class forces that were blocking them and leading them in the opposite direction. As we celebrate the 100<sup>th</sup> anniversary of the Russian revolution this year, we do not look at the prospect of socialism as a blank sheet of paper but one marked with revolutionaries' precious lessons of victories and defeats written in their blood and sweat.

When my co-author and I wrote *Rethinking Socialism*, we concluded: “Unfortunately, the first round of attempts to build socialism failed.” I no longer believe this to be the case. Rather, I’ve come to understand that the attempts to build socialism did not fail—they were defeated. The socialist revolutions in the Soviet Union and in China showed us how the communist parties led the revolutions, and how courageous workers and peasants followed their leadership to victory, many of them giving their lives along the way the way. The socialist transitions in the Soviet Union and China also showed us that building a new society without exploitation as its foundation was possible. And eventually, they showed us how the bourgeoisie seized political power from the



proletariat and brought socialist development to an abrupt end.

There is a critical distinction to be made between stating that “socialism failed” and “socialism was defeated.” It is the distinction of locating the main contradiction. The lessons we extract from these two great socialist revolutions depend greatly on our analysis of the correct primary contradiction. Are we looking for the roots of socialism’s failure, or we looking for the roots of its defeat? *Rethinking Socialism* did identify the existence of capitalist elements during China’s socialist transition. However, more detailed analysis and discussions are needed to explore how socialism was defeated. I feel compelled to explore how socialist development in China, which accomplished so much for the toiling masses, was defeated in the end. This has been the focus of my current ongoing work.

On the other hand, some Marxists like Ellen Meiksins Wood believe that socialism failed. In an article written by Ellen Meiksins Wood on the “The Communist Manifesto After 150 Years” published in the May 1998 issue of *The Monthly Review*<sup>2</sup> (of which she was the former editor) Wood returned to Marx’s manifesto to, among other analysis, offer explanations of the historic “failures” of socialism. Wood’s premise was that socialism failed because attempts have not been made “in the kind of society that Marx regarded as the right foundation for social-

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<sup>2</sup> <https://monthlyreview.org/1998/05/01/the-communist-manifesto-after-150-years/>

ist transformation.” (p. 29) She specifically used the Soviet Union to explain her points. (Apparently the Chinese revolution was not worthy of her attention.) I believe Wood’s conclusions about the failure of socialism are a problematic theoretical evaluation of Marx and the Manifesto.

As a response to Wood’s article, I, together with Dao-yuan Chou and Fred Engst, wrote a letter to the editors of *The Monthly Review*. As what we wrote is still relevant, I quote it here at some length:

Wood’s assertion that Marx believed that advanced capitalist systems lay fertile ground for the transition to socialism is undeniable. He did think that the workers in advanced capitalist countries would be the ones to lead the way to socialist transition. However, the workers in such advanced capitalist countries in Europe and the United States did not lead the way; the workers and peasants of Russia and China did.

What Marx did not foresee was the emergence of imperialism. Its dominance changed the landscape, linking advanced capitalist countries inexorably with each other and the [Second and] Third World countries that they control for profit. For the most part, imperialism does not develop the productive forces in its “client” countries. In countries such as the Philippines, Indonesia, Thailand, and Mexico (to name a few), there is no illusion that the exploitation of their labor forces and natural

resources will lead to any kind of advanced capitalist development. They are merely pools of disposable workers for low-skill, low-pay jobs in factories and in fertile fields that agribusiness's seize and convert from sustainable agriculture to huge cash crops. The factories manufacture goods and the plantations grow food for export that the native people cannot use or afford. They are environmental dumping grounds that are destroying the land, water, and air. Marx's prediction about capitalism developing productive forces can only be taken in the context of the time in which he wrote and reexamined in the context of the world today. But, as it is laid out in the context of his other work, culminating in his masterpiece *Das Kapital*, his overall analysis of capitalism is still dead on. Advanced capitalist development or not, Marx called on the "workers of the world unite." It rings true still; today, successful, sustainable, socialist development clearly depends on the defeat of capitalism and imperialism on a global scale.

It is Wood's interpretation of what she calls "Marx's prerequisites for a transition from capitalism to socialism..." that leads her into the same trap as many who debunk Marxism and socialism as utopian dreams. The implication here is that socialism in the Soviet Union (and China) failed inevitably, because it did not meet the criteria set forth by Marx in the man-

ifesto. Marx, however, did not write in terms of criteria and prerequisites. The Communist Manifesto is, what Wood says in her opening paragraphs, “a short and dramatic statement of purpose and a call to arms...” (p. 14). While it is not unreasonable to judge this very great work in much larger terms (p. 15), it is unreasonable to place its visionary, prophetic qualities in a theoretical vacuum. Millions of people have and continue to put their lives at stake in the belief that attaining socialism is an active fight, and that the goals and victories attained in the fight are part of a learning process brought about by struggle. As Mao said, “[Correct] Ideas do not fall from the sky”; that is, theory comes from practice and returns to theory and practice again.

We did not receive any response from *The Monthly Review*.

I want no confusion that I hold the belief that it is useless to embark socialism in less developed countries, because such attempts are doomed to fail due to their material conditions. As such, given this opportunity, in this introduction I wish to qualify the last sentence in “Rethinking Socialism” which stated: “Socialism has not failed, because we have not yet crossed its threshold.” It may be correct to say that we have not yet crossed the threshold into socialism if socialism is defined as the preliminary stage of communism, because during China’s socialist transition, capitalist elements existed and even expanded.

However, I am completely certain that for the hundreds of millions of Chinese workers and peasants during the socialist transition, their lives were fundamentally changed; their lives were tens or hundreds times better than their lives in the semi-feudal and semi-colonial society before the revolution. I also strongly believe that China's experience of socialist development can be emulated by many less developed countries, which tried to develop capitalism independently since the end of World War II, but subsequently failed.

Socialism in China was defeated, but it has not died. It is important to note that nearly four decades after Deng reversed the transition from socialism to capitalism, the Chinese people who lived through both periods had their fundamental differences laid out before them. They saw the government led by the proletariat develop the economy with the goal of serving the needs of people and how the people gained control in many spheres of society. After the bourgeoisie seized power, the new regime has only served their own interests and have once again subjected Chinese workers and peasants to exploitation and abuses of power. Many of the older generation revolutionaries, some of whom joined the Red Army in their teens and lived through the socialist transition, describe socialist China as a brand new society in a country full of hope. The old revolutionaries sacrificed so much to build a new China, only to see their country revert to the inequality, injustice, corruptions, and moral decay they fought so hard

against. But they do not despair. Rather, they watch the rise of a generation of young revolutionaries and say, “We are old and we can no longer actively participate in this new round of revolution. We thus are bending down and providing our backs for the young revolutionaries to step on and charge forward.” This is the legacy of Mao and the Chinese revolution he led until his death in 1976.

Pao-yu Ching  
Walnut Creek, CA

June 12, 2017



# **I. RETHINKING SOCIALISM: WHAT IS SOCIALIST TRANSITION?**



## I. Rethinking Socialism: What is Socialist Transition?

Socialist transition is the period of time in which a non-communist society transforms into a communist society. During the socialist transition, there is no certain predetermined path by which policies and events can be judged to determine whether this path is being followed. Instead, the analysis of socialist transition depends on the general direction of the transition. Therefore, one single and isolated event cannot determine whether the transition is socialist or capitalist. We have no predetermined path in mind and thus have no specific yardsticks to measure our evaluation. As Lenin said,

We do not claim that Marx or the Marxists know the road to socialism in all its completeness. That is nonsense. We know the direction of this road, we know what class forces lead along it, but concretely and practically it will be learned from the experiences of the millions who take up the task.<sup>3</sup>

There are, however, some general and broad guidelines on the direction of the transition toward communism. Most generally accept that socialism (or what Marx called the elementary stage of communism) is a stage of development when the direct producers gain control of the means of production and distribution is made “to each according to his work.” Under capitalism, capitalists own the means of production, and direct producers have no control. Since the purpose of production under capitalism is

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<sup>3</sup> V. I. Lenin, “From a Publicist’s Diary (*Peasants and Workers*)”, *op. cit.*

value valorization, capitalists must relentlessly extract as much surplus value as possible from the workers. The purpose of production under socialism, on the other hand, is to produce products of use value to meet the needs of the people. Thus, socialism represents a fundamental change in the capitalist relations of production: it is the antithesis of capitalism. These general guidelines give the direction, which is a developmental process of transforming the relations of production from commodity production to non-commodity production. Correspondingly, there have to be fundamental changes in the political, social, and cultural aspects of the society. The socialist transition is by no means a smooth one; it is marked by many twists and turns. Expected setbacks and retreats occur. However, the general direction is always clear. Due to certain circumstances, retreats are sometimes necessary before advances. In such cases, the reasons behind the retreats should be clearly explained.

## **1. RE-EXAMINING THE CONCEPTS OF STATE OWNERSHIP AND ECONOMIC PLANNING**

### **A. State Ownership of the Means of Production Does Not Equal Socialist Relations of Production**

In countries that attempted to establish socialism, as a rule the State first took the step to nationalize industries. Therefore, legal transfer of the means of production to the State has often been taken as the beginning of socialism. In other words, conventional analysis often equates state ownership of the means of production to socialism. We disagree with such an analysis because when the legal transfer occurs, there is no way to judge the nature of the transition: socialist or capitalist. Thus, we do not regard the legal transfer of the means of production to the State as the point of departure on the embankment of socialism. Judicial change in ownership is only a point of reference; it is merely an index that marks the historical development until that time. Judicial change in ownership provides the possibility for future changes. Whether the transition is socialist or capitalist depends on the concrete events after the legal transfers.

We first need to clarify the meaning of state ownership. State ownership exists both in a capitalist system and in the transition period toward communism. State ownership simply means that the State has effective control over the means of production. During the transition state ownership does not in any way imply a change in the relations of produc-

tion. Under capitalism, the state apparatus may take effective control over the means of production of some enterprises and make them state owned. There are many reasons for the State to take ownership of the means of production of some enterprises in a capitalist country. The most important one is probably that state ownership makes it possible for the State to steer, in a limited way, the direction of development and thus serves complement and enhance the accumulation of capital in both the state and private sector. For example, the State may own large enterprises in utilities, transportation, communication, banking, etc. Another reason for state ownership under capitalism in Third World countries is to defend certain enterprises against foreign takeover. When a Third World country tries to develop its economy independently and its domestic private capital is very weak, state ownership is often the only way to fend off foreign capital.

In our analysis of the transition period between capitalism and communism, making the distinction between the legal transfer of ownership of the means of production to the State and the beginning of socialist transition is very important in order to clarify the question of revisionism. In many countries, China included, the Communist Party claimed and continues to claim that it practices socialism, because the majority of their industries were (are) still state owned, when in fact the transition was already reversed from socialist to capitalist. At the current time, the Chinese Communist Party uses state own-

ership as an indicator of practicing socialism in order to legitimize its rule. As we explained earlier, state ownership exists in both the capitalist system and during the period of transition. Thus state ownership does not in any way indicate or express the relations of production.

Marx distinguished judicial change from real change in the relations of production. Marx criticized M. Proudhon because Proudhon considered the legal aspect, not the real form, as the relations of production.<sup>4</sup> For the same reason, we differ from the traditional Chinese use of the term. After the Communist Party overthrew the Nationalists and established the peoples' government in 1949, the new government confiscated all bureaucratic capital and foreign capital. It nationalized all major assets in transportation, communication, and manufacturing. Then, in 1952 it completed the land reform. After 1952, the government took several steps to nationalize the remaining private capital and in launching cooperative movements in agriculture. By 1956, it completed both the nationalization of industry and the collectivization of agriculture. The government legally transferred the ownership of the means of production to the State and to the collectives. China called (and still calls) the period between 1952 and 1956 the transition to socialism, and the period since 1956, socialism. According to our analysis, during the period of 1949-1978 the state instituted policies

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<sup>4</sup> See K. Marx, "Letter to P. V. Annenkov" and "On Proudhon (to J. B. Schweitzer)" in *The Poverty of Philosophy*, Foreign Languages Press, Paris, 2021, pp. 164-176; 200-209.

that clearly indicated the direction of transition was toward communism. Therefore, the transition was socialist. On the other hand, the policies of Deng's reform since 1979 have clearly indicated that the direction has been reversed toward capitalism. Therefore, the transition since 1979 is capitalist.

The analysis above should not be mistaken to mean that state ownership of the means of production is not necessary during the socialist transition and thus justifies the massive privatization that has been carried out in China under Deng's reform. We will explain this point further in our analysis below and we will also explain the difference between legal ownership and economic ownership.

### **B. State Participation in Planning Does Not Mean a Socialist Economy**

Planning versus market is another measurement used by conventional analysis to distinguish capitalist and socialist transition. This kind of analysis often equates planning with socialism and market with capitalism. Like state ownership, the State in the capitalist system also uses planning as an instrument to steer the direction of the economy. In many capitalist countries, the State participates in planning, which can take place with or without the legal transfer of ownership to the State. Although it varies amongst capitalist countries, the state apparatus in capitalist countries has played an important role in both direct production (through ownership) and planning. The issue of the extent of state participation

in these activities has been debated among bourgeois economists (and in the US between conservatives and liberals) in capitalist countries for many decades. The basic contradiction of capitalism is the socialization of production and the private ownership of the means of production. As long as the capitalist system exists, this intrinsic contradiction manifests itself through periodic and deepening crises. Since the Great-Depression, the State in capitalist countries has attempted to deal with problems resulting from this basic contradiction. The State has used the power vested in them to regulate business cycles through Keynesian fiscal and monetary policies. To deal with the problem of economic fluctuation and long-term stagnation, the State has also actively participated in building public infrastructure and managing labor power (employment, education and training programs; and unemployment and welfare programs). Through credit policies (low-interest and guaranteed loans), the US federal government helps the expansion of the housing industry. Military build-up boosts the defense industry. The State also helps regulate the financial markets in order to facilitate the link between financial capital and production capital. In the circulation sphere, the State regulates and promotes domestic and international trade. To enhance the competitiveness of US businesses in the international market, the US government provides export subsidies and export credits to corporations. Local governments also join in by offering corporations “the most favorable investment environment,”

which includes providing corporations with building sites, roads, power, and tax concessions. The purpose of state engagement in all of these activities is to facilitate the accumulation of capital, yet the expenses involved are paid by the taxpayers, the majority of whom are workers.

