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The Political Economy of Counterrevolution in China: 1976-88

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By Henry Park

[mim3@mim.org comments in transcription January 2005:

This book came out before the events of June 4 1989 in Beijing deflated many international supporters of Deng Xiaoping. Subsequent collapse of the Soviet Union killed many of the feelings among alleged communists in the world in favor of a Deng Xiaoping line mixing Marxist rhetoric with Liberalism ideologically and capitalism economically. Gorbachev's brief burst into the spotlight of popularity was soon to seem like a distant memory. So what we have to understand about the early

and mid-1980s is that Maoists were saying that both the Soviet Union and China were state-capitalist, a minority position in the imperialist countries among those calling themselves communist at that time. For example, the idea that China had 8 digit unemployment still came as a shock. Since then, some of the conflict over the facts has died simply for political reasons. In the process of piecing together this document, I have done some light editing and I may have misunderstood, disorganized or botched the previous rewriting process mentioned above, the five rewrites. I also definitely screwed up some minor formatting. Another problem is that this document will read differently in different browsers. Bubbles or boxes appearing in the text are footnotes and should be clicked on. Nonetheless, no errors I may have made that I know of detract fundamentally from the meaning of the text.]

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The Political Economy of Counterrevolution in China: 1976-88

INTRODUCTION

THE MAOIST METHOD AND THEORY

Historians are taught that they should go right to first- hand accounts to write history. In the case of China, only cultural arrogance could prevent a Western historian from taking Chinese views of their own history seriously. Massive quantities of documents are available in translated form. The Chinese translate their own important works and the U.S. Government translates what the Chinese government and media says within earshot. Footnote Yet, in the West, there are few academics who claim to be approaching history or anything else with the framework embodied in Marxism-Leninism Mao Zedong Thought. From here in the word "Maoist" will refer to adherents of Marxism-Leninism Mao Zedong Thought. As the liberator of China from semi- feudalism and Japanese imperialism, Mao led China from its formation in 1949 to his death in 1976. Mao's philosophy guided the building of socialism in China. As such, Mao ranks in importance with Lenin in the world's experience with communism.

This book is derived from the Marxist political economy approach to China's recent history. None of the propositions here are original. Marx, Lenin and Mao provided theories, practices and historical summations that deserve to be taken seriously before original ideas are applied to China's history since Mao. Unfortunately, except for a little work done by people in the international communist movement, this thesis is original in that it seeks to understand the post- Mao period by using the theory of Mao, and Zhang Chunqiao, Wang Hongwen, Jiang Qing (Mao's wife) and Yao Wenyuan—the so-called Gang of Four—who were Mao's main supporters and followers in the party and government during the Cultural Revolution from 1966 to 1976. This critique of China is diametrically opposed to the mainstream Western critique of China as undemocratic and non-market determined.

Yet, the Maoist critique would be a fascinating dream if it were not for the fact that the Cultural Revolution was such a thorough preparation against today's switch to capitalism in China. Mao instructed that

the present great cultural revolution is only

the first; there will inevitably be many more

in the future. In the last few years Comrade

Mao Tse-tung has said repeatedly that the

issue of who will win in the revolution can

only be settled over a long historical period.

If things are not properly handled, it is possible for a capitalist restoration to take place at any time. It should not be thought by any party member or any one of the people in our country that everything will be all right after one or two great cultural revolutions, or even three or four. We must be very much on the alert and never lose vigilance. Footnote

Rarely did an important speech during the Cultural Revolution start without reminding the audience of the recent history of the struggle against the capitalist-roaders — people who prefer capitalist means of organizing the economy over socialist ones. Well into the 1980s the Chinese leaders who installed capitalism in China after Mao's death have felt obliged to attack the socialists in their speeches by stating that the so-called capitalist-roaders "Lin Biao and the Gang of Four" have been smashed.

The current government worries about the revolutionaries Mao trained in the Cultural Revolution. They were prepared for a fight against exactly the kind of capitalism-in-the-name-of-socialism seen in China today. Most Western academics and politicians wish the Chinese could just forget about the Cultural Revolution and build a free market economy. However, the post-Mao leadership knows that the question of socialism versus capitalism is still on the minds of the Chinese people. Even as of 1984, the official magazine *China Reconstructs* starts its feature on agriculture by asking the classic Cultural Revolution question about class struggle. "It is true that the new policies have enabled the peasants to prosper, but many in China and abroad have asked the question: Where are they leading—in the direction of socialism or capitalism?" Footnote

Some books have been written by the Chinese in defense of the so-called reforms since Mao's death— reforms that are really just part of a capitalist social revolution. China's *Economic Reforms* (1982) and *Economic Reform in the PRC* (1982) defend the government's actions as reforms within a Maoist and socialist legacy. Footnote Quite naturally these books involve a Chinese assessment of Chinese history, especially the Cultural Revolution. As will be seen, the Chinese rulers have difficulty in adopting the language and ideas of their bourgeois counterparts in the West, no matter how much sympathy exists between them. When there seems to be irrationality in the economy, the Chinese call it "the anarchy of production"—a distinctly Marxist-Leninist phrase. Major policy debates are almost always preceded by references to relevant Marxist-Leninist doctrine and experience.

An important feature of the capitalist counterrevolution in China is exactly this kind of retention of Maoist terminology. The counterrevolution attacks Mao in the name of Mao and socialism. This has resulted in international confusion about China's true nature. Unfortunately, the world still thinks of China as "socialist." The wrath expressed towards post-Mao China in this book would not be half as great if the current leadership just admitted its abandonment of Mao and socialism. Instead of calling the new economic organization a new capitalist experiment, China's leaders since Mao have chosen to deceive the people of the world. Even within academic circles that study China there is considerable confusion. In 1979, Neville Maxwell was still able to say that there were two major interpretations of the post-Mao era. One sees China as shaking off "ideological rigidity" in favor of "a vigorous growth-oriented pragmatism." The other sees the "Thermidore: or as some Marxists put it, the capture of power through coup d'état by 'revisionists.'" Footnote

"COUNTERREVOLUTION" AS SOCIAL REVOLUTION

Social revolution may be defined as the seizure of state power from one class by another. Footnote The revolutionary class proceeds to change institutions to its conscious and unconscious likings. In this sense, Hua's seizure of power from the Gang of Four is a social revolution led by the state capitalist class. Reasons of teleology aside, China is being labelled counterrevolutionary in this thesis because it is undoing the economic organization of the Cultural Revolution, which Mao and the Gang of Four led. However, there is no reason one could not drop the term "counterrevolution" and simply speak of a capitalist social revolution as having occurred since 1976.

Social revolutions are as permanent as the dominance of the ruling class in charge. Social revolutions are qualitative changes that may be overturned by other social revolutions. Reform on the other hand is a change of degree, something that the dominant class can enact in its own interests. Footnote

A list of the important actions that the post-Mao leaders Hua and Deng took against the Cultural Revolution is in the conclusion. The list is also the evidence for the existence of state capitalism in China since the Cultural Revolution's theory of "continuous revolution" has been adopted here.

The reforms of "responsibility," "total responsibility," one-man management, two-track education, experts in command, expansion of private plots and profit as the "nose of the ox" are not new ideas. Today's leaders are as historically-minded as their predecessors. They point out when they are adopting and implementing an old idea of Deng Xiaoping, Hua Guofeng, Zhou Enlai, Liu Shaoqi or Chen Yun. Sometimes they even mention American or Soviet experience. Most of what is new is the implementation of old ideas. Footnote Despite the Cultural Revolution, the conditions for implementing state capitalist "reforms" are better than ever before.

Ultimately, counterrevolution in China is the victory of old ideas, represented by old leaders like Deng, over new socialist ideas embodied in the Cultural Revolution. The implementation of the old ideas is made possible by the state capitalist victory in the entire superstructure—the arts, culture, media, bureaucracy, military and the so-called Communist Party that leads China. When Zhang Chunqiao talks about the "state" or the "dictatorship of the proletariat," he means the entire superstructure. Footnote Now that the Gang of Four has lost its last footholds in the media, arts and culture, it is possible to speak of the "dictatorship of the bourgeoisie." One of the arguments to be pursued in the thesis is that the Maoists had already lost in the bureaucracy and army by the time of the 1976 coup. Had Mao lived a little longer, the Four would have needed to keep up their campaigns in the media and arts to win over public opinion and put the military and bureaucracy in Maoist hands. Seizure of political power means more than holding the positions of head of the government and chairperson of the party.

It is beyond the capability of the author to offer a theory of counterrevolution at this time except to the extent that it already exists in writings of the Cultural Revolution. Still, classes, class alliances, opportunity and ideology must be central in the case of China. Discussion in this paper will demonstrate the class interests behind various struggles in China, the importance of a material basis for counterrevolutionary ideas, the opportunities given by that material base and the decisiveness of ideology and politics as rallying points during the struggle between socialism and state capitalism.

## STATE CAPITALISM

In this essay, capitalism will be said to exist where surplus labor of wage laborers is disposed of by people who are not wage laborers. Surplus labor is that labor which is performed in addition to that needed by the wage laborers for their own subsistence as defined by the prevailing norms and historical circumstances. The group of people who dispose of or appropriate the surplus generated by wage laborers—the group alien to the working class—has its own interests apart from and against that of the wage laborers and is called the capitalist class.

The capitalist class has taken different forms in history. Competitive capitalism is

characterized by individual entrepreneurs. When the Vanderbilts and Rockefellers destroy their competitors and rise above the pack, competitive capitalism is replaced.

Monopoly capitalism features a locus of competition shifted to the inter- industrial and international arenas. Monopoly capitalism exists where one company dominates an entire industry. For example, although IBM still faces some domestic competition in computers, its more serious competition comes from foreign computer giants and monopolies with products that substitute or mesh with computers. ATT was an important competitor of IBM even though it was a monopoly of the telecommunications industry.

