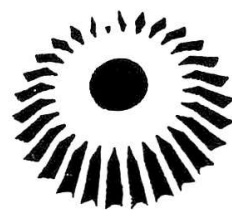


Theory and Practice:



A Discussion of



China's Economic Reform

by Peter Barry

On the morning of December 8, 1984, many a Hong Kongite sputtered cornflakes into his/her coffee as they read with a measure of disbelief the headline in that day's edition of the *South China Morning Post*: "PRC Declares Marxism Obsolete." Could it be that China was really abandoning the very system of thought which had given impetus to its revolution, inspiration to generations of Communist cadres, and led to the establishment of the People's Republic itself?

The cause for alarm among the foreign media community was an article which appeared in the previous day's *People's Daily*, entitled "Theory and Practice," and written by a commentator from the paper. The lines in the article which drew everyone's attention were:

Marx has been dead for 101 years. His works are also over one hundred years old. Some were tentative ideas for those times. Later, conditions underwent great change. Some theories were also not necessarily correct. Marx and Engels had no experience about many matters; neither did Lenin. They did not come into contact with certain conditions. Therefore, we cannot require Marx and Lenin's works of those days to solve our problems today We cannot have a dogmatic attitude towards Marxism. The times are going forward; new situations and new problems emerge in an endless stream. To curb the development of a rich, real life with some theses taken from Marx's works can only impede the progress of history. We descendants of Marx have the duty of enriching and developing Marxism by practice.¹

A correction appeared in the lower right hand corner of the front page of the next day's issue adding one adjective to the statement quoted above: "We cannot require Marx and Lenin's works of those days to solve all our problems today."

So while the judgment that China is abandoning Marxism is somewhat premature, recent writings inside China on the subject of economics have justifiably caused outside observers to wonder in what direction China's economic system is going. These articles began to appear during the last two months of 1984 and are no doubt the result of a policy paper adopted at the 3rd plenary session of the CCP's 12th Central Committee on October 20, 1984, entitled *Decision on Reform of the Economic Structure*.

The above quote from the *People's Daily*, then, must be taken in the context of the discussion surrounding the *Decision* and problems about its implementation. The *Decision* points out that economic reform is an urgent necessity in present day China and that reform is aimed at establishing a more dynamic socialist economic structure: "The essential task of socialism is to develop the forces of production, create ever more social wealth and meet the people's growing material and cultural needs. Socialism does not mean pauperism, for it aims at the elimination of poverty."²

The *Decision* calls for an invigoration of China's business enterprises (said to number over one million with a total work force of 80 million). This is to be done by establishing a planning system which applies the law of value to China's commodities. The *Decision* states that "Historical experience shows that the socialist planning system should be one that combines uniformity and flexibility.... It is necessary to stimulate commodity production and exchange....to discard the traditional idea of pitting the planned economy against the commodity economy.... Ours is on the whole a planned economy, that is, a planned commodity economy not a market economy that is entirely subject to market regulation."³

Fundamental to economic reform is a change in the pricing system. The *Decision* declares: "There is much confusion in our present system of pricing. The prices of many commodities reflect neither their value nor their relation to supply and demand.... Therefore, reform of the price system is the key to reform of the entire economic structure."⁴ It is urged that enterprise functions be separated from government so that government organs can properly perform their own function of managing the economy. Competition among enterprises is also not ruled out:

For a long time, people used to consider competition peculiar to capitalism. As a matter of fact, where there is commodity



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production, there is bound to be competition.... On the basis of public ownership and subject to the control of state planning and laws, and for the purpose of serving socialist modernization, our enterprises are put to the test of direct judgment by consumers in the market place so that only the best survive. This will help to break the blockade and monopoly hampering the growth of production.⁵

A further paragraph in the *Decision* calls for the establishment of various forms of economic responsibility within the system and the implementation of the principle of distribution according to work. This means that jobs will be contracted for and that managers will assume full responsibility for the direction of the enterprises. At the same time, shared responsibility is called for. Congresses of workers and trade union organizations are to play a role in examining and discussing major decisions to be taken by the enterprises, so that a system of democratic management can come about.⁶ Remuneration for mental work needs to be raised, the *Decision* admits, because at present it is relatively low.

Next, the *Decision* deals with the distribution of consumer goods:

There has been a misunderstanding about the distribution of consumer goods under socialism, as if it meant equalitarianism.... This equalitarian thinking is utterly incompatible with scientific, Marxist views on socialism. History has shown that equalitarian thinking is a serious obstacle to implementing the principle of distribution according to work and that if unchecked, the forces of production will inevitably be undermined.... Common prosperity cannot and will never mean absolute equalitarianism or that all members of society become better off simultaneously at the same speed... such thinking would lead to common poverty.... The difference arising from the prosperity of some people before others is a difference in speed, with all members of society advancing on the road to common prosperity.⁷

Various initiatives for enterprises are encouraged, including individual efforts, as well as the more traditional state and collective enterprises. "The individual economy now found in China is linked with socialist public ownership," the document declared, and further, "it plays an irreplaceable role in expanding production, meeting people's daily needs and providing employment."⁸ The attraction and expansion of foreign investment is likewise encouraged.