In other advanced capitalist countries, state participation in planning is even more extensive. In Japan, for instance, the State has both short term and long-term plans for the economy which give indications of target rates of growth, energy use, the need for labor power, etc. In developing countries, state planning also plays an important role. In Taiwan, for example, the State has actively promoted an export-led growth economy. It projects the need for future public infrastructure to facilitate the transportation of goods for export. The State also has been directly involved in planning energy use and the production of raw materials for export manufacturing (steel and plastic, etc.). Therefore, it is a myth that in capitalist countries there is a “free enterprise system” which relies solely on the market mechanism to function. Planning is not the opposite of market—the two complement each other in a capitalist system.

State intervention through ownership or planning, cannot, however, change the fundamental nature of capitalism. Many liberal economists in capitalist countries have wishful thinking that the State can play a major role in altering the purpose of production from capital accumulation to meeting the needs of the people. They fail to realize that



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capital accumulation is fundamental to the capitalist system; it cannot be altered at will. Instead, the State plays an important role in facilitating the accumulation of capital. At most, the State can influence, to a very limited extent, the appropriation of products between capital and labor, in order to maintain the stability of the society, and this has been done only when labor has been able to exert pressure.

To conclude, old concepts such as state ownership of means of production and state economic planning do not help us in any way to clarify the issue of what socialism is. Instead, they further confuse us. It is, therefore, necessary for us to seek new concepts for our analysis.

## 2. THE DIRECTION OF THE TRANSITION AND THE QUESTION OF REVISIONISM

We believe the question of revisionism should be determined by the direction of the transition, rather than whether the State still owns the means of production or still practices state planning. Capitalist transition, i.e. revisionism, begins when the state machine reverses the direction of transition from socialism/communism to capitalism. This does not mean that, at this point, the revisionists are able to complete transforming the relations of production from socialist to capitalist. The transformation itself takes time, as we have witnessed in the former Soviet Union, in Eastern European countries and in China. In addition, we cannot judge the direction of transition by examining one single policy or one isolated event. Instead, policies have to be evaluated in totality. We introduce some new concepts—the capitalist project and the socialist project—as tools for our analysis.

The goal of capitalist projects is to move society towards capitalism. Capital projects are concrete ways to establish, maintain, or expand the capitalist relations of production, and to establish, maintain, or reinforce the dominating and dominated relationship between the owners of the means of production and the direct producers. The purpose of production in capitalist projects is value valorization. If the State is able to continue implementing capitalist projects in a consistent way during the transition, it will eventually remove the direct producers from having any

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control over the means of production or the product of their labor. By expanding capitalist projects, the State (or private capital) is in a position to speed up capital accumulation by extracting more and more surplus value from workers. The distribution of capitalist projects is based on the size of capital (constant and variable), not on the amount of work contributed.

Diametrically opposed to capitalist projects are socialist projects, whose direction is toward communism, where the direct producers have control over the means of production and the product of their labor. Under socialist projects, the distribution will be at first, according to the amount of labor contributed, with serious consideration given to meeting the basic needs of the people. Later, when productive forces are fully developed, distribution will then be made according to need. Socialist projects are projects designed to enhance the long-term class interest of the proletariat; they are not the same as so-called social welfare programs in the advanced capitalist countries. Socialist projects are economic policies (programs) derived from political decisions. This is the meaning of what Mao said about “politics in command.” Socialist projects are designed to restrain, contain, and interrupt the accumulation of state and/or private capital.

We need to emphasize here that a socialist project is not simply an economic program. It includes social, political, and ideological aspects. In fact, all of these aspects cannot be separated from one another.

The same is true for a capitalist project. Moreover, the socialist project is not something with certain fixed and unchanged features. Rather, the socialist project itself has to go through fundamental changes during the transition toward socialism/communism. We will use concrete examples to elaborate this point later.

During the transition, both socialist projects and capitalist projects are necessary. Therefore, we cannot judge the direction of the transition by one single policy or one isolated event. Instead, we need to look at the overall development to determine the direction of the transition. In the following analysis of China's transition, we will use concrete examples to show why it was necessary for capitalist projects and socialist project to coexist during the socialist transition, while at the same time, socialist projects competed with and replaced capitalist projects to move society forward. In addition, we will give concrete examples to show how it was possible for the revisionists to reverse the direction of transition by implementing a set of well-coordinated capitalist projects.



## **II. CHINA'S CONCRETE EXPERIENCES DURING THE SOCIALIST TRANSITION**

## II. China's Experiences During Socialist Transition

As we explained earlier, there are some general and broad guidelines on the direction of transition toward communism. During what Marx called the elementary stage of communism, development reaches a stage when direct producers gain control of the means of production and distribution is made "to each according to his work." With this general guideline in mind, we can learn a lot from China's experiences by studying the concrete historical events of the past forty-some years. Viewing its entirety, analysis of concrete historical events and policies in China during the period between 1949 and 1978 clearly indicated that the direction of the transition was toward communism. Therefore, it was a period of socialist transition. Deng's reform in 1979 abruptly ended the socialist transition and reversed the direction toward capitalism. Concrete policies under Deng's reform in the past 16 years clearly indicate that their direction has been toward capitalism. Thus, the period from 1979 to now is capitalist transition.

In our analysis we will present concrete examples to demonstrate why the transition between 1949 and 1978 was socialist and how the direction of the transition was reversed by Deng's reform since 1979.

We will examine policies of different periods to see whether they were to institute capitalist projects or socialist projects.

## 1. THE IMPLEMENTATION OF SOCIALIST AND/OR CAPITALIST PROJECTS

### A. From Land Reform to People's Communes in the Collective Sector<sup>5</sup>

During the period of transition toward socialism, both socialist and capitalist projects coexist. For example, during the socialist transition in China (1949-1978), land reform itself was a capitalist project. However, land reform was also a necessary part of the long-term socialist strategy. Between 1949 and 1952, land reform was completed in the newly liberated areas in China's countryside. For the first time in their lives, hundreds of millions of peasants owned a plot of land, averaging only 0.2 hectares per capita. They cultivated their land with great enthusiasm. The output of grain and cotton both went up rapidly during the three-year period between 1949 and 1952. However, by 1953 and 1954, grain production became stagnant and cotton production actually decreased sharply in both years.<sup>6</sup>

After one hundred years of destruction from wars and even more years of total neglect by landlords, China's natural environment for agriculture was very

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<sup>5</sup> The examples we use to explain the socialist and capitalist projects in the collective sector are all related to agriculture. However, there were also industries in the collective sector. Also, there were many collectives in cities, when in the 1970s neighborhoods organized themselves to produce small industrial products.

<sup>6</sup> See Su Xing, *The Two-Line Struggle, Socialist vs. Capitalist, after the Land Reform*, Jing Jin Yan Jiu [Research in Economics], 1965, no. 7, p. 24.



fragile, and her extremely scarce arable land was infertile. Aside from owning very small plots of barren land, the majority of peasants owned very few productive tools. Among the poor and lower-middle peasant households, which were 60 percent to 70 percent of China's peasantry, many did not even own a plough, let alone other farm tools or draft animals. Without farm tools, enthusiasm alone could no longer continue to increase production. Moreover, in 1953 and 1954, floods and drought affected large areas of farmland. Individual peasants who stood on their own were defenseless against such natural disasters. Also, any personal mishaps, such as illness or the death of a family member, would force a peasant family into debt. When debt began to mount through usury, many peasants were forced to sell their land. Before the cooperative movement began, activities in land sale and private borrowing had started to rise, as had the number of peasants who had hired themselves out as farm hands.<sup>7</sup> Had there not been the cooperative movement, the tendency would have been to further polarize the peasantry and re-concentrate land ownership.

Around 1954, when peasants organized themselves into mutual aid teams, they were trying to find a way out of their difficult situation. In mutual aid teams, members shared their productive instruments (draft animals, hoes, carts, etc.) and their labor power with one another to increase production. They exchanged human labor power with the use of draft

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<sup>7</sup> *Ibid.*

animals. Then, in 1955, the peasants went one step further and organized elementary cooperatives. In the elementary cooperatives, members who owned productive instruments loaned them to the cooperative and received a share of the output in return. Both mutual aid teams and elementary cooperatives were also capitalist projects. However, both were necessary steps toward the organization of advanced co-ops and people's communes, and were thus part of the overall socialist strategy. The advanced cooperatives were organized in 1958 together with the Great Leap Forward movement. At the advanced cooperative level, peasants who had owned their productive instruments sold them to the cooperatives. Distribution at this level was made only according to labor contributed; members no longer received a share of output according to the amount of capital (dead labor) they had owned. Before distribution, taxes were paid first and then a portion of gross income was put aside in the accumulation fund for investment purposes. The rest was distributed to team members according to the amount of labor they contributed during the year. Therefore, as far as distribution is concerned, the advanced co-op was a socialist project.

It was precisely because land reform, mutual aid teams and elementary cooperatives were all capitalist projects, that Mao believed that the Chinese Communist Party should provide the leadership to organize advanced cooperatives and the people's communes. Otherwise, capitalist, instead of social-

ist development would occur. It was at this juncture that Mao's opponents in the Chinese Communist Party fiercely fought against taking the next step. It is important to note that land reform only destroys the land tenure system when land is taken from the old landowning class and distributed among the peasants. In many cases, China included, the situation after the land reform was not a stable one, because peasant households who owned a small plot of land and hardly any productive instruments, could not sustain themselves. In China, soon after the land reform, some peasants began to sell their land due to personal misfortune and/or natural disasters. In many third world countries, the situation was similar: after the land reform, peasants could not support themselves, and they eventually had to sell their land to owners of large commercial farms. In these cases, land reform merely transferred land from the old landowning class to a new capitalist class, thus helping capitalist development.

The commune system, established in 1958, was the political and administrative identity that incorporated the economic organization of the advanced co-op. Under the commune system, there were three levels of ownership of the means of production: the commune, the brigade, and the team. The communes owned large productive instruments, including the irrigation and drainage systems and electric stations, available to all members of the communes. At the next level, the production brigade owned instruments that all teams could use including the milling

stations, sewing stations, etc. In addition, starting in the mid-1960s both the communes and the brigades began to build and own industrial units that produced a variety of manufacturing products. The team was the basic accounting unit where work was assigned to members, and their work points (*gong fen*) were recorded and paid accordingly after deduction for the taxes, accumulation fund, welfare fund, and quota grain. The accumulation fund was used for investment in farm tools, machinery and equipment, and the welfare fund was used to help those households, which did not have any productive labor. Each member of the team (young or old, productive or unproductive) was entitled to a certain amount of grain—thus the term “quota grain.” During the period between 1958 and 1978, under the leadership of Mao Zedong until he died in 1976, the class forces that supported the commune (as a socialist project) promoted policies that favored more control by the direct producers, and policies that solidified the alliance between workers and peasants.

Under the commune system, a young and strong member of the team who did the most strenuous work and/or work that required experience and skill, would earn at most ten work points for each day worked. (A team member could only earn ten work points a day, if he/she also had a good attitude toward work and was helpful to others.) If he or she worked 300 days a year, he or she earned 3,000 work points during the year. Another older and/or weaker member who did less strenuous work that required less experience

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and/or skill might only earn, say, six work points per day worked; if this person worked 200 days a year, he or she earned 1,200 work points during the year. The number of work points per day each member earned was discussed and decided upon by all team members during their meetings. With these work points, each claimed a share of the net income (after the deduction for the accumulation fund, welfare fund and the quota grain) of the team. The worth of a work point in money terms was calculated by the net income (after deductions) of the team divided by the total number of work points received by all team members. Team members received part of their work points in grain (in addition to quota grain) and part in cash. The difference in income received from work between the strongest member and the weakest member of the team was limited to less than a ratio of three to one. The young, old, and weak members received his/her quota grain not based on work but on their needs. The socialist project eliminated earnings from nonproductive work and placed a limit on income gaps. In other words, the amount of work done along with the intensity of work and/or the experience, skill, and attitude of workers, for the most part determined the distribution of products.

The team members of the commune also had their own private plots of land (a capitalist element) where they planted vegetables and raised chickens and one or two pigs to supplement their diet or to sell those products for cash. The size of those private lots was limited and the little income the families earned from

their private lots came mostly from their own labor. However, if the private lots were allowed to expand without limit (see the discussion of “Three Freedoms and One Contract” below), higher sales from bigger lots gave families money to buy new productive tools and thus the chance of earning a higher future income from bigger sales. On the other hand, as long as the peasants could earn more from a day’s labor in their private lots than the equivalent in work points from a day’s labor in the team, convincing them to give up the private lots was difficult. By the 1970s the private plots in some very rich communes began to disappear, because the industrial shops built by the brigades and communes during the mid-1960s started to prosper and the worth of the work points increased as a result. The higher worth of the work points that team members could earn by working for the team made working in their private lots unattractive.