Generally, corporate capitalism in the West has a monopolistic or oligopolistic nature. In short, history has seen competitive capitalists, corporate capitalists and state capitalists, not necessarily in that order or as an inevitable progression.

Many people will accept that China has had some kind of counterrevolution without agreeing that China is state capitalist. Footnote They will ask why lump China together with the capitalist countries? Is not China quite distinct?

It is only an empiricist truism that every country is distinct. There is a use in classing like with like to whatever extent possible, especially in order to understand aspects of international political economy.

Presumably it is useful to class Western capitalist countries together despite their own distinctive historical characteristics. The United States started out as a country of landowners and had a very important slave era. England had its eras of competitive capitalism and corporate capitalism before weakening in the face of declining empire and a powerful labor movement with its own party. Germany never really had competitive capitalism until recently arguably thanks to the alliance of iron and rye. Also, Germany handled its decline from empire after World War I in a different way than England did. Furthermore, in Japan there is a strong state role in the economy and workers tend to remain with one firm more than they do in the West. All these economies have many particular characteristics and defy teleological categories, so why not throw in China if it shares certain minimal commonalities? By defining the class structure as a variable and categorizing China, Japan and the United States as capitalist countries, we expect a certain payoff in explanatory power.

Thirdly, to call China state capitalist is to challenge conventional dichotomies of planning/market and command/market. William Lazonick has pointed to Alfred Chandler's work describing the visible hand of corporate planners in so-called market economies. In South Africa, the state runs more than half of the economy and the Pentagon is larger than any Soviet ministry. England's government nearly matches the level of investment of the English private sector. Planning also characterized Nasser's Egypt, Nazi Germany and Mussolini's Italy. In the early nineteenth century planning would have stood out, but today it means next to nothing as far as classing societies goes. Thus, lumping societies together on the basis of whether they have planning or not is fraught with difficulties. Still, the point is well taken that lumping China into the capitalist category only reveals more than it conceals when recourse is made to historical explanations of institutions.

Surplus appropriation from wage labor entails unemployment, firing, labor regulations and sexism—institutions that keep workers in their place. This is not necessary in the dictatorship of the proletariat where workers are mobilized in political campaigns concerning their interests in the state and economy.

In China today, as in the other capitalist countries, participation of the workers is minimized. Politics is reserved for the party, state and factory directors.

One might argue that the Chinese workers want to be coerced because the benefits of the new so-called reforms are greater than their evils. This is not to say that because a majority of people in the United States supports the U.S. system, the United States is not capitalist. Likewise, the "reforms" in China are probably supported by a majority of the population in some way for now. That does not mean that developments in China won't eventually pierce the rhetoric of today's crop of reformers, modernizers and intellectuals.

As will be clear in this book, the degree of coercion of certain groups in China makes it unlikely, especially for women, poorer peasants and would-be trade union members, that all groups are equally enthusiastic for the "reforms." These groups are fairly well excluded from the counterrevolutionary coalition of top party and military officials and factory directors, and their allies amongst the Western-style intellectuals (as opposed to Mao's revolutionary intellectual or Gramsci's organic intellectual), individual entrepreneurs and pedlars, and peasants who for various reasons can "make it" in decollectivized agriculture.

Repression always makes resistance difficult. In China, there is an underground communist party, but undoubtedly sustained and explosive resistance only occurs when there is an opportunity for such. For example, in South Africa, less than two percent of Blacks defended apartheid as of 1972 and 75% described themselves as "angry" or "embittered." Yet, a majority of Blacks in South Africa felt powerless and 42% thought that Blacks as a group are completely helpless. Footnote Coercive economic and political institutions, especially those that keep wage laborers in their place, are to be expected under capitalism, but the absence of widespread visible opposition to capitalism does not mean that China's course is not capitalist or uniformly popular.

Edwin Winckler has suggested the phrase "bureaucratic marketization" to characterize the recent Dengist reforms. This phrase is suggestive because implicit is the understanding that institutions—namely a bureaucracy—matter.

Other academics seem to assume that markets will smash institutional barriers with the force of consumers' preferences behind them. Most believe that if the Cultural Revolution bureaucrats were overcome, there could be a freer market and a large portion of China's economic problems would be subsequently resolved by the market. However, "bureaucratic marketization" is a contradictory phrase which implies conscious marketization and a "second-best" world for neoclassical economists who are relatively uncomfortable when the real world only offers them so-called imperfect competition. In other words, as much as a bourgeois economist would like to deny it, politics, institutions and class struggle cannot be assumed out of the picture.

A large portion of this paper is devoted to the anarchy of production in China. However, prices are not thoroughly examined. While it is true that incorrect prices can result in dislocations of all kinds, this does not really shed much light. What are the causes of "incorrect" prices is the real question.

What must be examined is production, where individuals of the state capitalist class exert power and destroy the market (as ideally conceived by economists) as part of the competition among state capitalists. This competition causes over-investment and other kinds of blindness. It is true that China had economic dislocations before the recent capitalist revolution, but for the first time since 1949, there is no control over investment. When in the past investment became out of hand because of some campaign, the Chen Yuns could be called in and investment could be changed. This is no longer true, so only an institutional explanation accounts for the problems in investment.

On the consumption side, Sweezy and others have shown how the capitalist class as a whole brings on economic depression and waste by taking too great a share of income which subsequently can not be spent. The Underconsumption School including the likes of Sismondi, Rosa Luxemburg, Keynes and Sweezy calls for a redistribution of income. The only problem with this underconsumptionist theory is that it tends to make people forget that competition amongst capitalists brought about the overproduction (and the coercion of laborers necessary to bring about that production). Redistribution of income can only occur if either some domestic capitalists go under from the added tax thus increasing the profits and well-being of other capitalists willing to pay the tax and survive or if exploitation abroad is increased. Such a redistribution means even harder competitive conditions for the capitalists.

The position here is that institutions are not and cannot be the mere tools of the Rational Free Market and because of the tendency towards concentration of capital, whatever corrective merit there is in a competitive market is destroyed by the market's tendency to leave fewer and fewer survivors in price competition. This is especially true in China where a capitalist runs both his enterprise and the local government. In the real world, capitalists are not restricted to economic competition. They throw everything into the fray—bribery, women, drink, intelligence information,

threats to relocate and the kitchen sink. The tendency to find ever cheaper methods of production merely to survive drives production and accumulation beyond that rationally dictated by the intersection of supply and demand curves where a firm supposedly faces a fixed price. Competition is offset only by non-economic factors—state regulation, wars, the dismantling and opening of socialist countries for plunder and the discovery of new resources in the Third World for exploitation. Even so, in any profit-driven society, dog-eat-dog competition is at work underneath whatever else may provide temporary reprieve.

Knowledge itself is property. Without advanced technology, no capitalist firm has a chance. In China, the days of science by the masses and for the masses are no more. The technical elite was rallied to capitalism with promises of power, prestige and money. In turn, the technical elite used its know-how as power for the capitalist counterrevolution.

Finally, a most obvious feature of capitalism is the conspicuous consumption of the wealthy. Fox Butterfield has detailed the privileges of the elite in China, particularly that of the military and party. He suggests that these privileges were long existent (yes, even while Mao was alive) and tended to increase over time. This will not be contested, since the existence of extremes of privilege and black market wealth confirm the existence of the material base for counterrevolution. However, again, production, not consumption is the main subject here. Distribution is only considered to the extent that the class in power can determine distribution policies, more or less, depending on the relative strength of the classes. The extent that distribution policies can add up to class polarization in the long run is also of interest.

The popular criticism of how party bureaucrats see to their personal interests is not a major part of this book; although, individuals like the Sichuan provincial party secretary obviously have personal interests in the success of state capitalism: "should the State financial revenue drop due to our failure to do a good job in experimentation, I will be the first to have my salary reduced."

Footnote

In general, the consumption of the state capitalists is not as significant and conspicuous as in the days of Rockefeller and Vanderbilt, but this only throws off the bourgeois economists and vulgar Marxists who are overly concerned with consumption. The surplus does go to the state capitalists, but it also goes to the new middle class, the military which is modernizing along Western lines, the training of researchers totally removed from production, bonuses and to waste above all. The Chinese might try to do without so much waste in the future by going to free market capitalism or even by trying a more centralized version of state capitalism as in the Soviet Union. Capitalist consumption would increase in the first option and Chinese investment overseas, which has been recently legalized, might serve as another outlet for surplus in either case.

State capitalism is here defined as a system where appropriation of wage laborers' labor by the non-laboring personnel of the state is predominant. For this to be possible it is necessary that there be some commodity relations in the economy. There would be no wage labor if agricultural and industrial workers either consumed or disposed of their own product. Production for use is contrary to commodity relations. Therefore, production for the goal of profit or the maintenance of a sales level for instance requires the existence of commodity production.

For the sake of application to China and the Soviet Union, and for its general familiarity, state capitalism is defined here partly by its pursuit of profit as opposed to some other goal involving commodity relations. Finally, it is asserted that there must be a mechanism in state capitalism for the enforcement of the pursuit of profit or other exchange-oriented goals. In competitive capitalism that mechanism is bankruptcy and mergers. Monopoly capitalism's competition enforcement mechanisms include mergers, financial takeovers and war. State capitalism's competition enforcement mechanism is state-sponsored reorganization involving shutdowns, mergers, takeovers and price control. War also remains a mechanism for state capitalist competition on a global scale.