The training and promotion for young, middle-aged managerial personnel to take over direction of economic enterprises is also urged, and in this context resolute action to redress cases of discrimination against intellectuals is advocated. No doubt foreseeing difficulties and resistance in the implementation of the *Decision*, it states: "We must not divide the cadres and masses by calling some people 'reformers' and other 'conservatives'. We should have faith in comrades who fall behind the developing situation for a time, confident that they will understand things better in the course of reform."⁹

Thus, while Hong Kongites were choking on their cornflakes and coffee, we can imagine that many oldtime Party members were doing the same thing on their "xi fan" and "you tiao". Especially when they read in the *Decision* that competition among enterprises was now encouraged and that equalitarianism was incompatible with Marxist socialism. Was their faith being undermined? Are we abandoning the socialist road and becoming capitalist, they may have wondered? Some Party members no doubt had a problem reconciling the *Decision's* directives with the four basic principles: the socialist road, the dictatorship of the proletariat, the leadership of the Communist Party, and Marxism-Leninism-Mao Zedong Thought, which all Chinese citizens are required to abide by.

Thus, to allay the fears of some Party members, and to persuade footdraggers among them that the principles set forth in the *Decision* are really in accordance with Marxist socialism, a series of articles appeared in the Chinese press (Theory and Practice was one) explaining this most recent development in Chinese socialism.

Of this genre, but pre-dating the *Decision* by a week, there was an article in the *People's Daily* by Su Shaozhi commenting on the second printing of *The Collected Works of Lenin*. Su is currently the Director of the Institute of Marxism-Leninism-Mao Zedong Thought, and he had this to say about the need for flexibility in Marxist analysis.

In his writings and speeches Lenin was always saying: 'I have made a mistake.... I feel that I have seriously wronged the workers of Russia.' The secret of Lenin's success can be summed up in this one point: starting from reality, he applied Marxism creatively. During his whole life he was unswervingly faithful to the maxim: 'Marxism is not doctrine, but a guide for action'....¹⁰

Su goes on to say that Lenin died too early, and his flexible notion of Marxism was not implemented in Russia; Stalin rigidified Marxism, and this had an effect not only in Russia, but on communism throughout the whole world.

Then at the end of November, a series of articles signed by the newspaper's own commentator began in the *People's Daily*. The series is reported to be the substance of a talk given by Party Secretary Hu Yaobang to local cadres in charge of propaganda.¹¹ In the first one, entitled "Change Old Ideas", the writer asks leaders who are not changing with the times whether they are slaves to old ideas and old ways of doing things:

People with outmoded ideas are always separated from reality. Everyday and at all times real life is producing changes. Many new situations and problems arise.... To change one's old ideas one cannot just remain seated in one's office. One must go out among the masses who are creating a new life for themselves. Go out into the continually developing reality, and make theory and practice one... let reality do the talking and in the midst of reality, increase one's awareness.¹²

The second article in the series "The Parts and the Whole," appeared on December 5, 1984. It discussed the relationship of each region and each department to the whole, and how all are mutually dependent on one another.

In the last six years, since the 11th Central Committee's 3rd plenary session, the whole has undergone changes of a fundamental nature. Six years ago the whole Party had 'class struggle as the guiding principle.' Class struggle had become kind of a habitual force in the Party and its influence is still felt. Comrades involved in ideological work ought not to underestimate its 'leftist' tendencies. Since the 3rd plenum of the 11th Central Committee, we have abolished 'class struggle as the guiding principle,' and have shifted the emphasis to modern socialist reconstruction.... We must use this standard now to judge our works: the accomplishment of the four modernizations.... For a long time now we have separated politics and economics, with politics predominating.... Now the time for separating economics and politics has come to an end. To carry out the four modernizations is the greatest politics.¹³

The next installment was on theory and practice (the Chinese word for 'practice' can also be translated as 'reality'), and it aroused everyone's interest. The writer tells his audience that to understand reality they must immerse themselves in it.¹⁴

On December 13, 1984, an article appeared in the *People's Daily* which was a reprint of an article from the previous day's *Liberation Army Daily*. The article was entitled: "Party Discipline Cannot Be Relaxed." Some foreign observers at first considered the article to be sounding a note of caution in China's new economic drive. Actually, the article supports the drive. It points out that there is a difference between a relaxation in administering economic enterprises and a relaxation of Party discipline. The former is for the purpose of removing obstacles to the development of productive forces, while the latter (Party discipline) safeguards Party unity and is the most important guarantee that Party policy will be implemented. "History presents us with a precedent." The article continues:

In 1957, leftist mistakes in thinking caused correct methods in the development of socialist commodity economics to be labelled "capitalism". As a result, the socialist economy which originally should have experienced abundant energy, for a great period of time lost its vigor. Now that restrictions have been lifted in the economic field, some Party members wrongfully think that Party discipline ought likewise to be relaxed. They should realize that Party policy is based on certain conditions, and that its content will change with the times. Party discipline,



Party discipline is very important.

on the other hand, pertains to a Party member's behaviour and to his basic duties. These ought never to change. At this time, to carry out Party Central's general and specific policies regarding change is to observe Party discipline. To oppose these policies is to violate Party discipline.¹⁵

The *People's Daily* commentator took up his pen again on December 18, 1984 to discuss the problem of relations between the leaders and those who are led. He urged leaders "to continually investigate to see if subordinates have some progressive and fresh experiences, or if new questions have arisen. To find these things out, leaders must enter deeply into reality among the masses, and with good will, learn from the led. Did not the leaders first study the responsibility system among the peasants, and then spread the results afterwards?"¹⁶

21. He repeated what the December 7th article had said about Marxism not being a panacea and reiterated that Marx and Lenin did not experience the practical conditions of the Chinese revolution. In accordance with China's actual conditions, however, Chairman Mao in setting up revolutionary bases used methods appropriate to conditions found in the countryside rather than those found in the cities. In this way he was able to seize political power. Likewise, while Marx thought that it was not necessary to have commodity goods and currency, practice has proven that these things are needed in the context of Chinese socialism. In implementing the *Decision on Economic Reform*, then, "we must enter into real life, use Marxist ideas to analyze and solve the new problems arising in modernist reconstruction, gather up the new experiences and transfer them to the realm of theory, thus enriching the theoretical storehouse of Marxism."¹⁷

The exhortations of the *People's Daily* commentator were carried over into the New Year. In the January 5 edition he advocated the establishment of an economic relationship between the city and the country which would bring about greater interdependence. Coordinate the development of each, the commentator urged, so that both flourish together. He encouraged the free flowing exchange of expertise personnel and goods between city and country.¹⁸

A *People's Daily* editorial commemorating the 50th anniversary of the Zunyi Conference also took up the theme of economic reform: "*The Decision on Economic Reform* punctured some old ideas regarding socialism which were the result of 'leftist' thinking and linked general Marxist principles up with the concrete reality of China's economic reconstruction."¹⁹

In the New Year, steps were taken to implement the *Decision*. In a front page article in the January 8th edition of the *People's Daily*, economist Tian Jiyun called for a restructuring of the pricing system. Tian pointed out that prices of many products do not reflect their true value, nor are they related to the laws of supply and demand. From now on, he wrote, commodity prices will be regulated by the law of supply and demand, and will be allowed to fluctuate around the real value of the commodities.²⁰

In answer to questions put by foreign visitors and reporters about whether China was abandoning Marxism and socialism, Chinese leaders have hastened to assure them that this is not the case. In the middle of December, Premier Zhao Ziyang told visiting Sudanese President Nimeiri, "China is a socialist country and will continue in the future to adhere firmly to the socialist system, but socialism which is not based on the growth of the productive forces is meaningless."²¹ Then, near the end of December, Party theoretician Yu Guangyuan told foreign reporters that it was impossible to find in Marx's works a clear idea of practical planning. "The theory of planning has been left for us to invent and create," he said.²² Yu referred to the communist system in Hungary, and made a distinction between the underlying system of socialism and the mechanisms used to achieve its aims. Different mechanisms are applied at different times in various countries, he went on to say, but all have the aim of achieving socialism.

The New Year also saw the publication of Deng Xiaoping's *Building Socialism with Chinese Characteristics*, a book containing twenty-two talks given by him dating from 1982. The gist of his speeches is that socialism will remain in China, but that "a little capitalism cannot harm us."²³

The *Guangming Daily* also entered the discussion with a front page commentary on New Year's Day. It pointed out that the socialist model introduced by Lenin in Russia in 1922 was a "war economy" - a model not suitable in the present peace-time economy of China.²⁴ A few days later, Mr. Lin Zili, a researcher for the CCP Central Committee, told reporters that Marx did not fully understand the realities of socialism because he wrote before any socialist state existed.²⁵ Later, Mr. Yang Shangkun, one of the seven surviving participants of the Zunyi Conference, at the 50th anniversary celebration, likened the recent Chinese rejection of the Soviet economic model to the rejection of the pro-Soviet line in the Chinese Communist Party at the 1935 Zunyi meeting.²⁶

Three questions might be asked about the recent discussion on economic reform. For whom were the commentaries meant? Is China really abandoning the socialist system? Will the economic reform succeed?