The commune system, a socialist project, benefited the majority of the peasants. For the first time in thousands of years, most Chinese peasants lived secure lives. From guaranteed quota grain, they got enough to eat. From the cash they earned from work points, they bought clothes, shoes, towels, soap, hot water bottles and other necessities of life. Their children went to school and got an education. Barefoot doctors took care of their minor medical needs, and there were commune or county hospitals for more serious illnesses. Even though they had to pay for some of the medical costs of major illnesses them-

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selves, these costs were low. During spring planting, they did not have to worry about buying seeds and fertilizers. The accumulation fund took care of replacing old tools and acquiring new ones. At harvest time, they did not have to be concerned with selling their crops or fluctuating market prices. Households that did not have productive labor received the five minimum guarantees: food, housing, medical care, caring for the aged, and burial expenses for the dead. During the winter months, when farming work was slow, the communes organized their members to build infrastructure, such as irrigation and drainage systems, roads and electric stations. They also invested their labor heavily in the land by terracing the land, filling up small creeks with soil, and joining small pieces of land together to prepare for the use of agricultural machinery. During the 1970s, the communes responded to the call: "Learn from Dazhai" As many as 80 million peasants participated in farmland capital construction work each year, accumulating a total of eight billion work days in land. It was estimated that during the early and mid-1970s, as much as 30 percent of the total rural labor force was devoted to land investment and the building of infrastructure.<sup>8</sup>

The income that peasants received under the commune distribution system was basically for meeting their living expenses; the accumulation fund was already deducted from the total income before it was

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<sup>8</sup> Thomas G. Rawski, *Economic Growth and Employment in China* (published for the World Bank, Oxford University Press, 1979), pp. 7-8.

distributed to the peasants. The accumulation fund took care of investment for long-term development projects. When peasants had more income than they needed for daily expenses, they saved it both as a contingency fund and for the purchase of luxury items such as bicycles, sewing machines, watches and radios. Under the commune system, peasants had little or no opportunity to turn their savings into capital.

Even though the majority of communes did very well, there were a significant number of poor communes. These poor communes had infertile land in areas that had higher incidences of floods and/or drought. There was little surplus left each year, so little could be invested to expand production. These communes often had to rely on state aid, but state aid was limited. Under collective ownership, the distribution within a team and a brigade was equitable, but at the same time the rich brigades/communes got richer and the poor brigades/communes got poorer. The income differences became widened after the mid-1960s when brigades and communes began to develop their own industries. The brigades/communes with surplus were able to invest in these industries and in turn accumulated even more capital. Some also had the advantage of a good location next to major highways or railways. Thus, they were able to sell the industrial products they produced outside of the immediate area. The poor communes usually had infertile land and were located in areas where the transportation system was inadequate.



This was the limitation of the collective ownership. When the brigade was prosperous due to the expansion of its industries, the benefits only went as far as members of the brigade. The exchange between the brigades was based on equal value exchange. Therefore, even within a commune, there were richer and poorer brigades. The law of equal exchange also applied to the exchange between the communes. By the end of 1970s, the income ratio between the rich and poor communes might've been as much as ten to one. Collective ownership could not solve the problem of widening income gaps in the countryside. The State attempted to moderate the income gaps by state aid, but state aid to poorer areas was limited. Unless the accounting unit could be expanded, the unequal development would become worse. Mao was worried about the co-existence of two types of ownership – state and collective ownership, and he was keenly aware of the need to resolve this contradiction before it worsened.

### **B. Socialist Projects in the State Sector<sup>9</sup>**

As we explained earlier, legal transfer of ownership of means of production to the State in 1956 cannot be used to indicate the departure point of socialism. The policies after the legal transfer determined whether the transition was socialist or capitalist. Based on concrete policies, the state-owned enterprises between 1956 and 1978 were socialist

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<sup>9</sup> The examples we use to explain the socialist project in the state sector are in state-owned industries. State farms are also socialist projects.

projects. During this period, the State had effective control of these enterprises. Individual enterprises had the possession of the means of production, but the State effectively limited the possession through political control. The State prohibited individual enterprises from buying or selling on the market. The State, by drawing up the economic plan, determined what each enterprise produced, including the categories of products and the quantity in each category. In the economic plan, the State determined the “price” of the products “sold” by the enterprise to the State, as well as the “price” of raw materials and machinery that the enterprises “bought” from the State. The enterprises also received wage funds from the State, which went directly to the payment of workers’ wages and benefits. At the end of each year, the enterprises handed over their “profits” (“revenues” minus “costs excluding depreciation”). The State subsidized the enterprises that incurred “losses.” Then, according to the economic plan, the state appropriated funds to different enterprises for the purchase of new machinery and equipment and/or to build new buildings and plants for expanded reproduction. In China, the State was able to impose all these legal limitations on individual enterprises; the State, in fact, dominated the use of the enterprises’ possessions. In other words, the State had both legal ownership and economic control of the means of production. (The distinction between legal ownership and economic ownership is important.) Still, there were elements of private capital in state-owned enterprises. Until

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the Cultural Revolution, the capitalists still received fixed dividends, and they were still involved in the management of state enterprises. However, they were under strict state control and with the expansion of the state-owned enterprises, the relative share of private capital declined significantly.

The state enterprises were socialist projects and the direction of the state enterprises was toward phasing out commodity production and wage labor. During the period between 1956 and 1978, the economic reality corresponded with the legal limitation imposed on the enterprises. The State took away from the enterprises (production units) the responsibility for its "profit" or "loss." The enterprises sold all of their products to the State at pre-set prices, thus leaving little room for managers in individual state enterprise to be involved in the value valorization process. When socialist projects were incorporated into planning, it became possible to change the purpose of production from value valorization to the satisfaction of the peoples' need. At the same time, planning made it possible to pursue economic policies that focused on long-term overall development. In each individual enterprise, workers were entitled to certain wages and benefits. Managers in these enterprises received the wage funds from the State to cover their total wage bill plus the cost of providing benefits to workers. The transfer of wage funds from State to workers (through the enterprises) removed the responsibility for meeting the wage and benefit payments from their revenues from the managers, as

well as the power of extracting surplus value from the workers. The “prices” of products and/or inputs were not set according to their values, and the success or failure of an enterprise was not judged by their “profits” or “losses.” Instead, different standards were used to measure the performance of the enterprises: these standards were: quantity, speed of production, quality, and saving of raw materials and labor. The majority of state enterprises not only met the targets set for these standards, they strove to exceed the targets and break their previous records.

State ownership and political intervention made it possible for managers of state enterprises to be dissociated from being the agents of capital; it was thus a step taken in the direction of phasing out wage labor. Workers in state enterprises had permanent employment status, an eight-hour workday, and an eight-grade wage scale. They received medical benefits, subsidized food, housing and child-care. Workers were also entitled to paid maternity and sick leave, pension and other retirement benefits. It took industrial workers in capitalist countries many years of sometimes bloody struggle to gain similar rights and benefits. The Chinese workers got them overnight through the political power of the State.

However, there existed a contradiction between the workers and the state and party bureaucrats. Managers in state enterprises, who had the power and responsibilities to carry out the day-to-day operation of the enterprises, could not turn their power into material wealth for themselves. More impor-

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tantly, higher level state and party bureaucrats who were supposed to control the managers of state enterprises were in a position to use their power to benefit themselves. These kinds of contradictions were often resolved by mass movements directed by the Chinese Communist Party. Before the reform began in 1979, those in powerful positions were very much aware that they lived under the watchful eyes of the masses.

As we stated earlier, a socialist project is not something with certain fixed and unchanged features. Rather, the socialist project itself has to go through basic changes during the transition toward socialism/communism. A socialist project like the state enterprise instituted in 1956 had the danger of becoming an established institution, if continuing changes were not made in the production processes (including many work rules) within the state enterprise. In other words, these continuing changes were necessary to alter the dominating and the dominated relations between the managers and the direct producers within the state enterprises. This is why Mao Zedong considered the adoption of the Anshan Constitution in state enterprises especially important. (See discussion below.)

## **2. THE DUAL CHARACTERISTICS OF CAPITALIST AND SOCIALIST PROJECTS DURING THE SOCIALIST TRANSITION**

During the socialist transition, it may be necessary to institute more capitalist projects under certain circumstances. The New Economic Policy in the Soviet Union is a good example. The NEP was a necessary retreat and should be recognized as such. However, one cannot use a single event or policy to determine the general direction of transition. In fact, during the socialist transition, capitalist projects and socialist projects coexist; socialist projects compete with capitalist projects simultaneously.

During the socialist transition, it may be necessary to institute some capitalist projects. One example was the land reform mentioned earlier. Land reform was necessary before the collectivization of agriculture. Therefore, land reform was a capitalist project with dual characteristics. Calling a project capitalist only indicates the principal aspect of the dual character. There were other capitalist projects with dual characteristics. Mao made a comment on state capitalism in July 1953: "The present-day capitalist economy in China is a capitalist economy which for the most part is under the control of the People's Government which is linked with the state-owned social economy in various forms and supervised by the workers. It is not an ordinary but a particular kind of capitalist economy, namely, a state-capitalist economy of a new type. It exists not chiefly to make profits for the capitalists but to meet the needs of the people and

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the State. True, a share of the profits produced by the workers goes to the capitalists, but that is only a small part, about one quarter, of the total. The remaining three quarters are produced for the workers (in the form of the welfare fund,) for the State (in the form of income tax) and for expanding productive capacity (a small part of which produces profits for the capitalists). Therefore, this state-capitalist economy of a new type takes on a socialist character to a very great extent and benefits the workers and the State.”<sup>10</sup>

The period between the very beginning of the People's Republic and 1978 was a period of socialist transition during which socialist projects competed with capitalist projects. Like capitalist projects, socialist projects also have their dual characteristics. The socialist project contains both capitalist and communist elements. Calling a project socialist only indicates the principal aspect of its dual characteristics. For example, the state enterprise as a socialist project still contained the dominating and dominated relations between the managers and direct producers, which was a capitalist element. During the socialist transition, changes have to take place to get rid of these capitalist elements. Moreover, up to the very end of this socialist transition period, China still had two types of ownership, state and collective, and it was still not possible to have distribution according to labor on a national scale. It was obvious that what a worker in the state sector received for an hour of

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<sup>10</sup> Mao Zedong, “On State Capitalism” in *Selected Works of Mao Zedong*, Vol. V, Foreign Languages Press, Paris, 2021, p. 85.

work was much higher than what a peasant received for an hour of work. State workers also received many benefits (medical, educational, vacation, pension, child-care and more) while peasants did not. Differences also existed amongst peasants from different communes. The worth of a work point (*gong fen*) in a rich commune (team, brigade) could be several times that of a poor commune's (team, brigade). There were also eight different grades of wages for state workers. If the socialist transition had continued, the two types of ownership would have had to be phased out eventually to form a single ownership. It would have taken many more years to distribute products according to labor on a national scale. When distribution could finally be made according to labor, there would still exist the bourgeois right—a non-communist element.

However, as early as 1958, working people in China were ignoring the principle of equal exchange. During the Great Leap Forward, the Chinese people were so enthusiastic in their endeavor to build a socialist China that they worked long hours into nights and never questioned whether they were receiving equal exchange for their labor. It showed that it was possible to have communist elements even in the initial phase of the socialist transition. The peasants in Dazhai and the workers in Daqing were held as heroic examples from which the nation should learn. Under Chen Yonggui's leadership, the peasants in Dazhai overcame the severe conditions, and they worked long hours without rest in bitter



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cold weather, terracing the land and building irrigation to prevent floods and droughts. The thought of carefully calculating how much each would get for an hour of their work never even entered into their minds. These peasants only cared to know what they did was going to benefit everyone in Dazhai in the long run. Similarly, in the Daqing Oil Refinery, workers worked long and hard hours to complete their projects and created what amounted to an industrial marvel. They were motivated by a much bigger and higher goal than receiving equal pay for equal work. Mao considered these communist elements possible throughout the socialist transition. Mao de-emphasized the material incentive of work. Liu and Deng, on the other hand, treated the two phases (initial and advanced) of the transition as distinguishably separate from each other. Liu and Deng regarded the actual events during the socialist transition as being premature for the initial phase of communism. In contrast to Mao, they over-emphasized the material incentive for work and insisted that workers would work hard only when they were rewarded with bonuses. They disregarded the possibility of any communist elements during the socialist transition.

Marx did say that there would be an initial phase and a higher phase in the transition from capitalism to communism. Each phase has certain characteristics. However, we do not believe he meant that there should be a partition between the phases as if they were separate entities. For that reason, there are both

capitalist elements and communist elements during the socialist transition. Mao believed that both capitalist projects and socialist projects had dual characteristics. On the other hand, Liu and later Deng argued that any communist elements during the initial stage were premature. It becomes clearer today that what Deng and his supporters did was to use the “initial phase of socialism” and the emphasis they placed on material incentives as a rationalization to expand commodity production and institute their capitalist projects in order to reverse the direction of the transition.

### **3. COMPETITION BETWEEN SOCIALIST AND CAPITALIST PROJECTS**

#### **A. Competition in the Collective Sector**

We can use the competition between capitalist and socialist projects to analyze the situation in the countryside after the revolution. Land reform, as we explain earlier, was a capitalist project. But from the perspective of Mao and those who supported the transition toward communism, land reform was also part of the overall socialist strategy. However, for Liu and Deng, land reform was part of their overall capitalist strategy. This explains why from the very beginning, some Chinese Communist Party members strongly opposed the collectivization of agriculture, and their opposition continued after the formation of the people's communes. Following this line of reasoning, it is easy to explain why the current regime in China praises Mao as a national hero during the revolutionary war and portrays him as a villain after the launching of the Great Leap Forward.