Indeed, war is far and away the most important mechanism of competition in the age of capitalist imperialism and is here part of the very definition of monopoly capitalism and state capitalism. Briefly stated, capitalism requires five things—workers, capitalists, commodity relations, profit as a goal and a mechanism enforcing survival of the fittest in terms of exchange value.

Socialism's similarities to state capitalism make for its fragility and concerns relating to the transition from capitalism to communism. The fact that there remains a state and ruling party under socialism leaves open the possibility of the development of a state capitalist class apart from the interests of laboring people. Furthermore, under socialism wages in terms of money or even points ensure that there are commodity relations under socialism.

Several important policies differentiated Cultural Revolution China from state capitalism. First, although there was a ruling communist party, that party was composed of and supervised by laborers. Cadres in the countryside were required to spend a certain portion of the year in agricultural labor—100 days for commune level cadres, 200 for brigade level cadres and 300 for team cadres. Footnote Industrial cadres were also required to participate in production. Workers organized in inspection committees supervised the managers and firms were run by revolutionary committees composed of party members, administrators and workers. Secondly, there was no mechanism enforcing survival of the fittest in the marketplace. Profit was not the index of a firm's performance either. Political policies concerning the role of the party, government and masses and the economic goals of enterprises established a fine line between Cultural Revolution socialism and state capitalism.

Given this definition of state capitalism, the author will establish that China fulfills the necessary and sufficient conditions for state capitalism. After we establish China's fit to the definition, Marxist theory of capitalism leads us to certain expectations of current China.

#### PREDICTED SOCIAL OUTCOMES IN STATE CAPITALIST REVOLUTION

Coercive social relations, especially in regard to wage labor, war bloc alliances, expanding income differentials, an exacerbated division of labor, greater trade, the end of mass-mobilization in economic and political affairs and the anarchy of production are all expected from capitalism.

Also expected are the feverish pursuit of the most advanced technologies in order to produce the cheapest and most superior products, unemployment of labor-power and other resources as a result of the pursuit of the most advanced techniques of production and the loss of a rational match between needs and production in the economy as a result of production for exchange instead of use. The necessity to pay a subsistence wage means that capitalists can only make up so much of a technological disadvantage with low wage labor. Superior techniques of production minimize labor costs too, so advanced technology is an absolute advantage in any case. When capitalists can get away with what is called super-exploitation, certain techniques of production will not be used at all unless capitalists can hire workers who are reproduced by means other than wage labor—i.e. by the workers' life in a pre-capitalist mode of production. All of this means nothing but misery for laborers.

The chapter on politics gives the historical roots and a political theory of how capitalism was restored in China. Everything that follows the chapter on politics either establishes that China fulfills the above definition of capitalist class relations or has had social outcomes expected under capitalism. Proving the existence of certain expected outcomes under capitalism also tends in many cases to prove that China's class structure is capitalist. Cause and effect are closely intertwined because history is the object of study here, not a laboratory economy. For example, the exacerbation of the division of labor is both a cause and effect of capitalist revolution in China. Indeed, the post-Mao leaders have openly and consciously set about widening the division of labor, almost as if they sought to increase the material basis for their own existence as a class. Despite some difficulty in separating cause and effect, hopefully readers will find the array of expectations from capitalism wide-ranging, important and interesting.

Those who are familiar with Marxism will not suspect the author of making theories to fit post-Mao Chinese reality after the fact. The predictions of Marxism existed long before 1976, and the author does not claim to prove any theory correct that did not already exist before 1976.

Yao Wen Yuan made many predictions about what would happen if people such as Deng Xiaoping came to power in China:

The inevitable result will be polarization, i.e., in the matter of distribution a small number of people will appropriate increasing amounts of commodities and money through some legal and many illegal ways; stimulated by "material incentives" of this kind, capitalist ideas of making a fortune and craving

personal fame and gain will spread unchecked; phenomena like the turning of public property into private property, speculation, graft and corruption, theft and bribery will increase; the capitalist principle of the exchange of commodities will make its way into political and even into Party life, undermining the socialist planned economy; acts of capitalist exploitation such as the conversion of commodities and money into capital, and labour power into a commodity, will occur. . . . When the economic strength of the bourgeoisie has grown to a certain extent, its agents will demand political rule, demand the overthrow of the dictatorship of the proletariat and the socialist system, demand a complete changeover from socialist ownership, and openly restore and develop the capitalist system.

#### Footnote

Yao wrote this in 1975 in his well-known essay "On the Social Basis of the Lin Biao Anti-Party Clique." At the time, probably most Western observers considered the essay simply an eloquent statement of Maoist dogma. Nonetheless, each of the above predictions has come true, and while capitalism is not openly restored yet, the demand for Western democracy and economic organization has grown more insistent.

The existence of negative phenomena caused by changes in post-Mao economic organization that Yao predicted is only now beginning to have its impact in Western analyses. The Brookings Institution published a book by Harry Harding that admits that "inflation, budget deficits, excessive investment, and surges of imports" Footnote have resulted from the so-called reforms, as well as "crime, corruption, political dissent and cultural experimentation." Footnote Moreover, the new family farming system is responsible for a decrease in resources available for "rural welfare, public health, and educational facilities." Footnote In assessing the "the balance of costs and benefits," Harding finds that these political problems and others including the rise of economic inequality threaten the reserve of political support that Deng built up with the easy gains of initial reforms. Footnote

One of the difficulties of this study is that it relies on translated documents, usually of an official nature, to prove the existence of phenomena that are viewed negatively in normative terms. There is substantial variation in Chinese political and economic thought, but it would be politically unwise and probably normatively uncomfortable for a scholar or party member to publish too many statistics that leave unfavorable comparisons between Cultural Revolution China and post-Mao China. There is also a debate about the validity of various figures collected during the Cultural Revolution and Great Leap. It is a widespread practice to list figures from the 1950s and years since 1979 without any figures from the Cultural Revolution or Hua Guofeng period. Sometimes there will be a figure from the Great Leap, or figures from the early sixties. 1965 is a favorite year for including. After 1965, however, it is likely that the next figure will be from 1978 or 1979. Sometimes, the researcher gets lucky and finds the figures needed. Other times it is possible to infer trends from figures available. It is impossible to avoid a patchy look to figures gathered and reported, but on the whole the author does not believe that the difficulties of doing a critical analysis that relies on official documents are insurmountable.

Of course, one of the main claims of the current regime is that it has accelerated economic growth. Footnote In the eight years from 1979 to 1987, the CCP claims that GNP, state revenue and per-capita income all doubled. Footnote Although there are voices to the contrary, it seems likely that both claims—fast growth and faster growth than during the Cultural Revolution—are true, especially for the short run.

In assessing the claims of the post-Mao CCP, it is important to keep one's feet firmly rooted in physical reality. Many studies are coming out that are denominated in monetary terms. Often these studies are even more distorted by commodity fetishism than corresponding Western studies because they do not correct for inflation. The author did not begin to address all the serious methodological, historical and comparative flaws found in many influential Chinese and Western economic studies. Instead, the author has selected to cite data with as few such flaws as possible and ignore much of what is common currency in Chinese and Western economic circles. Despite this winnowing process, there is an abundance of materials in Chinese economic writing that is useful, particularly for the methodological and theoretical framework employed here. Footnote Chinese economists continue to use some Marxist categories and hence present significant information that Western economists generally would not think of asking for. Even the hard-core "reformers" among the economists are eclectic enough that they are bound to make statements of some use in analyzing the Chinese

economy. Certainly the economists of the State Council do not waste time with purely theoretical exercises.

The study of capital is not the study of things that can be exchanged or consumed. GNP fixation—a form of commodity fetishism—will not be witnessed in this essay: the author will concede to opponents the correctness of any prediction regarding the Chinese GNP.

Capital is not even characterized by the relationship between the productive forces and relations of production. Capital, in the Marxist analysis, is a social relation. Capitalism is a system of social relations. This book is about class relations—relations between groups of people. State capitalism is a system of capitalist social relations where leaders in the superstructure—mostly the bureaucracy, army and party, but also academia, art and culture generally—appropriate the labor of wage laborers.

There is no need for the capitalist to privately consume anything. As Sweezy has pointed out, Marx spoke of social capital in reference to corporations.

Capital, which rests on a socialized mode of production and presupposes a social concentration of means of production and labor powers, is here directly endowed with the form of social capital (capital of directly associated individuals) as distinguished from private capital, and its enterprises assume the form of social enterprises as distinguished from individual enterprises. It is the abolition of capital as private property within the boundaries of capitalist production itself.

#### Footnote

Although China competes with capitalists from other countries, it is quite enough that local state capitalists compete with other local state capitalists and that the local government competes with the central government for revenue and enterprise control. With the potential of a one billion person domestic market, China's capitalism just might be headed all the way to competitive market capitalism, so that Yao Wenyan's prediction on this score may yet come true.

"State capitalism" is an unfamiliar term to those not initiated in communist studies. Although Engels used the phrase, splinters from the Trotskyist movement applied it to the Soviet Union of Stalin's day. Many anarchists apply it to every Leninist governed country. Mao referred to the Soviet Union as social-imperialist and capitalist thanks to Khrushchev and subsequent state capitalists. Given the difficulty that the analysis presents to the uninitiated, it is advised that the reader skip right to the chapter on class relations or the chapter on science.

The chapter on class relations is about concrete changes in China's economy. Hopefully it makes clear what is at stake. Only after the rest of the essay has been read, is it advised that the reader undertake the chapter on the political counterrevolution, which is bound to sound strange and unreal to those not acquainted with Chinese politics. Then, hopefully it will make sense where the recent changes in the Chinese economy came from—a political and social counterrevolution.

#### SOCIALISM

What are the alternatives to capitalism or imperialist domination? Concrete policies of socialism in addition to the obvious large-scale collectivization of agriculture and industry that Mao put forward include despecialization, mass participation, distribution policies to overcome the urban/rural division of labor and self-reliance.