Deng Xiaoping tackled all three questions at once in a speech given to members of Party Central's Advisory Committee on October 22, 1984 (but only made public after the first of the year). According to Deng's speech, there is no doubt in his mind that China's economic reform will be a success. He said that the Chinese people will quadruple production by the year 2000, and that in another 30 to 50 years, China's standard of living will equal that of the rest of the world. With the upcoming signing of the Sino-British Agreement on Hong Kong no doubt in mind (December 19, 1984) and to allay Hong Kong people's fears about their living standard after 1997, Deng said, "Hong Kong's system will not change for 50 years; after that time our standard of living will be nearly equal to theirs."²⁷ Thus we see one reason for the economic reform: it will help unify the country, Hong Kong first, and eventually Taiwan. The Chinese people will support the reform, Vice-chairman Deng holds, because they will benefit from it. "If someone asks me how the economic reform conforms to the four basic principles," Deng concludes, "I say: this is true socialism!"

That the commentaries on theory and practice were aimed at "old heads" in the Party is indicated by the absence of longstanding Party theoreticians, Hu Qiaomu and Deng Liqun, from the national meeting of the Chinese Writers Association which was held during the first week of January. It is generally accepted that these two men were responsible for the short-lived campaign against "spiritual pollution" last year. It will be remembered that last year Hu Qiaomu wrote a long paper entitled "Problems Concerning Humanism and Alienation," in which he argued that these two things did not exist in Marxism. Hu Jiwei and Wang Ruoshui, two editors of the *People's Daily* and advocates of humanism in Marxism, lost their jobs during the controversy. But the handwriting was already on the wall for Hu Qiaomu because Deng Xiaoping's son, Deng Pufang, had written an article asserting the presence of

humanism in communism, which appeared in the same December 7, 1984 issue of *People's Daily* containing the "theory and practice" commentary.²⁸

At the writers meeting, Mr. Hu Qili, member of the CCP Secretariat, promised that writers could now have more freedom to express their own feelings and that they would no longer be the targets of political campaigns. His talk was interrupted 33 times by applause, "the longest one lasting more than one minute" according to the *Guangming Daily* as reported on December 30, 1984. The *Daily* added that the writers were "in high spirits."²⁹ Wang Meng, Secretary of the Writers' Association Secretariat, went as far as to declare: "The golden age of Chinese socialist literature has arrived."³⁰



Everyone is "in high spirits".

Indeed, the whole country appears at this time to be "in high spirits." My general impression after a recent trip to a few of the larger cities in China was that the citizens appeared content, well-fed and well-clothed (certainly with enough clothing to ward off Beijing's chilling winds). Much new construction is taking place, like the recently completed Chinese International Trust and Investment Corporation Building in Beijing; at 29 storeys, it is the tallest building in the capital. One taxi driver told us that he makes over 200 yuan a month, and with the 60 yuan that his

wife makes, he is able to deposit monthly between 70 to 80 yuan in the bank. A young intellectual told us that the policy now is: Be open to the outside, and liven up the inside ("duiwai kaifang; duinei gaohuo"). We witnessed many banquets in hotel dining rooms, with the guests happily joking and toasting one another. Many Chinese citizens are touring around the country, and some even over the border to Hong Kong.

What about problems arising in connection with the economic reform? For an expert's point of view, the reader is referred to the article by Leo Goodstadt, "China's Economic Reform: Causes of Controversy," in *Tripod*, #24.

One problem arising from the new openness in the economic field is the high incidence of economic crime, from which, it seems, even Party members are not immune. One example of this is to set up a "corporation", buy a certain product cheaply directly from the factory, form a monopoly on this product, and then resell the product at a higher price, thus turning a tidy profit. There are indications, however, that the government is aware of such economic crimes and is taking steps to crack down on them.

Care must also be taken that divisions among the people do not become too wide. One hears, for example, that sellers keep the best fruits, vegetables, and even the best cuts of meat for the "free markets", where these products fetch a higher price. The regular markets get only poorer quality produce. The danger is that resentment will grow among poorer people who cannot afford "free market" goods. Will the explanation about socialism not being synonymous with "equalitarianism" in the *Decision on Economic Reform* satisfy such people?

A further question occurs to this writer, and it has to do with those Chinese citizens, including religious people, who were sentenced to jail in the past for being against the socialist system in China (that is, for being anti-revolutionary). If China's socialist system is undergoing a change, ought not the sentences of such people be reviewed? It may be that what these people were accused of is now permitted. In the plethora of articles on the economic reform, I have seen nothing, as yet, on this point.

The economic reform is the latest step in the modernization drive which has been going on for the last six years. Despite difficulties, the Chinese leaders and people are united in their determination to make the drive succeed. Friends wish them well in their efforts.



"The Chinese people support the economic reform because they will benefit from it." (Vice-Chairman Deng Xiaoping)

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