Although land reform was a capitalist project, the way land reform was carried out made a difference in the development afterwards. Land reform in China was not simply an economic policy of land redistribution: taking the land deeds from landlords and handing them out to the peasants. Rather, it was a mass movement sponsored by the Chinese Communist Party for economic, political, and ideological changes. The CCP mobilized the poor and lower-middle peasants and organized them to seize the

land from the landlords and expose the landlords' crimes. The enthusiasm of the peasants swept across the countryside—they were the main actors in the land reform. Land reform turned passive peasants into active participants, and then their action went beyond land reform to the cooperative movement that followed. In the land reform mass movement, as in any other mass movement, the masses needed to be clear what the opposite was. The opposite in the land reform movement set up by the Chinese Communist Party was the landlords and some rich peasants. Throughout land reform, the peasants appropriated a new ideology. Even though the peasants always experienced exploitation and suffering, the ideology of feudalism—like the ideology of any exploitative society—justified such exploitation. The mass movement turned the old ideology upside down and at the same time articulated and propagated anew ideology. The new ideology professed that it was wrong for the landlords and the rich peasants to take the products of labor from the poor and lower-middle peasants, and it was wrong for a privileged few who held the power to abuse and enslave the under-privileged majority. It was the trend and the atmosphere, which was created in the land reform that encouraged the poor and lower-middle peasants to express themselves for the first time in their lives. When these peasants finally dared to speak their minds, serious crimes committed by some landlords were exposed. Land appropriation changed the dominant-dominated economic relationship between the landlord and peasants, and

the new ideology reversed the master-serf relationship between the landlord and peasants. Mass participation in the land reform gave landless peasants the determination to right past wrongs, sparked their enthusiasm, and empowered them to carry the land reform to its completion and beyond. For this reason, we conclude that even though China's land reform (1949-52) was a capitalist project, the class stand of the Chinese Communist Party was very clear, as was the direction of the transition at that historical point.

The collectivization of agriculture—from elementary co-ops to the people's communes—made it possible for the workers to form and solidify their alliance with the peasants on a new basis. Since the majority of China's working people were peasants, the alliance between the workers and the peasants was the decisive factor in winning the struggle against the bourgeoisie. After land reform there were rich, upper-middle, middle, lower-middle and poor peasants. Without the collectivization movement, with whom could the proletariat form an alliance? The polarization of the peasantry after land reform, if it had continued, would have given the bourgeoisie an excellent chance to form their own alliance with the rich peasants who had surplus grain and other products to sell. When the State took complete control over the buying and selling of grain and other raw material by implementing the unified purchase system in 1953, it took an important step to cut off the connection between the grain merchants in the cities and rich peasants in the countryside. After 1953, rich

peasants in the countryside had no other option but to sell their surplus grain and other raw materials to the State at prices set by the State. This policy made it impossible for the merchants and rich peasants to use grain trading and speculation to get rich.

Land reform was a revolution of towering magnitude, involving hundreds of millions of people. Since land reform changed the social order that existed for more than 3,000 years, it was met with strong resistance from those who lost their economic and political advantages in the process.<sup>11</sup> It was a political struggle from the start which only grew much more intensive as the movement progressed. When peasants began organizing mutual aid teams and then the co-ops, it was apparent that the rich and upper middle peasants who had (comparatively) substantial amounts of land and capital, would not benefit by joining the team or the co-ops. On the other hand the poor and lower-middle peasants who were the majority of the Chinese peasant population had few or no productive instruments and only a very small plot of land. They faced many difficulties in reproduction, let alone any expanded reproduction. In many cases these peasants had either lost their land or were prone to lose it through personal mishaps and/or natural disasters. They were eager to find an alternative. Both the mutual aid teams and elementary co-ops proved that when they pooled their resources together, they increased production. The

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<sup>11</sup> See William Hinton, *Fanshen, A Documentary of Revolution in a Chinese Village*, Vintage Books, 1966.

middle peasants who could go either way were the crucial elements for the organization of co-ops. The middle peasants had a plot of land, some productive instruments, and one or two strong laborers in the household, so they could do well on their own. They were inspired by the prospect of becoming rich peasants. Even though the poor and lower-middle peasants were enthusiastic about forming collectives, with their meager resources they faced real hardship and the possibility that they might not make it on their own. Eventually, the middle peasants were won over when they saw the results of cooperation. After the middle peasants joined the co-ops, the rich and the upper-middle became isolated. Even though the rich and upper-middle peasants had more land and more productive instruments, with everyone in the co-ops they could not hire anyone to work for them. They were "forced" to join. The formation of co-ops was the only way to block the avenue for the rich and upper-middle peasants to enrich themselves by exploiting the labor of others.

During the co-op movement, Mao repeatedly reminded the cadres who worked in organizing the cooperatives to make sure that the leadership of the co-ops remained in the hands of the poor and lower-middle peasants who supported the movement the strongest.<sup>12</sup> The rich peasants, who would rather see the cooperative movement collapse, often worked to sabotage it at any opportunity. It was actually quite remarkable that a cooperative movement of such a

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<sup>12</sup> See note 6.

nature and magnitude was carried out with so little chaos and bloodshed. That movement so benefited the majority of the peasants that it enjoyed broad support. The credit for the success should be given to the leadership of the Chinese Communist Party and the hundreds of thousands of party members at the grassroots level, those lower level cadres who had just finished fighting the revolutionary war and knew next to nothing about organizing cooperatives (except for some experience gained in previously liberated areas,) but who were very much in tune with the needs of their fellow peasants. However, the top leadership of the Chinese Communist Party was deeply divided on the direction of development, not only in China's agriculture but also in the overall development.

At the elementary co-op level, the rich and upper-middle peasants still claimed a share of the output produced based on the productive instruments they owned. When the co-ops progressed to the advanced level, the co-ops bought the productive instruments from the rich and upper-middle peasants. As we explained earlier, this socialist project eliminated the distribution of products to households who had owned the capital. The distribution in advanced co-ops was made according to labor contributed only. Through the process of collectivization, the class forces that supported this socialist project led by Mao won. Mao's strategy was to rely on the poor and lower-middle peasants and unite the middle peasants. Under Mao's leadership, the class



line of the Chinese Communist Party was clearly revealed.

When a socialist project, like the advanced co-ops or the communes, was instituted, it was against the interest of certain elements in society. When the cooperative movement progressed to the advanced stage, the ones who lost were clearly those who had to sell their property to the co-ops. These more well-to-do peasants would have been better off if they had been allowed to continuously draw dividends from such property, rather than be paid off with a final lump sum based on a “negotiated” price to which they only reluctantly agreed. Those who had gained from the progression of the cooperative movement were clearly the majority of the peasants who had never owned anything but a small strip of land and their own labor. Included in this majority were those families who did not even have any productive labor. They were the elderly peasants without sons and widows with young children. Many of them lost their loved ones in the revolutionary war. Mao was very concerned about the livelihood of these people because the State was not in any position to help. Mao said that each co-operative should be able to “carry” a few of these families.<sup>13</sup> These families could

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<sup>13</sup> For Mao's view on agricultural cooperative, see “On Agricultural Cooperative,” (July 31, 1955), “Agricultural Cooperative Movement Must Rely on Party Members and Poor and Lower-Middle Peasants,” (September 7, 1955), “Debates on Agricultural Cooperative and the Current Class Struggle,” (October 11, 1955), and “Introduction to Socialist High Tide in China's Countryside,” (September and October 1955) in *Selected Works of Mao Zedong*, Vol. V, *op. cit.*

not contribute anything to the “pot,” but had to eat from the “pot.” From a purely self-interested point of view, no cooperatives would be willing to “carry” such a burden. They had to be, in the spirit of cooperation, persuaded to do so.

From the analysis above, we can see that certain class forces gained and other class forces lost during the process of collectivization. The class forces, which lost their interests, were not ready to quietly surrender. They had to seek their own representatives and spokespersons either from within or without the power base. On the issue of collectivization, Mao’s opponents in the Communist Party reflected those class forces, and they continued to push forward their capitalist projects even after the establishment of the communes.

The “Three Freedoms and One Contract” scheme was one example of capitalist projects in the collective sector. Liu and Deng strongly supported this capitalist project from the beginning of the advanced co-ops and continued to push it after the formation of the communes. The three freedoms were the freedoms: 1) to enlarge private lots, 2) to promote free markets, and 3) for each individual household to be responsible for its own profit or loss. The one contract was to have each individual household sign a contract with the State for the production of a pre-set amount of crops. After the pre-set amount was met, the peasant would be free to sell everything on the free market. As early as 1956, Liu and his supporters strongly advocated the “Three Freedoms and One

Contract” and, at times, forcefully put it into practice. Enlarging private lots encouraged peasants to put more labor and effort into their own private lots. The promotion of free markets facilitated the sale of products from the peasants’ private lots. If individual households were held responsible for its own profit or loss, the accounting unit would be changed from the team to the individual household. This material incentive, according to the promoter of the “Three Freedoms and One Contract,” would encourage peasants to produce more.

Under the commune system, as we showed earlier, private savings could not be turned into capital. The accumulation of capital was done collectively, not privately. The accumulation fund belonged to the team for the purchase of new productive instruments that benefited all members of the team. If a capitalist project like the “Three Freedoms and One Contract” had been allowed to be implemented and expanded, then instead of the team, each private household would have become the new accounting unit. If the household had been able to earn profits from selling their products on the free market, they could have invested it in new productive tools with which they could have earned more profit. The “Three Freedoms and One Contract” project promoted the accumulation of private capital, which participated in the distribution of product. At the same time, under this project, households with a loss faced the danger of losing everything altogether. As far as the promoters of this project were concerned, this would be a good

way to get rid of those who could not produce efficiently. The distribution under the “Three Freedoms and One Contract” returned to the stage of elementary co-ops, where owners of capital received larger and larger shares of the products. When Liu and Deng pushed to implement the “Three Freedoms and One Contract,” they presented the project as if it was only to promote production by providing material incentives to individual peasant households. The hidden agenda of this capitalist project was to reverse the direction of the transition from communism to capitalism.

Since the beginning of the collectivization of agriculture, capitalist projects such as the “Three Freedoms and One Contract” competed with the collective ownership under the commune system. If capitalist projects had been able to develop and expand during the 1950s and 1960s, the commune system would have collapsed. Through the competition between the socialist and the capitalist projects, the interests of different class elements of society were revealed and articulated. The mass movements led by Mao and those in favor of socialist development promoted the socialist projects. During each of the mass movements, an antithesis was set up so that the class forces, which opposed the socialist projects, were forced to defend their interests openly. When socialist projects were carried out through mass movements, the interests of opposing class forces were exposed. Through the implementation of socialist or capitalist projects, certain class forces were strengthened and

other class forces were weakened. At the same time, the different class forces reproduced themselves.

What Liu was not able to do earlier, Deng did with his reform in the countryside two decades later—and he went far beyond the original project. Between 1979 and 1984, Deng took several steps to redistribute land to individual peasant households. Like the 1949-52 land reform, Deng's land redistribution was a capitalist project. The argument Deng and his supporters gave for dismantling the communes was: "Eating from a big [common] pot breeds laziness." While this might have been true in a small number of cases, Deng dismantled all communes in one fell swoop, despite the fact that the majority of the communes were doing well. The de-collectivization in the countryside broke the worker-peasant alliance, which was the most important strategy during the socialist transition. Deng's land redistribution carried out with other capitalist projects he and his supporters instituted, such as the phasing out the unified purchase system, the privatization of rural industry, the reduction of state support for the production of agricultural machinery and other agricultural inputs, and eventually the privatization of state enterprises and the replacement of permanent state workers with contract workers, were all capitalist projects in an overall capitalist strategy. These capitalist projects made it unequivocally clear in which direction the reform was headed. Deng's capitalist strategy revealed the class line of his reform. His reform deliberately broke up the worker-peasant

alliance, and it strengthened the alliance between the bureaucratic capitalists and the new “entrepreneurs,” who were either party officials themselves or had a close connection with party officials in high places.

We need to go one step further to identify the class elements that supported Deng when he began his reform. Even though the majority of peasants benefited under the commune system, and they enjoyed better living conditions and security, a significant minority was not content. There were several reasons for their discontent. First, in the very poor communes, peasants encountered many difficulties in increasing production. Their grain production was often barely or not quite enough to feed everyone, so little or nothing was left after meeting the quota grain. In these communes, the distribution could not be made “to each according to their work.” (The poorest communes often had to rely on state aid.) The strong members in these communes worked harder but were not rewarded accordingly. This created an incentive problem for stronger members of the team and brigade.

Second, and more importantly, Deng’s support came from the more well-to-do communes where there were substantial surpluses and expanded reproduction. By the late 1960s, many brigades and communes that had surpluses from agricultural production invested in manufacturing industries. By the mid-1970s, those rural industries prospered, and those brigades and communes were able to speed up their accumulation of capital. However, at that time,

the state regulation restricted the capital accumulation. Under state regulation, the brigades/communes had to set aside a portion (about one third) of their profit for agricultural development and another portion for welfare development, before it could invest the remaining profit in industries. Also, rural industries were not free to compete with state industries in acquiring raw materials or in selling their products. These contradictions grew out of the expansion of productive forces—not because of the stagnation of productive forces as claimed by the reformers. As Mao had warned earlier, new contradictions would arise if the co-existence of two types of ownership—state and collective—were to last for a long time. The communes that became prosperous from developing their industries were also communes that were rich in agriculture and had surpluses in grain and other crops. China needed these surpluses for the poorer areas, which were not self-sufficient. Thus, in the interest of the country as a whole, the rich communes could not be allowed to neglect their agriculture. However, for the rich communes, their return from investing in industries was far greater than investing in agriculture, and since the communes were collectively owned, it was not always easy to persuade them to sacrifice their own interests in the interest of the whole country.

Third, when agricultural production increased and rural industries developed, incomes of peasant households in well-to-do brigades/communes went up. Many of these peasant households had a

substantial amount of savings, but under the communes, these households had little or no opportunity of turning their savings into capital. The better-off households could have gained more if they could have put their savings into investments and earned extra income from the capital. Also, peasants who were physically strong and/or were shrewd in dealings felt the work points system restricted them from realizing their full potential. In all of the above cases, the strong members could see how a capitalist project, such as the “Three Freedoms and One Contract,” would benefit them.

Last, the capitalist project would especially benefit those who were in positions of power and could use that power to their advantage. After the Cultural Revolution, peasants watched the cadres and local government officials very carefully. The masses scrutinized those in power and held their actions accountable, thus making it difficult for them to abuse their power. The developments after Deng instituted his reform shows that government officials and party cadres have indeed been able to turn the power they posses into material gain for themselves.