There is no Maoist model of socialism, only political principles and historical examples such as Shanghai under the Four or Dazhai and Daqing. Socialism was created in the case of China through

experimentation—in practice. The Maoists were too historically minded to speak of a checklist of concrete policies that comprise socialism for any time or place.

Maoist practice is not easy for most academics to trace. Maoism includes an ideological vision of classless society free from the lethal conflicts of imperialism and other “antagonistic contradictions.” However, political principles are historically contingent too. Politically, the Maoists decided it would be a mistake to try to live without a state or organized party while U.S. imperialism and Soviet social- imperialism still threatened China. Many of the goals of pure communism had to be put off under Mao. So there is a strategy based on political principles that themselves are based on “summations” of recent history.

At each particular moment within the strategy there is a correct tactic for accomplishing the more permanent strategic objectives on the way to communism. At the tactical level, Stalin and Mao in particular have come under heavy criticism from bourgeois academics and Trotskyists. For example, both bourgeois academics and Trotskyists criticize Stalin’s Non-Aggression Pact with Hitler. This pact was a momentary and tactical decision within Stalin’s eventually victorious strategy. While letting the imperialists fight, he rebuilt his recently purged officer corp and built military industries in the hinterland. Another example is Mao’s promise to Truman to have an American-style constitution. Most typical of all for the arguments in this paper is Mao’s appointment of his enemy Peng Zhen to lead the Cultural Revolution in the Cultural Revolution Group. Peng Zhen was appointed as a temporary measure so that Peng could expose himself as he did by revealing his views, not because Mao was confused by complexity or because he was a hypocrite. Footnote Without distinguishing tactics from political principles and strategies, one is likely to see the trees but not the forest.

Someone like Roderick MacFarquhar is good at pointing out the complexities of Mao’s fight for socialism. Unfortunately, serious scholars like MacFarquhar pooh-pooh the black hat, white hat approach to the two line struggle adopted in this book. Consequently, many temporary measures adopted by Mao, and his enemies for that matter, appear as strange or hypocritical in the work of the more historically minded scholars. Footnote

Since it was only immediately after the Great Leap that there was a real split in the Chinese Communist Party (CCP), the author did not try to refute MacFarquhar. As MacFarquhar admits, he is trying to make use of recently released material in his assessment of the origins of the Cultural Revolution: “What is the effect of the new materials? Clearly devastating for anyone who may have swallowed whole the version of history purveyed during the cultural revolution. More importantly, it restores light and shade to the uniformly black-and-white picture depicted by the cultural revolutionaries.” Footnote In this sense, MacFarquhar is a revisionist historian.

The author believes with MacFarquhar that “the period 1959-65 was complex” if only thanks to issues of strategy and tactics; however, the author also believes that the material from Deng’s regime proves better than any Red Guard ever could that Deng was a counterrevolutionary and state capitalist profoundly opposed to Mao Zedong, as was Liu Shaoqi, who Deng and others now quote so openly. As MacFarquhar’s series on the origins of the Cultural Revolution, gets closer to the Cultural Revolution and present, the author’s thesis and MacFarquhar’s will probably appear diametrically opposed.

In the case of Trotskyist Oxford scholar Nigel Harris, the temporary expedients of the New Democracy period come under attack as hypocritical. Harris refuses to take seriously or explain Mao’s theory of two stage revolution. Footnote Thus, while Harris goes through vast quantities of history, his attack on Mao and China as state capitalist is ahistorical. He quotes Li Li-San as Mao without mentioning the historical context of the struggles between the two. Footnote Furthermore, he compares British and Chinese living conditions. Footnote If hard-core followers of Stalin and Mao tend to lump Trotskyists with bourgeois academics and capitalist-roaders, Harris provides them justification by speaking favorably of the West’s productive forces, democracy and other practices while at the same time supporting Liu Shaoqi. Footnote Attacks on Mao’s individual acts that do not account for Mao’s ideas about mass line, strategy, tactics and two-line struggle are bound to be ahistorical.

With the proviso that Mao’s political principles and strategy are based on historical summations, especially those concerning the Soviet Union and the Chinese CP, a listing of the political principles of the Cultural Revolution alternative can be ventured. Socialism will be defined as a long

historical epoch of class struggles in transition between capitalism and classless society (communism). Socialism is necessarily characterized by the all-round dictatorship of the proletariat over the bourgeoisie, which primarily resides in the party and government.

The policies of socialist dictatorship must include the restriction and elimination of the Law of Value including the bourgeois right of "to each according to his work," which is to be replaced under communism with "to each according to his need." Furthermore, the proletariat must restrict the division of labor or adapt production in such a way that class polarization is restricted and reversed. If the concept of market is extended to labor markets internal to production teams that offer more pay for more work, then restriction of the Law of Value can be thought of as restriction of markets.

Promotion of the Law of Value may not always indicate capitalism, but in this definition promotion of the Law of Value is enough to disqualify a society from the category of socialist. Also, the control of the division of labor does not amount to only the restriction of the Law of Value unless the concept of bourgeois right is extended to things like the prestige and power attendant to certain jobs valued in capitalist society. Even where all workers receive equal pay for equal work, the practice of entrenching experts in jobs like that of factory director is a non-socialist practice. If no attention is paid to the division of labor and/or the Law of Value, in the long run, power, income and/or prestige may accumulate and bring about a change of institutions—a change that may include the institution of the appropriation of surplus from wage laborers. "Socialist" is a hard word to live up to and by this definition there are no socialist countries in the world anymore.

There are several policies that help with the task of building socialism. Wheelwright and McFarlane have described one as despecialization—the making of production accessible and understandable to all. This process goes along with accomplishing production tasks with ideas from the workers instead of by complicated technologies that often mean placing valuable resources and power in the hands of a technical elite and importing expensive equipment from Western countries. Despecialization makes participation of workers easier; serves to break down the division of labor and helps employ existing resources independent of the state-of-the-art technology. This point will gain further attention in the section on science and technology.

Moreover, since production processes are more accessible, problems of management are easier to solve. There are fewer chances of a breakdown in information flow from the localities to the center. Therefore, planning is aided. This is different from the policy of decentralization which the Chinese are adopting now. Decentralization today is the acknowledgment that local and national interests are clashing and that either the national government or the local government is vying for position and particular interests. The larger good is overlooked. In Bettelheim's words the current "decentralization in fact consists of a redistribution of powers within a state bourgeoisie." Footnote At the same time power shifts to the managers. Footnote The Chinese had previously criticized decentralization of this sort. Footnote There is no reason there can not be local initiative with information flowing to the center and back unless property relations have entered the scene.

Indeed, China's current reforms, as will be seen, just amount to decentralizing power from central government technocrats and giving that power to local technocrats. The recent decentralization represents a clampdown on the remainder of the mass initiatives—the disbanding of the revolutionary committees in favor of one man management for instance. Thus, the decentralizations since the early 1970s have often coincided with a decrease in local initiative.

Mass participation in the economy and state affairs were goals in themselves during the Cultural Revolution. Mao saw that the masses would raise their own level if given the opportunity in practice. Mao held back the army, party and government as well as he could from 1966 to 1969 to aid the revolutionaries in their quest for experience in revolutionary administration. The same was done by criticizing the ivory-tower experts. The experts were encouraged and economically coerced to help the masses at the grass roots levels. The masses learned to solve their technical problems themselves, thus raising their own scientific level. Mao believed in letting the masses run their own affairs in ever more thorough ways. He saw that otherwise the capitalist-roaders, experts, and bureaucrats would run away with the state and economy.

The largest possibility for detrimentally uneven development is and was between the city and countryside. Here again, the policy was to freeze the income of the city workers and spread local

industries in the countryside. The city workers were not lowered to the conditions of peasants and the peasants were not coerced into raising their economic status solely by their agricultural efforts. A large portion of China's surplus went to establishing industry in the countryside.

At bottom these policies are all concentrated in self-reliance. Only by self-reliance could the broad masses of people raise their own political and economic levels. Any other method amounted to dependence and the fragmentation of society based on the division of labor. Mao saw his task as making this self-education possible: "the only method is for the masses to liberate themselves" and "Let the Masses Educate Themselves in the Movement" was one of Mao's Sixteen Points. Footnote Undoubtedly, the throwing of the state and economy into the air to be taken by those who mobilized public opinion alienated many people unprepared to understand the resultant struggle and confusion. They were almost uniformly forgiven in the policy of "cure the illness to save the patient." Even more than 95% of the cadres were seen as undeserving of punishment, which was reserved for those few people who really held power and consciously used it for the benefit of an elite. Mao was knocking down the enemy one by one and allowing every chance for political rehabilitation. At the same time, millions rose to his challenge to learn profound lessons about really running their own lives.

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The Political Economy of Counterrevolution in China: 1976-88

## POST-LIBERATION ORIGINS OF THE NEW STATE CAPITALIST CLASS

Since liberation, there have been two main sources of the bourgeoisie—one the capitalist class and landowners of the New Democracy period (remnants from pre-1949 China) and two the party members in the highest posts of the communist government itself. Footnote The first category was relatively more important at the beginning of China's history since 1949. The state capitalist class did not become important until the 1960s, by which time the old exploiting classes were pretty much defunct.

Still, one can only gain a full appreciation of China's Communist Party as non-monolithic by looking at some of the class relations of the 1950s. When the Chinese Communist Party (CCP) was victorious in 1949, socialism did not suddenly appear in China in a complete and entrenched way.