When Deng and his supporters introduced the capitalist projects, they appealed to these groups and solicited their support. When Deng implemented his reform after 1979, capitalist projects that failed to gain momentum in earlier decades were revived. Deng sought out his supporters and with their help, implemented his capitalist projects to full scale, and reversed the direction of the transition.



### **B. Competition in the State Sector**

Within the state sector, the most important socialist project is the state enterprise. The goal of this socialist project is to proceed toward communism, when commodity production ceases to exist and when the direct producers have control of the means of production. Therefore, during the socialist transition, policies in the state enterprise should promote more and more participation of production workers in the management of the enterprise, and policies of gradually phasing out commodity production and wage labor. Within the state enterprise, the role of the management and the role of the worker should become less differentiated. The wage system in state enterprises should reflect the amount of labor contributed, not the size of the capital. On the other hand, state ownership does not necessarily mean socialist relations of production. Under state ownership, capitalist projects can be instituted to promote capitalist relations of production. The capitalist project expands commodity production and thus reinforces the dominating and the dominated relations in production. The purpose of production of the capitalist project would be value valorization instead of meeting the needs of people. The commodity production under the capitalist project reproduces wage labor and the distribution of product according to the size of capital (constant and variable capital).

China's concrete experiences showed that within the state enterprise there was continuous struggle between the socialist and capitalist projects. The

socialist and the capitalist projects competed on issues such as the autonomy of the enterprises, the employment status of state workers, and the wage system and other issues concerning workers' control. These issues reflect the capitalist or socialist nature of the state enterprise.

If the state enterprises were to gain the autonomy to manage their own affairs and their performance and the manager's pay were linked to the profit and loss of those enterprises, they eventually would function very much like capitalist corporations. On the issue of permanent employment, although permanent employment status within the state enterprises would not guarantee workers more control of the means of production, the opposite of this policy, the contract labor system, would effectively deny workers the opportunity to gain any control of the means of production. A wage system that emphasized material incentives and competition among workers for extra bonuses would be more likely to divide workers and would also give the management more control over the workers.

Before the reform began in 1979, the eight-grade wage scale of state workers differentiated the work contributed by workers only by their experience, years of service and skills. Workers who made significant contributions to increase productivity by their hard work, team spirit, and/or innovations were selected as model workers who received awards and praise, but they did not receive any direct material rewards, such as higher wages, bonus pay or promotion. This

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wage scale limited the degree of income differentials. The elimination of piece-rate and bonuses took away the manager's power to use material incentives as a divisive tool to induce workers to work harder and to compete with one another. When the state-subsidized food, housing, health care, education, transportation and other basic necessities of life, as it did in China, workers who received the lowest pay scale were able to afford the minimum standard of living. In fact, when major basic necessities were subsidized, it took distribution one-step beyond "to each according to his work." Distribution within the state sector from 1958 to 1978 indicated that the State gave the reproduction of labor power, the basic maintenance of labor and its reproduction, the highest priority in the production and investment decisions in planning.

During the transition period, the capitalist projects competed with the socialist projects within the state sector. From early on, the bourgeoisie had its own plan to institute capitalist projects in the state sector. The capitalist projects, including the contract labor system, implemented since the beginning of the reform, did not originate with the current reformers. As early as the 1950s, Liu Shaoqi began advocating for the advantages of the contract labor system. An essay from the recently published *Labor Contract System Handbook* revealed the history of Liu's attempts to institute temporary contract workers in state-owned factories. The essay stated that in 1956, Liu sent a team to the Soviet Union to study their

labor system. Upon its return, the team proposed the adoption of the contract labor system modeled after what the Soviet Union had adopted. However, when the changes were about to take place, the Great Leap Forward started, thus interrupting its implementation. The essay continued in stating that in the early 1960s Liu again attempted to change the permanent employment status by adopting a “two-track system.” Under the “two-track system,” enterprises were mandated to employ more temporary and fewer permanent workers, and the mines were to employ peasants as temporary workers. Then, in 1965, the State Council announced a new regulation on the employment of temporary workers, indicating that, instead of permanent workers, more temporary workers should be hired. The regulation also gave individual enterprises the authority to use allocated wage funds to replace permanent workers with temporary workers. Again, according to the author of this essay, the Cultural Revolution interrupted Liu’s effort to reform the labor system, and, in 1971, large numbers of temporary workers were given permanent status.<sup>14</sup> Although Liu could not fully implement his labor reform, he had “experimental projects” going on here and there, and before the Cultural Revolution began, state enterprises had hired large numbers of temporary workers.

As opposed to Liu’s attempts to institute contract labor, the Anshan Constitution was the most serious

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<sup>14</sup> “The History of Our Contract Labor System” in *Labor Contract System Handbook*, edited by Liu Chiang-tan, Science Publisher, 1987, pp. 1-18.

attempt made to change the organization of work and the labor process in the workplace. The workers of the Anshan Metallurgical Combine took the initiative to set new rules in changing their workplace operations. On March 22, 1960, Mao proclaimed that these new rules should be used as guidelines for the operation of state enterprises, and named them the Anshan Constitution. The Anshan Constitution contains the most fundamental elements as well as concrete steps in revolutionizing work organization and the labor process of state-owned enterprises. There are five principles in the Anshan Constitution: (1) put politics in command; (2) strengthen party leadership; (3) launch vigorous mass movement; (4) systematically promote the participation of cadres in productive labor and of workers in management; and (5) reform any unreasonable rules, assure close cooperation among workers, cadres, and technicians, and energetically promote technical revolution.<sup>15</sup> These principles in the Anshan Constitution represented a spirit leading toward the direction of eventually phasing out wage labor.

However, before the Cultural Revolution began, the factories paid only lip service to the Anshan Constitution. When management was in firm control of the decision-making processes in running the factory, it did not see any need for change. On the other hand, workers who were content to have state-endowed privileges and benefits assumed that the conditions

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<sup>15</sup> See Charles Bettelheim, *Cultural Revolution and Industrial Organization in China*, Monthly Review Press, 1974.

of their employment and the benefits endowed were there to stay. The political struggle within the Chinese Communist Party over the direction of the transition was reflected in the factory in changes in the wage and employment policies. At times, policies issued from above pushed the implementation of the piece wage rate and expanded the employment of temporary workers. Then, often during mass movements, those policies were criticized and reversed. Before the Cultural Revolution, however, workers did not comprehend the reasons behind these reversals of policies. They were not aware that Liu had made several attempts to abolish permanent employment status. Without the Great Leap Forward and the Cultural Revolution, Liu and his supporters might have succeeded in their attempts to repeal the laws that protected the state employees. In that case, permanent employment status and other benefits endowed to state employees might have become history decades ago. When workers participated in the mass movements in the 1950s and 60s, their class-consciousness was gradually raised. But workers did not realize, until the Cultural Revolution, that class struggle continued after the judicial transfer of the ownership of the means of production to the State. It was during the Cultural Revolution—a period of intensive political struggle in the factory and in society at large—that many crucial issues were raised. The workers and cadres in the factories openly discussed and debated many important issues such as material incentives, cadre participation in production work, worker par-

ticipation in management, and factory rules and regulations. For the first time, workers in China's state enterprises grasped the meaning of putting politics in command and the other principles in the Anshan Constitution.

The goal of capitalist projects is the opposite of that of socialist projects. The method of implementation of capitalist projects is also drastically different from that of the socialist projects. The implementation of capitalist projects in Deng's reform involved first installing legal measures and then pushing those measures from the top down to individual production units. During each period of the reform, from the de-collectivization of agriculture to the reform of state enterprise and the labor reform, legislation was passed at the top and then pushed onto the production unit to implement those capitalist projects. In contrast, the implementation of socialist projects between 1949 and 1978 was through mass movements where the will of the masses was tested, verified, and articulated. Mass movements in the past created a new ideology owned by the masses. The implementation of land reform, as we wrote earlier is a good example. While it is true that in both periods, the implementation of projects emphasized the role of ideology in changing the relations of production, and as a tactic, used propaganda in the media, there are fundamental differences. During the previous period (before the very end) the expression of the masses was encouraged, while Deng's reform suppressed such expression. Before 1978, the Four "Da"

or “Bigs”—*Damin*, *Dafang*, *Dabianlun* and *Dazibao*—meaning big voice, big openness, big debates and big-character poster—were concrete means for this expression. When Deng’s group took over the state machinery and amended the constitution in 1979, they took out the constitutional guarantee for the masses’ right to the Four *Da* as well as the worker’s right to strike.

After the reformers instituted policies to decollectivize agriculture, they moved to institute fundamental changes in the state enterprises. On May 10, 1984, the State Council issued a temporary regulation on the expansion of autonomy to individual state enterprises. On October 20, 1985, the Twelfth Congress of the Central Committee of the Chinese Communist Party passed legislation entitled “The Economic Structure Reform.” This legislation reaffirmed the earlier temporary regulation that granted the managers in state enterprises the autonomy to manage their own affairs, and allowed individual enterprises to retain portions of their profits and to reinvest the profits as they saw fit. The managers could also dispose of unused productive facilities by renting, leasing, or selling them. The management gained the right to discipline (including to dismiss) and promote workers and to choose their own wage system. This legislation further stated that the State would no longer intervene directly in the affairs of individual enterprises. Instead, the state (like the capitalist state in the West) would only influence production through indirect policies, such as price,



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tax, and credit and loan policies.<sup>16</sup> The effect of this new policy meant that the State took the first step to relinquish its legal and economic ownership of the means of production.

Under Deng's leadership the current reformers first began their labor reform by introducing direct material incentives into the wage system of state employees. In the 1950s, piece-work wages were quite common, but they were abandoned during the Great Leap Forward. Piece-work wage rates were again implemented in the early 1960s and then totally banned during the Cultural Revolution. As we stated earlier, from 1966 to 1979, workers in state enterprises were paid on an eight-grade wage system. Wage reform under Deng began by adding bonus pay to the workers regular wages as direct material incentives, and in 1979-80 wage payment according to piece work was reintroduced.<sup>17</sup> The reformers believe that these incentives would encourage workers to compete with one another, thus raising their productivity. Even though before the wage reform, cadres and workers were paid according to different scales, the wage reform added a new feature

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<sup>16</sup> See *Important Documents Since the Eleventh Congress*, Vol. 2, pp. 747-750.

<sup>17</sup> During most of the 1950s, wage based on piece work was used extensively in the Chinese state-owned industry; its coverage of industrial workers rose from 32 to 42 percent during this period. Payment by piece work increased from one percent of all personnel in 1981 to 11 percent in 1984 and 1986. David Grainck, "Multiple Labor Markets in the Industrial State Enterprise Sector," *The China Quarterly*, June 1991, p. 283.

that tied the amount of the pay to the position one held. Before the reform, the wages of cadres went up only when they progressed from a lower to a higher grade. As part of the wage reform, the management of each enterprise set up positions such as president, vice-president, senior engineer, according to the model of modern capitalist corporations, and each position entitled the holder to an extra amount of pay in addition to his regular wages. This change created larger internal wage differences within enterprises. Then, the Economic Structure Reform in 1985 gave management the autonomy to set up discretionary funds for themselves. The discretionary fund worked much like expense accounts in the West. Workers resented the management's discretionary fund, calling it "the management's little gold mine." The Economic Structure Reform also gave the management the authority to pay themselves and/or workers higher wages from the profits the enterprise earned. This change in policy destroyed the original eight-grade wage scale, which ensured that workers of the same grade received the same wage (with small differences that reflected regional differences in the costs of living) in all state enterprises. The eight-grade wage scale allowed distribution according to labor contributed and could be implemented nationwide. The new policy allowed a worker in a profitable enterprise to receive several times the earnings of another worker of the same grade in an enterprise that incurred a loss. However, five to six years into the wage reform, the reformers realized that the material incentive in

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the new wage system did not increase labor productivity. On the contrary, the earlier wage increases without matched labor productivity increases were partially responsible for the acceleration of the inflation rate in the mid-1980s. Instead of competing for the bonuses, workers simply divided the bonuses as extra pay to compensate for the higher prices.

In the latter part of 1986, the Contract Labor Law was passed. This new law strengthened the legal power of the management in state enterprises. After the passage of the law, all newly hired workers were required to sign contracts with the enterprises that employed them. The terms of the contracts were usually limited to one year. At the end of the contract term, either party had the right to unilaterally terminate the contract (not renew it for another year.) The reformers hoped that the enforcement of the new law would first reduce and eventually eliminate permanent employment status for state employees.

Then, on April 13, 1988, the Enterprise Law of the Whole People-Owned Industry was passed. It went into effect in August of that year. On the surface, the Enterprise Law was a separation of ownership and management but the essence of the reform was a judicial transfer of ownership from the state to the enterprise. The first section of the law stated: "The enterprises are granted the management rights of the state property, such rights included the rights of possession, of usage, and of disposal of the property. The enterprise becomes an independent legal

(person) entity.”<sup>18</sup> With the passage of the new law, the once state-owned enterprises legally separated from the State and became independent entities. The Enterprise Law granted the management of each enterprise the autonomy to make major decisions regarding production, including disciplining and dismissing workers. The use right in the legislation implied the right of appropriation, including the disbursement of wages.<sup>19</sup> When the State gave up its ownership rights of individual enterprises, it no longer employed the workers in those enterprises. After the passage of the Enterprise Law, workers in the formerly state-owned enterprises lost legal protection from the State: they were no longer legally entitled to those previously endowed rights and benefits.

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<sup>18</sup> *People's Daily*, May 6, 1988, p. 2.

<sup>19</sup> *Ibid.*

### 4. COMMODITY PRODUCTION AND THE LAW OF VALUE DURING THE SOCIALIST TRANSITION

The socialist transition is a period of time when the production of commodities will be gradually phased out together with the phasing out of wage labor and capital. This means that during the socialist transition, commodity production still exists and the law of value is still at work. In a country like China, the low level of development, especially in the countryside, presented special problems and challenges during the transition from commodity production to non-commodity production. With the advancement of productive forces in the 1960s and 1970s, new contradictions developed. We will explain these contradictions below.

Within the state sector, it was much easier to place restrictions on commodity production and to implement policies that went against the law of value. Earlier, we explained that the implementation of socialist projects in the state sector made it possible for each productive unit (an enterprise) to change the purpose of production from value valorization to producing useful products in order to meet the needs of the people. Under the socialist project, the State (not the productive unit) owned the means of production, and this meant that the exchange between the different productive units no longer had to be based on equal value exchange. For example, when the State decided to industrialize the western provinces, it relocated engineers and workers as well as machinery and equipment from the technologi-

cally advanced factories in Shanghai to the newly built factories in the west. The State did not have to compensate the Shanghai factories for their loss of resources. When the State transferred technology and other productive resources from one state-owned enterprise to another, it was able to disperse technology from an area like Shanghai to technologically backward areas all over China. This was described by people as: “Having an old hen laying eggs all over the place.”

The transfer of resources from the more developed areas to less developed areas benefited the country as a whole, and it was against the law of value. These transfers of resources could not have been done under capitalist development, because following the law of value, resources only flow to areas that earn higher rates of profits. However, when workers and engineers were transferred from an area with a higher standard of living like Shanghai to an area with a lower standard of living like Xian, it involved personal sacrifices. During the time of high revolutionary tide, people gave enthusiastic support in the spirit of building a new socialist China. This exemplifies what we stated earlier – that communist elements exist during the socialist transition. However, when the tide died down, the resistance to transfers also grew. Thus, the differences in the levels of development presented challenges for socialist development. Capitalist development, on the other hand, only intensifies these differences, as the development in the past sixteen years has shown.

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During the socialist transition, there were other contradictions within the state sector. We explained earlier that there was the contradiction between the manager and the managed and that between the technical experts, such as engineers, and the ordinary workers. The Anshan Constitution was a concrete way to resolve these contradictions that resulted from the division of labor within the state enterprises. However, the division of labor within these enterprises reflected the division that existed in society at large. Later, we will explain how the educational reform during the Cultural Revolution intended to resolve these contradictions.

To a certain extent, during the socialist transition, it was also possible for the State to influence the development in the collective sector through pricing, investment, and taxation policies. China's experience showed that the exchange between the state sector and the collective sector did not have to strictly follow the law of value. Actually, the pricing, investment, and taxation policies were used deliberately to help the development of productive forces in agriculture, thus solidifying the worker-peasant alliance. When Mao wrote, "On the Ten Major Relationships" in April 1956, he placed "the relationship between heavy industry on the one hand and light industry and agriculture on the other" as number one of the ten. In the discussion, Mao stressed the importance of agriculture and light industry, and he cited the grave problems in both the Soviet Union and Eastern European countries that resulted from their lopsided

stress on heavy industry to the neglect of light industry and agriculture. Mao was very clear in his writing *On the Ten Major Relationships* that to bring about a greater development of light industry and agriculture, investment in agriculture and light industry as a percentage of total investment should be adjusted upward.<sup>20</sup> From the Second Five Plan (beginning in 1957) until 1978, investment was adjusted so that agricultural investment as percent of total state investment increased. The State also expanded the production of agricultural inputs by allocating more investments in industries that produced fertilizers, pesticides, and agricultural machinery. In addition, the State reduced its budgetary dependence on agriculture by reducing agricultural taxes as a percentage of total state revenue. During this same period the State also gradually increased its expenditures on agriculture, both in absolute amounts and in relation to its total expenditures. Moreover, the State made adjustments to improve the terms of trade for agricultural products by reducing prices of industrial products sold to the communes, at the same time increasing prices of agricultural products bought from them. The prices of agricultural inputs, as well as the prices of consumer goods the peasants paid (in terms of wheat), declined steadily during the two decades between 1958 and 1978. As a result of these policies, the agricultural sector was able to mechanize

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<sup>20</sup> Mao Zedong, "On the Ten Major Relationships" in *Selected Works of Mao Zedong*, Vol. V, Foreign Languages Press, Paris, 2021, pp. 267-290.



its production and expand rapidly. (See statistics in Table 1 and Table 2 in the Appendix.)

However, since commodity production still existed and the law of value was still at work, the State could not exert unlimited influences. In the exchange between the two sectors, the State needed to recognize the existence of the law of value and make use of the law of value through the abovementioned policies. But the State could not ignore the law of value. Mao said that instead of following the law of value blindly as in a capitalist system, the State could use the law of value to its advantage.<sup>21</sup> Mao used the example of pork production to illustrate his point. He said that pork production in China was not regulated by the rise and fall of market prices (or supply and demand)—rather, it was decided according to an economic plan. In other words, the economic plan, instead of the law of value, regulated pork production. However, in order for people in the cities to have pork to eat, peasants had to raise a certain number of pigs each year. When the State set the price it paid to the peasants for the pig and the price of feed it sold to the peasants, it had to adjust the price of one or both to make it worthwhile for the peasants to raise pigs. If the price of pigs was set too low and/or the price of feed was too high, peasants would simply refuse to raise pigs.

During the early years of the communes, after paying taxes to the State the commune members

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<sup>21</sup> *Mao Zedong Sixiang Wansui* [Long Live Mao Tsetung's Thought] published in Japan in 1967, p. 117.

consumed much of the production and only the surpluses were sold to the State. With the proceeds received from their sales, the teams/brigades/communes bought from state enterprises industrial products they needed for production and consumption. Since not much of what they produced was for sale, commodity production in the collective sector was very limited. As productive forces developed, however, commodity production in the collective sector expanded both in absolute quantities and in relation to total agriculture production. The expansion of commodity production in the collective sector presented new problems and new challenges. As our earlier analysis showed, the brigades and communes that were able to build industries were very eager to expand their industrial production and to sell their products for profits. These brigades and communes were in fact producing commodities, which dictated their operation according to the law of value. This meant that the brigades and communes wanted to speed up capital accumulation by increasing their investment in the most profitable enterprises. They did not welcome the restrictions placed on their investment by the State.

From the analysis above, one can see that there were many contradictions within Chinese society during the socialist transition. Contradictions existed within both the collective and the state sectors, and they also existed between the collective and state sectors. However, according to Mao, one should not only look at the negative aspects of these contradic-

tions, because contradictions are also the forces that move the society forward.<sup>22</sup> We can fully appreciate what Mao meant when we study the development of Chinese society. Contradictions existed in each stage of development, and when contradictions were successfully resolved, development moved on to a new stage. However, by the mid-1970s, the rapid development of productive forces in the countryside and the expansion of commodity production in the collective sector created new contradictions. These contradictions were not antagonistic in nature and they could have been successfully resolved, had there not been fierce political struggle between the pro-socialist and pro-capitalist class forces. However, when Mao's health took a turn for the worse in the mid-1970s, the pro-socialist class forces lacked the leadership in their struggle against the pro-capitalist forces to implement appropriate policies to resolve the aforementioned contradictions. Those contradictions later transformed from non-antagonistic to antagonistic. This transformation aided Deng in the implementation of his capitalist projects.

When we examine the contradictions within and between the state and collective sectors, we can see that those contradictions reflected the differences in the levels of development within and between the sectors. During the socialist transition, there were several important policies that were designed to resolve these contradictions. We will not go into a detailed discussion of all those policies, but we want to

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<sup>22</sup> Ibid., p. 198.

briefly mention a few here. For example, the pricing, investment, and taxation policies mentioned above were policies intended to resolve the contradictions between the state sector and the collective sector. If the socialist transition had continued, those policies would have helped further advance the mechanization of agriculture. In that case, it would have been possible to raise the accounting unit from the team to the brigade and then to the commune level. As the brigade owned more and more large agricultural machinery for all the teams to use, each team within the brigade would have been more willing to give up its smaller accounting unit. When the productivity of collective labor became high enough (higher value for each work point) through mechanization, capitalist projects, such as the “Three Freedoms and One Contract,” would become a less attractive alternative to peasant households.

This is not to say that only these capitalist elements had major influences in China during the socialist transition. On the contrary, communist elements such as what happened in Dazhai and many other places had tremendous influences on China’s development. Under the leadership of Chen Yonggui, people in Dazhai overlooked their own short-term self-interest and worked together as a brigade to overcome the most severe natural adversity to achieve high production with only very primitive tools (in the beginning). In the 1970s, during the “Learn from Dazhai” movement, many other brigades and communes in the spirit of cooperation and hard work,

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accomplished massive scale land work and infrastructure construction. Their hard work practically changed the landscape of rural China and paved the way for further mechanization. As we said earlier, during the socialist transition both communist elements (like Dazhai, Daqing and tens of thousands of other examples) and capitalist elements (the production of commodities and the law of value) existed at the same time.

Education reform during the Cultural Revolution was another example of policies designed to resolve contradictions in Chinese society. The education system in China had a long tradition of educating a small group of intellectual elites who looked down on physical work. After the revolution, even though more young people from worker and peasant families were able to get more education and many even had the opportunity to go to college, the basic educational structure remained pretty much the same. Before the Cultural Revolution, universities continued to select students based on entrance examination scores, and college graduates continued to be a small group of elites (compared to the total population) who were supposed to do the thinking for the workers and peasants. The division of labor within the factories reflected the outcome of this old education system. During the Cultural Revolution, the reform in higher education changed the eligibility requirements for college admission so that only those young people who had worked in the factories and/or on the farms could be admitted. At the same time, the

collectivization of agriculture raised the education level in the countryside when junior high schools were established by communes and high schools were established by the counties. Also, young people in cities were sent to the countryside to work with the peasants, so they could experience the hard life of the other 80% of the Chinese people. The education reform helped bridge the educational gaps among China's youth. There were so many other aspects of education reform that we cannot go into detail about them at this point.

Other major policies during China's socialist transition included the policy that emphasized self-reliance and long-term development goals. These goals could only be pursued with the implementation of socialist projects. In contrast with these goals, Deng's reform programs relied on foreign capital. As a result China's development lost its autonomy and is increasingly under the control of international monopoly capital. Deng's reform programs focused only on short-term profit maximization and totally disregarded the negative consequences of capitalist development and the dominance of foreign capital in the long run.

### **5. THE CHINESE COMMUNIST PARTY**

During the socialist transition before 1978, the class forces that favored capitalist transition never ceased in their attempts to push forward capitalist projects. These class forces often found their representatives in positions of power within the Chinese Communist Party. As it happened in China, the pro-capitalist elements within the Chinese Communist Party eventually took control of the party and the state machinery. In China, the class struggle waged since the beginning of the Peoples' Republic to the current time is revealed by the competition between the socialist and capitalist projects. It was the pro-capitalist elements within the Chinese Communist Party that pushed forward the capitalist projects. The class elements of the CCP since its formation deserve to be carefully studied elsewhere. We only attempt to present here a few of our observations here. What follows is not a comprehensive study of the CCP.

#### **A. The Leadership of the Chinese Communist Party and the New Democratic Revolution**

In the first place, China's revolution led by the Chinese Communist Party included both the democratic revolution and the socialist revolution. When Mao wrote the "New Democratic Revolution" in 1940, he explained the difference between the new and the old democratic revolution. The difference was that even though both were aimed at the long overdue overthrow of feudalism and its land tenure

system, the ultimate goal of the new democratic revolution was to reach communism. Therefore, only the Chinese Communist Party, as the vanguard of the proletariat, could lead the revolution to its success.

Land reform was the major program of the 1911 democratic revolution led by Sun Yat-sen of the Nationalist Party (KMT-Kuomintang). The goal of this (old) democratic revolution was only to destroy feudalism, and it eventually failed. One major reason for its failure was that China had a very weak bourgeoisie who could not provide the leadership needed for the democratic revolution. The Nationalist Party, later led by Chiang Kai-shek, betrayed the revolution by allying itself with the landowning class and foreign capital. Chiang's surrender to the landowning class and foreign capital, as well as graft and corruption within the KMT, left no hope for many young intellectuals who sincerely wanted to reform China. The only alternative left for those patriotic youth was the Communist Party. Many of them joined the CCP. During the war against Japan, large numbers of patriotic youth went to Yanan to demonstrate their support for the CCP.

However, many members of the Chinese Communist Party at the leadership level did not fully understand or agree with Mao's analysis of the new democratic revolution. They saw that China's revolution as partitioned into two separate phases: the democratic phase and the socialist phase. Some members of the CCP (led by Liu Shaoqi and Deng Xiaoping) supported the first phase of the revolution but



opposed the second. Therefore, when land reform concluded, those communist party members saw a clear opportunity for further development toward capitalism. Thus, they supported land reform but strongly opposed the progression from land reform to the collectivization of agriculture. To disguise their opposition to this socialist project, they claimed that collectivization was putting changes in the relations of production too far ahead of the development of productive forces. They argued that the productive forces had to be developed first, so mechanization should come before collectivization. (However, as we explained earlier, after land reform, most peasants had trouble carrying out even simple reproduction let alone any expanded reproduction.) These party members continued to oppose all socialist projects in both the state and collective sectors by pushing through their capitalist projects.

According to Mao, however, these two phases (the democratic and socialist) of revolution could not and should not be so clearly separated. That was the reason for naming it the *new* democratic revolution. The goal of the new democratic revolution was toward communism, and thus it was led by the proletariat, while the goal of the old democratic revolution was to establish capitalism. According to Mao, even though there were two phases in the new democratic revolution, the two phases should not be treated as if they were two separate entities. The development in phase one was to prepare for the development in phase two. The goal of struggle during the first phase was not to

be limited to accomplishing the democratic revolution only, but rather to carry on the struggle to the socialist revolution. Mao explained this clearly when he disagreed with the interpretation of the Chinese revolution in the Soviet Union's *Political Economy: A Textbook*. The textbook said that the nature of China's revolution right after the establishment of the People's Republic was democratic. Mao argued, "During the War of Liberation, China solved the tasks of the democratic revolution... It took another three years (after 1949) to conclude the land reform, but at the time the Republic was founded, we immediately expropriated the bureaucratic capitalist enterprises—80% of the fixed assets of our industry and transport—and converted them to ownership by the whole people." He continued, "But it would be wrong to think that after the liberation of the whole country, 'the revolution in its earliest stage has only in the main the character of a bourgeois democratic revolution and not until later would it gradually develop into a socialist revolution.'"<sup>23</sup> However, some leaders within the CCP disagreed with Mao. From the very beginning, Liu and Deng had their own agenda for capitalist development.