Despite the considerable development efforts of the communist base areas during the civil war, China had one-eighth the per capita industrial base that the Soviet Union had in 1918. Footnote Furthermore, that industrial base was in the urban areas where the CCP had just entered. There were not enough CCP cadres with the capability of administering industry. With the threat of a full-scale U.S. invasion and the actuality of a U.S.-backed blockade of the Peoples' Republic in 1949, there was not time for the masses to learn in practice what was necessary to replace the bourgeois experts. Consequently, the CCP was forced to rely on technical and administrative experts from the old regime, as well as urban capitalists. Footnote Allowing a role in economic construction for patriotic capitalists and bourgeois experts was part of the New Democracy program of the CCP.

Up to 1952, the New Democratic stage entailed a radical bourgeois program of distribution to the peasants of confiscated land. The rich peasants gained most from this policy and went about developing agriculture at the fastest pace in China's history; although, the base they started from was relatively small by recent standards.

Thus, the rich peasants, technobureaucrats and urban capitalist class had some power at this stage. Later it was to be said that one of Liu Shaoqi's five major errors in the eyes of Mao was to speak for a relatively long period of New Democracy. However, in the 1950s, the error of lagging was not evidence by itself of revisionism since it was debatable how far and fast China should go. The Trotskyists long criticized Mao for not pushing land reform fast enough. The error by Liu was not necessarily one of principle, only one of tactics and timing. Mao did not split with Liu for not knowing how far the peasants could go in China's new experiment. In any case, the practical success of the collectivization of agriculture in the later 1950s resolved any questions as to how fast China should go

in ending New Democracy.

The first post-liberation split in the CCP was with Gao Gang in Manchuria. Secretary of the party bureau of Northeast China, Gao was closely linked to the Soviet Union. "80% of the Soviet aid and 40% of its experts went to Manchuria to help build up China's industry." Footnote Gao was also chairman of the Sino-Soviet Friendship Association. His Soviet connection started when Stalin was still alive and before China's break with the Soviet leadership. Still, Gao appeared to be setting up an "independent kingdom" which could look to the Soviet Union as a powerful ally in some bid to influence the CCP. Fears about Gao were also strengthened by the fact that as an "independent kingdom" the Northeast would develop its industrial base ahead of the country's needs and thereby exacerbate the division of labor and class polarization. With connections to the East China Bureau and to Defense Minister Peng Dehuai, Gao was arrested as threatening to take over the CCP. Before and after his arrest calls were made for collective party leadership and after his arrest the collective leadership of the factory Party committee replaced that of one-man management. Footnote

The next major stress in the CCP was caused by the Great Leap. Prior to the Leap, China was already reviewing its analysis of the Soviet Union. "On the Ten Major Relationships" was an important move away from the worship of productivity and heavy industry adopted wholesale from the Soviet model. Upholding Stalin as 70% correct, the Maoists saw Liu as taking cues from the Soviet Union at this time. Like Khrushchev, Liu denounced the cult of the individual and saw that Mao Zedong Thought was removed from the phrase "Marxism-Leninism-Mao Tse-tung Thought" in the New Party Constitution. Also, at the Eighth Congress Liu's Political Report said, "in China, the question of which wins out, socialism or capitalism, is already solved." Footnote Thus, there was already some similarity between Liu's politics and economic strategies and those of the Soviet Union. The Great Leap, scorned by the Soviet Union, which saw itself outpaced in the race to communism, left a clear demarcation line in the party.

Liu for his part often appeared as a leftist during the Great Leap by assuming the ultraleftist guise with the statement "communism is near at hand." Footnote Such statements appeared in public when lower level officials already seemed to be going too fast in collectivizing agriculture to the level of the commune. Communist utopia did appear in certain ways in the Leap—large scale and public eating facilities, massive reservoir and irrigation construction, backyard steel furnaces in the countryside and an upsurge in the volunteer spirit. For whatever reasons, Liu went at least as far as everyone else in public support of the Leap—perhaps too far.

The argument is made that Mao criticized this "communist wind" while Liu discredited the Leap with his ultraleftism. Footnote Of course, Mao himself made his famous self-criticism and took blame for the Leap. Still, MacFarquhar tries to demonstrate that Mao attempted—too meekly—to head off the Ultraleft upsurge during the Leap in his chapter "Mao Veers Right."

There were not any major stresses or conflicts in the CCP before the Great Leap that foreshadowed the Cultural Revolution. Mao was quite suspicious of Khrushchev for dropping the "sword" of Stalin and one clique was purged for its relationship to the Soviet Union. By itself, the emerging Sino-Soviet split would not have caused the Cultural Revolution, but it did serve as the historical background conditions for the eventual struggle against revisionism within the CCP.

Real fallout in the CCP started with Peng Dehuai who severely criticized the Leap, as "petty-bourgeois fanaticism" Footnote as did other notables like Peng Zhen. Peng Dehuai also previously supported a conventional military strategy instead of Peoples' War and was associated with the idea of a military alliance with the Soviet Union. After Peng's dismissal, Khrushchev called Peng Dehuai "correct" and "best friend." Footnote Zhou Enlai and others backed Mao's effort to dismiss Peng Dehuai at Lushan from the position of Defense Minister. Liu did not stand in the way of this effort. Footnote The result was that Lin Biao replaced Peng as Minister of Defense—an appointment with major implications as the subject that kicked off the Cultural Revolution and as an event that led to the eventual defeat of Mao's revolutionary grouping in 1976.

The failures of the Great Leap are well-known. For example, MacFarquhar has pointed to the Leap as a utopian dream that resulted in the starvation death of millions. Footnote Commune level organization—child care, eating halls for tens of thousands of people and truly commune-oriented building of reservoirs for one—was bound to be controversial, but 1958 and 1959 were not actually

the problem years. The crunch hit in 1960. Since there had been terrible natural disasters and the Soviets had withdrawn their technical aid at the same time, there is a debate as to whether or not the problems of the Leap were a result of mainly human error or deviation or natural causes. Deng's regime blames "'Left'" deviations for the disasters. MacFarquhar, as an academic who is rewriting history in light of new information, sides with Deng. Yet, in Shantung Province, the Yellow River dried up for almost a month. Footnote One commune outside Canton withstood seven months drought with no effect thanks to a reservoir built during the Great Leap that held nine months of water. Footnote Overall, in 1959 almost half of the cultivated land was struck by "heavy floods or serious drought." Footnote "In 1960, drought, typhoons, floods, and pests struck 800 million mou, more than half of the cultivated area, and seriously affected another 300 to 360 million mou, some of which bore no crop at all." Footnote According to Wheelwright and McFarlane, "the commune system, by its ability to mobilize large numbers of people, undoubtedly helped in avoiding famine in these difficult years." Footnote "The period from October 1957 to September 1958 saw irrigation and flood prevention works dug equal to that of 300 Panama Canals and an additional 16.5 million mou of land were irrigated." Footnote There is a real debate about the Great Leap, but it is safe to say that material conditions contributed to a sense of retrenchment and caution.

Once the Great Leap was over and Soviet aid had been withdrawn, Liu stepped in with his "Sixty Articles" and reversed the trends of the Great Leap. Before the Leap, Mao had established a "second line" to retire to with a post of "honorary chairman." Footnote Among those who took the place of Mao on the first line were Liu Shaoqi, Deng Xiaoping, Chen Yun, Zhou Enlai and eventually Lin Biao. In the early 1960s, Mao retired again while anti-Leap forces instituted a mini-New Economic Policy for recovery.

The results of the mini-NEP were that private cultivated land surged to 15 or 20%; team size was cut to 20 to 30 households in 1961 from the previous level of 40; the team was made the basic accounting unit; the party committee was removed from day-to-day management in the factories; the factory manager was given more authority under Bo Yibo's Seventy Articles, which also reestablished profit in command, piece-work and material incentives in command; the bureaucracy was strengthened. Footnote In a preview of the post-Mao period, the NEP-style economists advocated the channeling of investment where the most profit could be made. Footnote

In Yunan, private property went up to 50% and the private harvest became larger than the collective harvest. Footnote In the fall of 1961, Anhui adopted the method of assigning output quotas to households instead of collective units. Footnote Experimentation in the same methods spread all over China amid signs of popularity.

Chen Yun emerged at this time to show his true colors. Not satisfied with assigning output quotas to households, in a February, 1962 Politburo meeting Chen Yun advocated that the land simply be redistributed to the households. Deng Xiaoping seconded this idea by saying that there really was not much difference between fixing output for households and private farming. Footnote

At the level of implementation, peasants fondly referred to the "four treasures"—"private plots, private reclamation, the family side-line occupation, and the free market." Footnote In this situation, landlords and rich peasants were found to be assuming leadership in the production teams and reports of class polarization thanks to the rise of middle peasants surfaced. For example, "over 70 percent of team land in the Chengpei communes near Shanghai was held by rich and well-to-do peasants in 1963." Footnote In one brigade, it was found that only 25% of the peasants opposed the practice of these kinds of capitalist freedoms. Ahn concludes that "probably the majority of the cadres and of the peasants (including the poor peasants) wanted temporarily even more small freedoms to help solve the food crisis." Footnote

By 1962, Mao, who was polemicizing against Soviet revisionism was prepared to attack "right-wing opportunism" in China as revisionism. Using the PLA as a base, Mao started political education campaigns to prepare as many people as he could for political struggle against revisionism.