## **B. The Role of the Communist Party in a Post-Revolutionary Society**

History shows that Marxist-Leninist Parties have won many major victories seizing state power during

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<sup>23</sup> Mao Zedong, "Reading Notes on the Soviet Text *Political Economy*" in *Selected Works of Mao Zedong*, Vol. VIII, Foreign Languages Press, Paris, 2021, pp. 323-324.

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the past 80 years. One example after another shows the communist party is the vanguard of the proletariat, effectively organizing the working class and the masses in engaging in armed struggle and in seizing state power. At the time of the revolution, the goal of these communist parties was to develop first a socialist and eventually a communist society. However, history also shows that in one case after another at a certain point after the communist party seized power, the Party turned against the class interests of the proletariat and changed the direction of the transition, reversing it from communism to capitalism. The Chinese Communist Party is not an exception. We are not attempting to give a complete analysis of the transformation of the CCP after the revolution here. Rather, we hope to clarify some important points.

For each of the past revolutions, after the communist party seized power, it had two roles: 1) to remain in power and administer the state apparatus, and 2) to act as the vanguard of the proletariat. These are two sides of a contradiction. The communist party has to stay in power in order to act as the vanguard of the proletariat, yet to act as the vanguard of the proletariat the communist party also has to continue relinquishing its power. For many reasons still yet to be further explored, in one country after another that succeeded in revolution, at some point staying in power became the only goal of the communist party. When the communist party no longer acts the agent for change, the link between the proletariat and the

communist party is broken. When that happens, the communist party begins to use the dictatorship of the proletariat to justify the dictatorship of the communist party. However, there is involved a development process to reach this point. The concrete experience of China may shed some light on this discussion.

Throughout this paper, we have tried to identify the reasons for revisionism in China. We believe that because of Mao Zedong's leadership in advancing revolutionary theory and practice, China went a few steps further in her struggle against revisionism. From the very beginning, Mao had a view on post-revolutionary Chinese society and the role of the Chinese Communist Party in it, which was very different from that of his chief opponent, Liu Shaoqi. After the nationalization of the means of production, Liu viewed the principal contradiction as a struggle between the "advanced social system" (meaning the state ownership of the means of production) and the "backward social productive forces."<sup>24</sup> Liu believed that after the legal transfer of the ownership of the means of production to the State, the change in the relations of production was complete and the main task for the CCP was to develop the productive forces. Mao, on the other hand, believed that even though the means of production were transferred to the State, the changes in the relations of production were far from being complete. Moreover, there were also problems in the superstructure. These two fun-

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<sup>24</sup> *Resolution of the Eight National Congress of the Communist Party of China*, 1966.

damentally different analyses of Chinese society were reflected in how Mao and Liu viewed the role of the Chinese Communist Party.

From Liu's perspective, the main task of the CCP was to develop the productive forces. He believed that the CCP should create a stable environment for economic growth, and it should rely on the expertise of China's small number of technocrats to do the task. In order to ensure the spirit of communism, however, members of the CCP needed to purify themselves by following some guidelines on the moral codes of behavior, as they were set up in Liu's book, *How to Be a Good Communist*. Mao on the other hand, regarded the enthusiasm of the masses as the main driving force behind real change in the relations of production and the superstructure. Further changes in the relations of production and the superstructure would release the potential forces of the masses. Mao placed the enthusiasm of the masses rather than the technical knowledge of a small elite group as the key to advance the relations of production and thus develop productive forces. History proved that Mao right. Furthermore, Mao saw that the credibility of the CCP depended on its close link to the masses, and that the members of CCP should not be an elite group and place themselves above the masses. Instead, they had to subject themselves to the criticism of the masses.

From the distinct differences in these two points of view, we can understand that Mao saw the role of the Chinese Communist Party as the agent for fur-

ther fundamental change in Chinese society, and for Liu, building a strong China was the main task of the Chinese Communist Party. Of course, there was no argument that China should be strong both economically and militarily in order to defend herself from the imperialists, but the argument was how to accomplish this and whether building a strong China was the only goal. To return to our previous point, Mao never saw the role of the CCP as the perpetuation of its own power; rather, the CCP should continue to lead in the transition toward communism and only by so doing could it claim to be the vanguard of the proletariat.

### **C. The Material Basis of Bureaucracy**

Then, there is the question of bureaucracy. Anyone who is familiar with the development in China since the revolution understands that bureaucracy became a hindrance to change. To get anything done, one had to go through layers and layers of bureaucracy for approval. Therefore, the question of bureaucracy and its relationship to the CCP requires our attention. Many have blamed China's long feudal past for the problem. We, of course, also see the influence of feudal ideology on government officials and on people in general, but after the Chinese Communist Party seized power there existed a new material base that supported this backward ideology. There is a difference between the feudal attitude and work style of those in the leadership and a network of bureaucracy built on the new material base of power. We can see

the difference by comparing the situation before and after the CCP seized power.

During the revolutionary war, when the CCP led the peasants and workers to fight the KMT and the Japanese, Mao wrote articles to criticize the leadership style of the cadres. Mao saw the influence of old ideology, old custom and habits of the cadres, and the problem of bureaucracy. He also saw that the new leadership of the CCP needed to go through some basic and drastic changes in its relationship with the masses. Mao repeatedly emphasized that it was important for cadres to understand the masses, to learn from the masses and to be concerned with the welfare of the masses. During the decades of the revolutionary war we witnessed the birth of a new breed of cadres, drastically different from the old corrupt KMT officials. These cadres were highly principled and disciplined. Many of them came from the ranks of workers and peasants and they maintained close links with the working people and led them to win the revolution. Old feudal ideology, habits, and customs influenced these cadres, yet they were able to change their mode of thinking and world outlook through criticism and self-criticism.

During the revolutionary war, the survival and the expansion of the CCP depended on its close relationship with the masses. Mao said that the revolutionary soldiers were like fish, and the masses were like water—and fish needed water to swim and survive. Indeed, the peasants protected the Eighth Route soldiers from the KMT's attacks, and they supplied the

soldiers with grain and other necessities of life. The peasants knew these soldiers came from them and were fighting for their liberation. Only with the support of the masses was it possible for the communists to wage guerrilla warfare and win the revolution.

After seizing power in 1949, the CCP established the Peoples' Republic of China, which confiscated the bureaucratic capital of the KMT and nationalized 80% of the productive assets in industry, mining, transportation, and communication. The new government had to rely on the tens of thousands of bureaucrats to take care of the day-to-day operations of running a country. The administrative network included different levels of state bureaucracy, ministries, bureaus, departments, etc. Under the leadership of party cadres, the administrative units had to use many former KMT government officials who were notorious for their corruption and abuse of power. The masses had long known about the corruption and had strong resentment toward these officials. Moreover, in the early 1950s there were also reported cases of corruption and waste among high-level party officials. Mao was very much concerned, because as he saw it, if this were allowed to continue, party officials who had just tasted real power could easily become new bureaucrats who would abuse the power. The CCP had such a high prestige that its members could enjoy as many privileges as those who had seized power and established new dynasties in Chinas long feudal history. This was when the CCP under Mao's leadership initiated the Three-Antis and



then the Five-Antis movements. (We will explain these movements in more detail in Section D below.) The Three-Anti and Five-Anti movements were significant not only because a total cleanup was necessary but also because such movements were attempts to establish links between the CCP and the masses.

During the revolution, the overwhelming majority of people who had chosen to join the CCP were not motivated by self-interest. There was no personal gain by joining the Party and the higher one's rank, the more responsibilities and sacrifices one had to bear. The situation after 1949 changed totally. One's rank in the Party determined the real power of the position one held in the state apparatus. The state machinery had the political, economic, and military power. Economic power of the State in a planned economy means an almost total control of the economic resources by state administrators. The State Planning Commission had the power to direct material and human resources to different sectors of the economy as well as within a sector of the economy. The planning commission was in charge of the accumulation fund, which in fact was the surplus value. The authority to appropriate surplus value meant the power to determine where the investment and the expanded reproduction were to take place. Managers of enterprises had control over resources on a smaller yet still substantial scale. Linked to economic power was political and military power.

Furthermore, the CCP selected cadres from the cadre system to fill positions in the state apparatus.

There existed a close link between high-ranking party cadres/party officials to high-ranking state bureaucrats. This interlocking system had the ability to reproduce itself. In fact, the state apparatus, the CCP, and the cadre system formed this mutually supportive and dependent relationship amongst them.

Even though cadres of the CCP before and after 1949 were influenced by old ideology, old customs from the feudalist past, the difference was that after 1949, party cadres and state administrators were in positions of power; they had a new material base to build a new system of bureaucracy. Therefore, we cannot simply blame the feudal past for the problem of bureaucracy. After 1949, the Chinese Communist Party no longer (at least in the short run) depended on the support of the masses; instead, they had the power to control the masses. We want to emphasize here that we do not mean that the CCP did not use this power well during the socialist transition period between 1949 and 1978. To the contrary, the CCP did use that power well and led China in her transition toward socialism. Records show only a very small minority of party (government) officials abused their power. However, the link between the CCP and the power base existed objectively, even though the majority of cadres were still highly principled and disciplined. Therefore, the potential danger was definitely there unless that power could be somehow checked. This shows why mass movements advocated and led by Mao were so important.

### **D. The Mass Movement—Mao's Strategy for Change**

Under Mao Zedong's leadership, China had one unique experience during the socialist transition: the CPP sponsored a sequence of mass movements during the period between 1949 and 1978. All major changes during this period were accompanied by mass movements. Each mass movement reflected the principal contradiction at that time within Chinese society, and each movement was a process to resolve that contradiction. When the CCP mobilized the masses in movements to resolve contradictions, it acted as the agent for continual change in transforming society.

Earlier, we described the mass movement during the land reform and how that movement changed China's peasant population. In the last section, we explained the significance of the Three-Antis and Five-Antis movements (from November 1951 to March 1952). The Three-Antis movement targeted corruption, waste, and bureaucracy. The movement mobilized all levels of government personnel and broad-based masses in many cities to expose bribery and other forms of corruption. Those who had committed crimes were duly punished according to the seriousness of their crimes. Among those punished were two high level party officials who embezzled large amounts of public funds by taking large kickbacks from construction contracts and other dealings. Despite their high positions and previous contributions during the revolution, they received no

protection from the government and were both put to death.<sup>25</sup>

Since public corruption could not be committed without the participation of private capitalists, the Three-Antis movement also exposed the collaboration between government officials and the private sector in stealing public property and other economic crimes. Some private capitalists seized the opportunity provided by the Korean War to make illegal profits by cheating on government contracts; they were able to bribe government officials to get what they wanted. Immediately following the Three-Antis movement, the Party launched the Five-Antis movement and targeted bribery, tax evasion, theft of state property, cheating on government contracts, and stealing economic information.<sup>26</sup> These campaigns were necessary and timely to make a clean break with the past, as private capital was soon to join the state-owned enterprises, requiring closer cooperation between state bureaucrats and private capitalists. At this point, the contradiction between the Chinese people and the corrupt officials and capitalists who did not abide by the laws of the State was the principal contradiction. It was not possible to proceed to nationalization until this contradiction was resolved.

In addition to the mass movement, Mao also saw mass line communication as a way to maintain the link between the Party and the masses. Mass line

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<sup>25</sup> Po Yi-po, *My Memoirs of Many Important Policy Decisions*, Vol. I (in Chinese), Chinese Communist Party School Publisher, 1991, pp. 148-151.

<sup>26</sup> Ibid.

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emphasized the importance of opinions expressed by the masses when policies concerning them were being implemented. It also emphasized mass participation in shaping these policies. In China, through the practice of mass line, new ways of communication between the authority and the masses were established. For example, ways of communication included methods such as “three ups and three downs” and “from the masses to the masses.” These methods emphasized the importance of ideas and opinions coming from the masses. They were practical ways to solicit and articulate the opinions and ideas of the masses through the back-and-forth communication between the authorities and the masses. Another method involved carrying out experimental projects to test the feasibility of certain policies. The experimental projects also were ways to test what the masses wanted and what problems they experienced. To stay in close touch with the masses, cadres were also encouraged to stay with them for various lengths of time. This was called “Dun Dian.” During “Dun Dian” cadres could make first-hand on-the-spot observations and conduct in-depth surveys. Findings so obtained would help the CCP in its analyses of the society and in determining the principal contradiction at the time. Policies could then be formulated to resolve it. Through these ways of communication it was possible to find out whether a certain policy had the support of the masses, and thus, the material basis for success. In reality, however, the practice of mass line did not in any way match the ideal as

described. Instead of soliciting opinions and ideas from the masses, cadres sometimes saw themselves as carrying out orders from above. This kind of attitude and practice of the cadres put barriers in the communication between the authorities and the masses and promoted commandism and bureaucracy.

Whether the cadres had followed the mass line or not could be tested in mass movements. Mass movements provided an open forum where the masses could voice their opinions and express their discontent, criticizing party members for any wrongdoing and abuses of power. Participation in mass movements raised the consciousness of workers and peasants and generated new ideology. Major policies implemented during the socialist transition were accompanied by mass movements, where new ideas were propagated and important issues debated. If such policies indeed promoted the interests of the masses, the masses would eventually adopt them. Mass movements in the past provided the opportunity for the government to seek the validation of its policies by the masses. Policies so validated had better chances to succeed. Mass movements also aroused the enthusiasm of the masses and empowered those who were in favor of the policy.