At the same time, the Right, now grouped around Liu, generally criticized the Great Leap as the source of the problems in the countryside and the reason that China could not move forward and away from recent capitalist tendencies. Liu, in control of the state and party apparatus, sent out work teams to criticize the masses and corrupt cadres at local levels in what was the Socialist Education

Movement. Footnote Mao, for his part, finally circumvented the party and state by starting a "Learn from the PLA" campaign in 1964. Furthermore, Mao worked through the Poor and Lower-Middle Peasant Associations. Footnote By December 1964, Zhou was on Mao's side. Even though the party managed to undermine Mao's "Early Ten Points" by obstructing their implementation and by replacing them with Liu's "Later Ten Points," which gave control of the movement to the work teams, two positions still crystallized. Mao used the PLA as an "organizational vanguard" in the words of some American analysts. To Mao, it did not matter if the PLA was the vanguard rather than the party. Political line, not formal organization was key to Mao. Footnote

In fact, a major distinction between Mao and Liu was that Mao believed that

the correctness or otherwise of the  
ideological and political line decides  
everything. When the Party's line is  
correct, then everything will come its  
way. If it has no followers, then it  
can have followers; if it has no guns,  
then it can have guns; if it has no  
political power, then it can have political  
power. If its line is not correct, even  
what it has it may lose. The line is a net  
rope. When it is pulled, the whole net opens  
out. Footnote

Zhang Chunqiao also saw that mere organization and labels guaranteed nothing for the dictatorship of the proletariat. The political content or actions of the leaders in the superstructure matter.

Whether the ideological and political line is  
correct or incorrect, and which class holds  
the leadership, decides which class owns those  
factories in actual fact. Comrades may recall  
how we turned any enterprise  
owned by bureaucrat capital or national  
capital into a socialist enterprise. Didn't  
we do the job by sending a military-control

representative or a state representative there

to transform it according to the Party's line

and policies? Footnote

Here Zhang Chunqiao explains that having seized the national leadership, the proletariat went onto change the ownership of the factories at the local level. By itself neither local control nor national leadership were enough. Politics at both levels had to be correct to represent proletarian ownership.

The Cultural Revolution was lead by intensely political people. Now we turn to some of the fine details of the political spectrum that determined whether or not a political line was correct.

## THE CULTURAL REVOLUTION POLITICAL SPECTRUM

The political spectrum in China should be divided into two separate spectrums. One is the bourgeois or prerevolutionary spectrum and the other is the postrevolutionary spectrum. With the passage of history, the bourgeois spectrum became vastly expanded with the addition of political controversies born with the Chinese revolution. The result is that far from being monolithic as die-hard conservatives in the United States often claim, the political spectrum in China has become more complicated. Footnote

The two spectrums are separated by the means that are used to wage the class struggle. During the days of the bourgeois spectrum, the bourgeoisie fought openly through bourgeois parties and the KMT. After the liberation of China, the bourgeoisie more consciously waged class struggle by going underground.

Pre-revolutionary parties were relatively clear cut. Footnote Sun Yat-sen was a left-wing bourgeois revolutionary. Chiang Kai-shek was right wing. The CCP was the CCP. There was a battle over the legacy of Sun, but compared with the Cultural Revolution conflicts that later occurred in the name of Mao, this was a straight-forward time politically.

Complexities did arise in a few ways however. First, the bourgeois parties relied on semi-feudal classes to one extent or another. Just how much was open to debate and interpretation. In particular, Sun Yat-sen's work was even tinged with mildly socialistic ideas concerning the welfare of the masses.

Secondly, the Trotskyists, some of whom were expelled from the Soviet Union by Stalin posed to the left of the CCP and tried to take over the CCP. Their posture consisted of advising against the Stalin-plotted alliance with the KMT; relying solely on the urban industrial proletariat; denigrating guerrilla warfare in favor of more open and seemingly quicker strategies of urban insurrection. Nigel Harris and other Trotskyists have also criticized Mao for moving too slowly on land- reform. Of course, all Trotskyists criticize the idea of a two-stage revolution in favor of a one stage permanent revolution initiated in the West. Some splinters from the Trotskyist movement even argue that China never had a workers' revolution, only a bourgeois one.

Finally, the anarchists likewise criticize the Maoists for never getting past a bourgeois revolution and for not abolishing the state. Still, on the whole, the struggle between the bourgeoisie and the proletariat was nowhere near as complex as it was to become once the bourgeoisie consciously attempted the appropriation of Marxism- Leninism for its cause.

The revolutionary political spectrum is composed of a fragmented bourgeois spectrum and a new spectrum overlaying the bourgeois spectrum. One of the major new categories is that of "revisionist" or "capitalist-roader." Unified prior to the Great Leap, the CCP had no capitalist-roaders

except in retrospect. Of course there had always been a two-line struggle in the CCP involving "opportunism" and "deviations" from the correct line, but it was only after the Sino-Soviet split and the internal debates over the Great Leap that Mao started China's contemporary usage of the word "revisionist" in 1962: "I think that right-wing opportunism in China should be renamed: it should be called Chinese revisionism." Footnote

Revisionism when used to refer to a political line that is supposedly Marxist-Leninist is a charge that the political line in question changes or omits something fundamental to Marxism-Leninism. Simply put, a revisionist can usually be spotted for downplaying the importance of class struggle, especially over the continuing revolution under the dictatorship of the proletariat, while playing up the importance of the struggle against nature for production. All revisionists ultimately find things more important than social relations, so they emphasize the seemingly apolitical struggle to promote production. (Western bourgeois economists would also favor this point of view, but they would not be called revisionists unless they claimed to be Marxist. Claiming to be Marxist is necessary to be charged with revising Marx.) In contrast, in talks with his nephew Mao said "the basic idea of Marxism-Leninism is that you must carry out revolution. . . and then afterwards setting up a workers' and peasants' political power, and moreover continuing to consolidate it." Footnote

In terms of political economy, the politics of revisionism translate into putting China on the capitalist-road. As we will see in section on China's marketization, issues of payment according to work or "bourgeois right" are explicitly political. Advocates of bourgeois right in the highest party and government posts put China on the capitalist-road. Today these same capitalist-roaders are no longer just capitalist-roaders. They are the state capitalists.

Another major division in the revolutionary spectrum concerns the relationship of the vanguard party to the masses. Opportunists are people who take advantage of the masses for the benefit of political power or bourgeois careers. Right-wing opportunists play up to the masses by relying on bonuses to promote production, by promoting the importance of consumer goods and by instigating strikes to cause political mischief. Right-wing opportunists of this kind are called revisionists. Right-wing opportunists who merely try to grab a career without claiming to be Marxist-Leninist are merely bourgeois. When the revisionists concentrate on the purely economic and spontaneous desires of the proletariat, they are promoting "economism." Footnote

Economism more generally refers to opportunism or an incorrect relationship between the party and the masses based on a deterministic belittling of the possibilities of political consciousness-raising and structural change. Right-economists believe that political work is unnecessary because the economic conditions will automatically give rise to political consciousness, revolution and proletarian political power. An example of right economism is the Shanghai dock strike and the handing out of bonuses in an effort to get workers out of the political arena in which the Red Guards were about to wage struggle for the Cultural Revolution. Footnote

Left-economists including anarchists and pseudo-anarchists may believe that political work is necessary but only in quick adventures or terrorist acts that rely on the automatic support of the masses. The "Leninist" left-economist tends to see the masses as stupid and backward and simply in need of a good example or commandist leadership. Examples of left-economism occur frequently in the collection of ultraleftist essays in the Revolution Is Dead Long Live Revolution: Readings on the GPCR from an Ultra-Left Perspective. A famous essay by the Sheng-wu-lien called "Whither China" defends the struggle for Paris-style communes by saying new cadres who live without privileges "will be produced spontaneously." Footnote Another essay by an ultraleftist Red Guard criticizes China's "totalitarian state capitalism" Footnote and blames the situation on the masses, who treat socialism as a new religion. Only intellectuals and some cadres have "not yet lost the ability to think." Footnote Some of the advanced in the masses escape religion "unlike the rest of the masses." Footnote With such a view, the supposedly Leninist left-economist is apt to attack the masses.

Liu's sending of workteams to criticize the masses and lower level cadres during the Socialist Education Movement and to control students during the beginning of the Cultural Revolution are examples of ultraleft tactics Liu adopted in his overall right-economist and revisionist strategy. In an in-depth investigation of one brigade, Liu's wife Wang found that "all cadres had practiced some form of the unclean. For instance, twenty-nine of the principal cadres in the brigade had misappropriated funds." Footnote As a result, in this brigade 40 out of 47 cadres were publicly "struggled" against "and

155 peasants made self-examination.” Footnote

The strategy to handle this problem in Liu’s view was to send out large, presumably pure elite-level workteams to do covert work and straighten out the lower levels. Mao on the other hand, held that the best way to attack the problem was structural—struggle against those power-holders who organized China in a capitalist fashion and hence opened it up to corrupt influences.

The ultraleft faith in the spontaneity and stupidity of the masses is held together by the belief that whatever support adventurists and possibly terrorists can get is gotten spontaneously. In actuality the ultraleftist’s unwillingness to do political and educational work is blamed on the masses.

The right economist, who often falls into reformism, holds the same medley of determinist beliefs that the ultraleftist does but concludes that it is necessary to stoop to the low political level imputed to the masses. The right economist belief is well cut out for putting experts in command to supposedly hasten the development of the economy which will supposedly automatically give rise to progress in class relations. While the left-economist does not bother preparing for the participation of the masses, the right-economist is often at home with experts and ironically, given the reformist and supposedly democratic tinge to right-economism found in the West (i.e. social democracy), an Orwellian “1984” situation.

The differences among those claiming to be Marxist-Leninists are often profound. Many fundamental questions about politics come up within the Marxist- Leninist camp that have no parallel within the bourgeois spectrum. For instance, economism may be called instrumentalism or opportunism among presidential candidates in the U.S. presidential primaries, but it does not serve as one of the fundamental divisions of the spectrum. Nor is there a definable left and right economism within Western bourgeois politics. Conceptually, this is important for Western political scientists when they encounter the phrase “dictatorship of the proletariat.” This phrase has meant more fundamentally different things to different people than the word “democracy.”