We think that mass movements sponsored by the party in power is unusual, because authority usually fears not only that such movements might end up in chaos but also that mass action might target the authorities themselves. Furthermore, we believe that mass movements in the past were the only counter-

vailing forces that challenged the concentration of power in the State (and the Party) apparatus as well as the structural rigidity of China's bureaucratic system. During mass movements, cadres were subjected to the criticism of the masses and were forced to reform their bureaucratic style of management. To a large extent, the abuse of power was contained. However, before the Cultural Revolution, all mass movements were sponsored and organized by the CCP. It was only during the Cultural Revolution that young students and the masses began to organize themselves. Instead of having the CCP give direction to the movement, many initiatives came from below at the grassroots level. It was during the Cultural Revolution that "seizing power" was first mentioned. Slogans such as "making revolution is not a crime, open revolt has a reason" were widely publicized. This change in focus was very important because it was an open admission, for the first time, that the masses had the right to challenge those in power. It was true that this revolutionary ferment created a certain amount of chaos and some people were wrongly punished. However, it was most important that the masses learned from this experience that they could challenge not only some corrupt officials in government as in the past but also the decisions made by the Central Committee of the CCP. The divine image of the CCP, which could do no wrong, was thus smashed. During the Cultural Revolution, attempts were made to search for an alternative to the existing power structure. One example was setting up Revolutionary Committees

to manage factories and other administrative functions. For reasons yet to be analyzed, these attempts failed. When we assess the Cultural Revolution from the viewpoint of the proletariat, what the Cultural Revolution accomplished outweighed what it failed to accomplish. As Mao said, “It will take many more cultural revolutions to finish the task.” Therefore, revolution continues.

Since Deng and his supporters seized power in 1979, they have steadfastly pushed forward a set of projects that fit well together in the broad framework of the reform. The reformers carried out the projects, all capitalist in nature, through passing laws and issuing decrees and administrative orders. In 1979, the reformers amended the constitution and abolished the workers’ right to strike and the right of free expression (see earlier discussion.) Later, the reformers passed the Contract Labor Law to legally abolish the permanent employment system in state enterprises.<sup>27</sup> All of Deng’s reform programs were carried out by imposing legal (or illegal) actions on the masses from above. The reformers prohibited mass movements of any kind. Deng’s reform created many new contradictions in Chinese society, and above all, the contradiction between the party bureaucrats and the masses stood out as the principal one. Without a mass movement, these contradictions had no outlet for expression much less resolution. In the spring of 1989, these contradictions reached such a height

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<sup>27</sup> See Pao-yu Ching & Deng-yuan Hsu, “Labor Reform—Mao vs. Liu and Deng” in *Revolution and Counterrevolution*, Foreign Languages Press, Paris, 2021.



that students began to demonstrate in China's major cities. Many millions of urban residents also joined to express their discontent and voice their complaints. People in China were following their long tradition of using mass movements to express their discontent. The only difference this time was that they did it spontaneously without the party's sponsorship. When the current Chinese regime decided that such direct confrontation could no longer be tolerated, they moved in the troops and ended it with the June 4<sup>th</sup> Tiananmen Massacre. Now, seven years after the massacre, the abuse of power and privileges by the bureaucrats, which was the main target of the demonstration, has not only continued but has become even more excessive. Even though the propaganda in newspapers has repeatedly announced that those who committed economic crimes would be duly punished by law, people in China are well aware that only those who committed minor crimes were persecuted, because in those cases the guilty did not have the backing of their higher-ups. On the other hand, many cases of corruption involving the embezzlement of billions (of RMB) of public funds have been covered up, because the guilty in those cases had links to top-ranking officials in the CCP. Without a mass movement, there is no vehicle to expose the crimes committed by these top officials.

We think that those who possess power have opportunities to enrich themselves by going along with the current regime. This opportunity existed objectively in the past despite the fact many cadres

accepted the ideology of “serving the people” or “serving their country,” and that they looked down on the idea of “enriching themselves.” In the end, the objective social position was more important than personal belief. Before the reform began, the tendency to convert this concentration of power into something useful for the holders already existed. Deng’s reform gave these power holders the green light. His reform legislation legitimized the conversion of state property into bureaucratic capital. After the reform, the bureaucrats at the national and provincial levels were no longer just in control of the surplus value; they used the surplus to expand their bureaucratic capital. Thus, these bureaucrats have, in fact, become the exploiting class. Looking back, when Mao named a small handful of high-ranking party members as targets during the Cultural Revolution, he might have deliberately done so as a tactic to isolate the top leaders in the Liu-Deng camp.

### **E. Can New Revolutionary Forces Be Revived Within the Chinese Communist Party?**

Before we address this question, we need to give a short summary on the four observations we made on the CCP above and relate them to the overall analyses of this paper. It seems clear that upon the completion of land reform, the top leadership within the CCP became divided on which direction China should take in developing its society. Within the CCP, Mao and his followers chose socialism as the goal of China’s transition, while Liu and Deng and their follow-

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ers chose capitalism as the goal of China's transition. Looking back now, it seems clear that the majority of the CCP's top leaders did not fully understand the meaning of socialist transition or what it would take to reach socialism. When Liu and Deng pushed forward their capitalist projects, they disguised them as a better way to reach socialism, because they claimed that these projects would develop productive forces faster. According to their logic, developing the productive forces faster would help build a strong China to defend socialism. As we said earlier, many communist leaders joined the revolution because they regarded the CCP as the only hope for China's survival. Thus, building a strong China had great appeal to them. The majority of rank-and-file party members trusted Mao's leadership and followed the CCP's policies in land reform and in the collectivization movement that followed.

Throughout the long and hard struggle in the revolutionary war, the workers and peasants came to trust the CCP and its leader, Mao Zedong. Their trust was two-fold: one, the CCP was on their side; two, the CCP had the correct strategy to lead them to their liberation. This trust continued after the establishment of the people's government in 1949. They chose to follow the leadership of the CCP in the construction of a socialist country. They did not realize, however, until the Cultural Revolution that the top leadership within the CCP was divided amongst themselves.

During the socialist transition, the socialist projects benefited the workers and the majority of peasants and were implemented with their support. The CCP under Mao's leadership sponsored mass movements to solicit support from the workers and peasants. Mao's strategy of the worker-peasant alliance helped consolidate their support for the proletarian line. We think that the proletarian line dominated from 1949 to 1978 not because the majority of high-level party officials within the CCP supported it, but because Mao and a small but strong group of his supporters within the top leadership of the CCP and the majority of the rank-and-file party members continued to solicit the masses for their support for the socialist projects. If this is correct, then it is doubtful that we can say that during the socialist transition there was the dictatorship of the proletariat. Throughout this period, many times Liu and Deng were able to push forward their capitalist projects with their supporters in the CCP (also a minority), only to find their projects smashed during the recurrent mass movements. In our analysis of the development of bureaucracy in China earlier, we discussed the new material base of bureaucracy after the CCP seized power. The highly ranked party members who were also high-level cadres and chief administrators in the state machine held a tremendous amount of power since the beginning of the People's Republic. Up to 1978 their power was held in check, to large extent by the recurrent mass movements. The majority of these party leaders did not abuse their power. They, as a group, with the help

of the middle and lower ranked cadres, contributed a great deal in running the country and managing production. However, their position as state functionaries who had power at their disposal limited their outlook. They saw running the country smoothly, keeping production up in state enterprises, and doing a good job in ensuring the supplies of food and other necessities of life as their duty to socialism. Their idea of socialism was that once the means of production were transferred to the state and to the collectives, the transition to socialism was complete. They often lacked the understanding of the necessity for continuing change. They thus played an important role in maintaining the status quo and in the perpetuation of a hierarchy of functionaries at different levels of government. Moreover, they often resisted change, if they saw those changes threatened their power base. During the Cultural Revolution, some of them were being criticized for their lack of cooperation in implementing new policies. It was said that they would "lie down and play dead" when they resisted implementing policies that they did not like. Mao also criticized high-level officials in the Department of Public Health for turning themselves into old-time Mandarins who were out of touch with problems concerning the public health of the general population.

It was the Cultural Revolution that brought the proletarian line and the bourgeois line into sharp focus. The majority of workers and peasants and the rank-and-file party members had just begun to

understand the difference between the socialist projects put forward by Mao through mass movements and the capitalist projects push forward by Liu and Deng in the top-down fashion. During the 16 years of Deng's reform, the majority of workers and peasants, through their continuing struggle against the capitalist projects imposed on them by the reformers, have come to understand much more the true nature of Deng's reform and to appreciate what they lost. This is evident from the love and respect they have expressed toward Mao in recent years.

It seems clear now in hindsight that during the Cultural Revolution Mao was in the minority in the CCP leadership. As we said earlier, the Cultural Revolution made attempts to find an alternative to the power structure that existed in the CCP and in the state machine, but it did not succeed. As the Cultural Revolution progressed, the majority of high-ranking party members saw their power base threatened and thus did not support it. It seems also clear now that Deng's reform since 1979 had the support of the high-ranking party elite within the CCP. In the beginning of Deng's reform, high-ranking party members who were committed to the proletarian line (Chen Yonggui was one example) were kicked out of the CCP. Deng's support came from a coalition of different groups who found a common interest in the capitalist projects in Deng's reform. Only with their support has Deng's reform, clearly opposing the interests of the workers and peasants, been able to go this far. This coalition took advantage of

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the contradictions that developed in the mid-1970s, and solicited the support of those who would gain from the implementation of capitalist projects.

During the 16 years of Deng's reform, the contradictions within Chinese society have sharpened. The principal contradiction is now between the broad masses and the high-ranking corrupt party/government officials who enriched themselves by robbing the people and selling China's interests to foreign monopoly capital. In the process of carrying out Deng's reform, differences developed in the coalition that supported Deng. To the right of Deng were those who did not think Deng's reform was deep enough or fast enough to transform China toward capitalism. They used the dissatisfaction of the students and masses to voice their own discontent in 1989 without success.

During the past few years, when Deng's reform encountered insurmountable difficulties, party elites on the left of Deng began to express their concerns. These party elites saw the danger of continuing deterioration of the CCP's reputation and influence. On the one hand, they realized that the CCP lost the support of the broad masses; on the other hand, they saw that as private ownership and joint ventures with foreign capital continued to increase, the emerging new capitalist class was demanding political representation. Thus, they feared that the CCP might follow the fate of the Communist Party of the former Soviet Union and face eventual demise. It seems likely that after Deng's death this group may gain control of the

CCP. If it does, it may institute policies that would pull back some of Deng's reform and clean up some of the corruption. However, it is questionable that this group of party elites would reverse the transition from capitalism to socialism and trust the masses enough to involve them in this fundamental change. This is not to deny that within the CCP there remain many members who still believe in socialism and see the harm Deng's reform has done to China. However, these party members have not been able to oppose Deng's reform. What they will be able to do in the future remains to be seen. Also, during the past 16 years the CCP has recruited a large number of new members who have no commitment to socialism and only see joining the CCP as a way for self-advancement. These CCP members will also play a role in the future development.





# III. CONCLUSION

In this essay, we presented our analysis of the socialist transition in China and the reversal of the transition from socialism to capitalism. The analysis is based on the concrete experiences of China in the past forty-some years. We quoted what Lenin said about the road to socialism earlier in this essay. He said,

We do not claim that Marx or the Marxists know the road to socialism in all its completeness. That is nonsense. We know the direction of this road, we know what class forces lead along it, but concretely and practically it will be learned from the experiences of the millions who take up the task.

During the past 80 years, thousands of millions had taken up the task to advance their societies toward socialism. Unfortunately, the first round of attempts to build socialism failed. We need to learn from their valuable experiences, because thousands of millions will take up the task again in the future. Socialism has not failed because we have not yet crossed its threshold.

# APPENDIX

**TABLE 1: CHANGES IN THE ECONOMIC RELATIONS  
BETWEEN THE STATE AND THE COLLECTIVES**

	1957	1978
Agricultural investment as percent of total State investment	7.8 (a)	12.5 (b)
Investment in agricultural input industries as percent of heavy industry investment	3.0 (a)	11.1 (b)
Agricultural taxes as percent of total State taxes	19.2	5.5
as percent of total State Revenue	9.6	2.5
State expenditure on agriculture as percent of total State expenditure	7.4 (a)	12.6 (c)
Terms of trade for the agricultural sector (1950 = 100)	130.4	188.8

(a) For the period of 1963-57.

(b) For the period of 1976-78.

(c) For the period of 1976-77.

Source: Nicholas R. Lardy, *Agriculture in China's Modern Economic Development*, Cambridge University Press, 1983, pp. 130-131; *Statistical Yearbook of China*, 1983, pp. 445-447; and Xi Yi, *Pricing Problem Under Socialism*, (in Chinese), Beijing, China's Finance and Economic Publishers, 1982. p. 76.

**TABLE 2: ADVANCEMENTS IN THE LEVELS OF MODERNIZATION IN AGRICULTURE**

	Item Unit
Tractor-ploughed area as % of total cultivated area %	10,000 ha
Irrigation area 10,000 ha as % of total cultivated area %	
Power-irrigated area as % of total irrigated area %	10,000 ha
Chemical fertilizer applied per ha kilo	10,000 ha
Small hydropower stations in rural area	in number
Generating capacity	10,000 kw
Electricity consumption per ha	in mil kwh w

1952	1957	1965	1979
13.6 0.1	263.6 2.4	1,557.9 15.0	4,221.9 42.2
1,995.9 18.5	2,733.9 24.4	3,305.5 31.9	4,500.3 45.2
31.7 1.6	120.2 4.4	809.3 24.5	2,532.1 56.3
7.8 0.7	37.3 3.3	194.2 18.7	1,086.3 109.2
9	544	n.a.	83,224
0.8	2.0	n.a.	76.3
50 1.3	140 3.8	3,710 284.1	28,270

Source: *Statistical Yearbook of China*, 1983, p. 197 & *1981 China Economic Yearbook* (in Chinese), VI, p. 13.













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