When Red Guard organizations began to form in 1966, they started out by only allowing those children participate who had parents of good class background. Many students were from intellectual, bourgeois or Guomindang family backgrounds and the initial Red Guard organizations were anxious to prevent such students from rebelling against the CCP, which had won such gains for the poor peasants and workers in liberation.

In addition, the leaders of the initial Red Guard organizations were often the sons and daughters of high-level cadres and party members. At Tsinghua University, a prestigious University and key battleground of the Cultural Revolution, Liu Shaoqi’s daughter, Ho Lung’s son and the daughter of the Chairperson of the Chinese Federation of Trade Unions led the original Red Guards. Footnote Reading the writing on the wall, these children tended to act in the interests of their parents. The key to this was to take action against any target which had some connection to the old pre-1949 society, but did not implicate higher ranks in the CCP. Hong Yung Lee has done the most to detail what kinds of things these “conservative” Red Guards did and how they differed from the more “radical” factions of the Red Guards. In examining the relationship between elites and masses in the Cultural Revolution, Lee analyzed these differences through his whole book, *The Politics of the Chinese Cultural Revolution*.

Eventually, it became clear that most of the CCP leadership opposed the theory of hereditary redness. Lin Biao said, “there is no relation between standpoint and class origin.” Footnote Moreover, Mao said,

A person’s class origin should be distinguished from his performance, which is more important than his class origin. It is wrong to assume that class status is every-thing. The crux of the problem is whether you adhere

to your original class stand or alter your class stand. Footnote

The leaders of the Cultural Revolution only backtracked from this stance somewhat when some Red Guard groups appeared to be formed by bourgeois intellectuals and others who might have the intention of overthrowing socialism in the name of fighting for Mao Zedong Thought. Footnote

By "aiming the spear downward" at the masses and away from the elites, the conservative Red Guards hoped to divert attention from their parents and the rest of the CCP. The conservative Red Guards differed with ultraleft Red Guards only in that the ultraleft Red Guards "aimed the spear downwards" out of a genuine belief that the enemies of the Cultural Revolution were many. Both "conservative" and "ultraleft" Red Guards disagreed with "radical" Red Guards who stressed that the target was the handful of people with positions of power who were on the capitalist road. Although Lee attributes most of the activities directed against lower levels as part of the "conservative" Red Guard offensive, many of the same actions could have had ultraleft motivations. For example, many actions during the campaign to drag out the four olds gave the Cultural Revolution a bad name—such as when Red Guards raided homes to smash any vestige from old society. The conservative and ultraleft Red Guards felt they were being most correct in terrorizing bourgeois intellectuals and their children, who were told they could not even donate blood because it "lacked revolutionary character." Footnote According to Lee, this sort of activity peaked in late August, 1966 and ended in October 1966 with a switch toward the radical line attacking capitalist-roaders. October 5th also saw the military and Mao order the party to surrender dossiers collected on Red Guard radicals by conservatives and party members. Arrests, kidnappings, photographing, fingerprinting and interrogating of radicals by conservatives resumed only briefly in the February Adverse Current of 1967. Footnote

In Michael Frolic's Mao's People there is a story called "Down with Stinking Intellectuals" that most Westerner observers would consider hair-raising and indicative of the evil of the Cultural Revolution and the dictatorship of the proletariat in China. However, even the exiled intellectual and former Red Guard interviewed by Frolic says he has no regrets about the politics of his Red Guard days. He said that people must do what seems right at the time and if necessary learn through experience. Furthermore, he points out that ultraleftists were quite active in the persecution of intellectuals. In China, this means that adherents of a certain political program were responsible for some abuses of blameless intellectuals. Only an assessment of the different political lines in China during the Cultural Revolution makes an analysis of the Cultural Revolution possible. Otherwise, the work of counterrevolutionary Red Guard units will be lumped together with those of Red Guard units sanctioned by Mao and Jiang Qing.

Mao criticized Liu's line on the Socialist Education Movement, as an example of ultraleftism—"left in appearance but right in essence." Footnote Mao's second document sent out about the Socialist Education Movement (in reply to a document sent out by Liu) emphasized that a tiny minority of revisionist cadres were the object of attack. Footnote Liu Shaoqi practiced ultraleftism by sending out the work teams to blame cadre corruption on the masses and lower cadres instead of the capitalist-roaders. Liu had some lower level cadres removed. Footnote According to Liu's radical Red Guard opponents, the work teams he sent stigmatized 800 people at Tsinghua University, 829 at the Beijing Mining College and 220,000 in Canton as "rightists." Footnote

This was in effect saying that the masses were backward and that they should be criticized by the elite in order to solve the problem of corruption. In at least one case, a work team trying to quell rebellion on campus actually made explicit these assumptions:

You may be considered high intellectuals, but from what you have done you do not deserve the name, and you know nothing about the Party's tactics. The masses are just like mobs, like a flock of sheep. Your sense of organization and discipline is low.

## Footnote

In this case, ultraleftism is an appeal to Leninist principles of the vanguard party. The result is a commandist party. Commandism is exactly what the word would seem to mean. A party cadre has a commandist organizational line when s/he decides that the party must be composed of philanthropists who correct and aid the masses. Commandists tell the masses to carry out their orders (often different from the directives from the Center) or be labelled anti-party.

Charles Bettelheim, an ultraleftist himself since he attacks a relatively large group—cadres—as the basis of the counterrevolutionary coup in 1976, criticizes the Gang of Four for commandist errors in their political campaigns. He sums up the errors by citing an essay titled “Revolutionizing by Coercion.” Footnote Furthermore, he explains that the revolutionary trend was already a minority in the Political Bureau in 1971 and that the PLA’s new role allowed only for “criticism campaigns organized from above.” Footnote No one was “really trying to get the masses to take part.” Lines were thrown about “without really explaining to the masses what was at stake.” Footnote This is something that Zhang Chunqiao acknowledged implicitly when he recalled Lu Xun’s words “Name calling does not equal fighting.” Footnote In 1976 Zhang said, “from now on, criticism should be deepgoing exposure,” Footnote meaning that there had to be more concrete examples for the masses to understand the criticism of Deng. He went on to complain about the quality of the big character posters and the newspapers as correct but shallow. Furthermore, he saw the tendency to “Charge ahead when going to revolutionize somebody else, and sound the retreating drum when they are being revolutionized.” Footnote Thus, an important ultraleft error is to make vague orders and propagate them among the masses without explaining them. This kind of error sets the Leninist ultraleft apart from the anti-party ultraleft that would not bother with parties or other so-called authoritarian or totalitarian organizations. Of course, there is only one Leninism by Lenin’s own principles, but the division between those ultraleftists who believe in the need for leadership and the rest of the anarchists and ultraleftists is an important one.

Mao considered himself “center-left.” The Shanghai Commune before it was changed to the Shanghai Revolutionary Committee had been the rallying cry of the ultraleft. The Gang of Four had a hard time trying to keep the ultraleft from breaking with Mao for not supporting the Shanghai Commune and the commune movement. Footnote

Of course, the Shanghai Commune was not the model for the Cultural Revolution. Zhou Enlai found that model in the revolutionary committees, which were an attempt at a form of organization in which organizational leadership reestablished itself in three-in- one combinations of the army, cadres and mass organizations. Zhou’s pragmatism and eclecticism made him a centrist at times, a leftist at other times, but basically a center-rightist. The ambiguity lies in the fact that he was willing to go along with Mao to a large degree as long as he would be allowed to carry out what he saw as practical tasks for China’s modernization.

It is interesting that just before Zhou was able to move the Cultural Revolution towards the path of revolutionary committees and away from radical and ultraleft mass-mobilization efforts, he had possibly reached his political nadir. On January 10th, 1967 Chen Boda was able to make a public speech criticizing certain government officials and “at the end of the speech, he arrogantly asked Chou En-lai whether he had any more persons to protect.” Footnote

Zhou’s pragmatist philosophy made him a fit target for the ultraleftists, perhaps with between-the-lines support from the radicals. As the person in charge of the government’s day-to-day affairs, Zhou was open to attack for the actions of any of the ministers underneath him.

In a fairly typical example, the ultraleftists of Sheng-wu-lien attacked Hua Guofeng openly in 1968. He was criticized as a bureaucrat and beneficiary of the February Adverse Current, which opposed the thrust of the Cultural Revolution. Footnote

Eventually, the ultraleft 516 was labelled counterrevolutionary and its members arrested. The Sheng-wu-lien came under public criticism in January, 1968. The radicals apparently did not

desire or could not afford to support the ultraleft. Jiang Qing said, "it is a counter-revolutionary organization, called the 'May 16' corps. . . it centers its opposition on the Premier [Zhou]." Footnote

Subsequently, many ultraleftists abandoned Mao and even Jiang Qing as capitalist-roaders. Previously, the ultraleft was happy with Jiang Qing for supporting the gun-seizing movement of August and her slogan, later recanted, of "Attack with Words; Defend with Force." Footnote The ending of the Shanghai Commune (to be replaced by what seemed to be bureaucratic committees staffed by the people just overthrown) and Jiang Qing's disassociation from the ultraleft provided the basis early on in the Cultural Revolution for a genuine indigenous political dissident movement apart from those deriving inspiration from Hong Kong, Taiwan and the United States—the Leninist ultraleft. Footnote

The Leninist ultraleft groups are in turn criticized by the anarchists and other ultraleft libertarians who say, "It is inevitable for a Leninist party. . . to follow totalitarian state capitalism." Footnote The anarchists and ultraleft libertarians say the same of the Trotskyists, who are seen as seeing eye to eye with Stalin in essential respects.

Matters are further complicated by the absolute disintegration of the coherence of the Trotskyist position. While he was alive, Trotsky lost many adherents who saw state capitalism as established in the Soviet Union while Trotsky still refrained from labelling the Stalinist system capitalism. One of his own secretaries split off for this reason and supports the obviously anarchist position of "doubt all; overthrow all." Footnote The splits within Trotskyism before Trotsky's death, the events in the Soviet Union and the events in China have left the Trotskyists scattered all over the bourgeois and postrevolutionary political spectrum.

In general though, among the self-proclaimed Marxist-Leninists, the hard-core Trotskyists are the hardest on Mao. They are far more virulent than the most right-wing of Dengists and pro-Taiwan conservatives.

Hard-core Trotskyists share a disdain for reality and history. However, it would be wrong to dismiss the Trotskyists without an argument since they have influence on academics and students. Also, the Trotskyist critique of China has affinities to the bourgeois critique.

Nigel Harris of the Trotskyist International Socialist Party is an economist at Oxford. He is the author of the most sustained diatribes against Mao—Mandate of Heaven: Marx and Mao and "China: Let a Hundred Flowers Bloom" in the Revolution Is Dead.

Harris lays out the standard criticism of Mao as a Stalinist, Stalinists as bureaucrats, bureaucrats as oppressors and totalitarians. "The Cultural Revolution was an attempt by a section of the central party leadership to re-establish central control over the whole country. . . . To do this, it had to destroy opposition at every level." Footnote

Leslie Evans, another less virulent Trotskyist chimes in that 5% of the population is considered the enemy by Mao, and this enemy has no human rights and may even be in prison. Footnote This is not to say that these same Trotskyists do not appear to attack from the left. Harris scorns Mao's political line of uniting with 90% of the cadres Footnote and advocates attacking the CCP as a "Red Capitalist Class." Footnote Indeed, Harris advocates "real—rather than rhetorical—class war." Thus, the Trotskyists do much to earn their Maoist-given label as party splitters, anarchists and revisionists who attack the masses and relatively powerless cadres rather than the capitalist class.

In fact, as far as Harris is concerned, poor old head of state Liu Shaoqi was a "scapegoat." Footnote F.H. Wang, another Trotskyist, is also favorable to Liu. Footnote

Trotskyist historian P. Broue supported Tan Li-fu, the son of an attorney in the highest people's court. Footnote Tan's theory of lineage held that children of revolutionaries were revolutionaries. This kind of theory was used by conservative Red Guard factions across the country to defend their parent's positions in the party and bureaucracy. Whenever there was a call to class struggle, these hereditary revolutionaries interpreted that to mean struggle against largely defunct landlord and bourgeois elements from pre-1949 China and their children. Footnote

During the Cultural Revolution the hope of the Trotskyists was to divert youth from their alienation with the Stalinist bureaucracy to make a Trotskyist revolution and to side with the purest of workers' struggles. Since the internal struggles of the CCP since 1930 "were all caused by tactical differences or even on account of personal interests," Footnote youth should stop wasting their time on the "internal struggle between the bureaucrats" that was called the Cultural Revolution. Footnote

So in less than two sentences, the Trotskyists expunge the class struggle within the CCP since 1930. To the Trotskyists like the anarchists, everything can be explained by the desire for power and personal interests. This is silly as long as there has to be a state. Nothing is accomplished with an analysis that merely says that the state exists and that people are trying to run it (struggling for power). Even worse, the struggle between Liu and Mao over agricultural collectivization, the Great Leap and the Cultural Revolution are written off as a matter of mere tactical differences. By saying the party is a "Red Capitalist Class" or just a bunch of bourgeois bureaucrats, the Trotskyists remove class struggle as a factor in the Chinese civil war and the liberation from imperialism.

This is not surprising because Trotsky criticized liberation struggles involving the peasantry and guerrilla warfare. He considered that "calculations based on guerrilla adventure correspond entirely to the general nature of Stalinist policy." Footnote Thus, he disapproved of struggles such as Mao's. Before he was killed in 1940, Trotsky said that the "revolutionary centre of gravity has shifted definitely to the West," the only place Trotsky could see revolution as possible. Footnote

The Trotskyists are so hateful of Mao that Wang says that Mao's attempt to be "Pope" involved more absolutism than the Western governments of Stalin and Hitler. Footnote Typically, Harris denigrates the Chinese innovations like the revolutionary committees as a "rebaptism of the old order." Footnote

The Trotskyists are left- sounding critics of Mao and socialism in general who superficially seek to advance the cause of industrial workers. This is demonstrated by the Trotskyists' ahistorical approach, but it is also shown by their lack of concern for the division between city and country. Leslie Evans criticizes the freeze and relative lowering of urban wages that occurred while Mao was alive without ever explaining that urban/rural differences have to be narrowed to eliminate classes. Footnote On the one hand, the Trotskyists seem so concerned about bureaucratic exploitation of workers and peasants, Footnote but on the other hand, their apparent concern for urban workers would contribute to urban/rural inequality and hence classes and bureaucracy, if given a chance in policy implementation.

Harris goes so far as to call the Red Guards scabs for breaking up the general strike in Shanghai during the January Storm. Footnote For her part, Evans supports the Tiananmen Incident Footnote as part of the expression of rights that all the Trotskyists uphold.

Also, as one would expect, Evans criticizes Maoism for condemning China to low growth and slow development. Footnote Likewise, Harris says that only superabundance can bring socialism. Footnote As a common theme of bourgeois economists, Dengists and Trotskyists, the Theory of the Productive Forces or focus on the positive benefits caused by economic growth has been criticized by Maoists for negating politics by subordinating class struggle to a supposedly neutral objective of achieving gains in production.

The Chinese ultraleft critique has both new and old aspects. The ultraleftists must be applauded for trying to understand how the Cultural Revolution could have been improved. They look at the government, military, intellectuals and the party for sources of reversals and the new bourgeoisie.

The ultraleft was also first in criticizing Zhou and Hua, not that being first is important but that it is by no means a simple issue to assess whether Mao advanced his cause best through his alliance with Zhou. The book on the Cultural Revolution by the now-defunct U.S. Committee for a Proletarian Party (CPP) claims that "the fall of Lin Biao was decisive for the eventual defeat of the Cultural Revolution." Footnote The question arises as to what would have happened had Mao managed the Lin/Zhou split differently or what would have happened if Mao had abandoned the party altogether to resume guerrilla warfare from the countryside as he once threatened the party. Footnote

In retrospect, Lin's fall was decisive, but could Mao have done anything less damaging to the Left Alliance if Lin were truly set on grabbing power in a military coup? There was considerable delay in the CCP's public pronouncement on Lin. When Lin's fall was finally explained, detailed plans for a military coup were revealed. If Lin was the real problem for Mao's Cultural Revolution alliance, then one must conclude that the many criticisms of Mao for the ultimate "failure" of the Cultural Revolution are off target.

Still, it was the ultraleft that attempted to "drag out" capitalist-roaders in the military. Footnote Perhaps if this movement had succeeded, there would have been no counterrevolution, the ultraleft could argue.

Mao tried to impress on the Chinese people that the Maoists and the proletariat are not guaranteed automatic victory in the class struggle even if a correct political line is followed. Perhaps if Mao had put his weight behind the movement to overthrow capitalist-roaders in the military, there would have been a violent military coup or perhaps the Left Alliance would have fractured even earlier than it did. Footnote That these are not easy questions to resolve is a tribute to the ultraleft inquiry. It also makes it easier to see why an ultraleft did develop during the Cultural Revolution.

In conclusion, the ultraleft typifies some of the struggles that mark the post-revolutionary political spectrum in China. Some ultraleftists bear no relationship to Mao and the Cultural Revolution. Trotskyists in particular are harsher on Mao than they are on the bourgeoisie, Stalin or Hitler. Anarchists believe that the state is the problem. Many ultraleft libertarians say much the same thing. Others on both the bourgeois right and on the ultraleft reduce all of history to a struggle for power by individual politicians. Within China, Trotskyism, libertarianism and anarchism had their proponents, but little influence, except perhaps for anarchism in a general sense.

On the other hand, the ultra-left Leninist Sheng-Wu-Lien attacked the broad masses of people and demanded the overthrow of the party or at least 90% of it. With such a large target—the "red capitalist class" and the intellectuals—the Leninist ultraleft literally sought to persecute (or overthrow depending on one's point of view) millions of people. Footnote In Hunan alone, the Sheng-Wu-Lien claimed two or three million people. Moreover, according to the Progressive Labor Party (U.S.A.), "the consensus of Red Guard sources and western scholars who have studied the question is that somewhere from 30-40 million people followed these [ultraleft] organizations." Footnote Hence the Leninist ultraleft was in a real position to do damage to the Cultural Revolution.

The ultraleft has been a sticky question for Maoists because of its support amongst the masses during the Cultural Revolution. While the right is a ready target of class struggle, the ultraleft represented a major split within the proletariat itself. Such a split within the ruling class is a major condition of revolution or counterrevolution.

The fact that some rightists pose as ultraleftists does not make the issue any easier. Liu saw a majority of cadres as corrupt during the Socialist Education Movement just as the ultraleftists did. The Dengists pay lip service to Mao without taking the ultraleft position. Attacking Mao with Mao's words has been a political necessity for the right.

While the ultraleft stressed ideological purity by just about everyone and attacked any and all bourgeois behaviors whether by power-holders or not, the Maoists stressed the struggle between two lines and structural change, which of course required a certain amount of political education and ideological self-criticism on the part of the masses. With its loose definition of the enemy classes, the ultraleft caused much of the alienation and violence engendered by the Cultural Revolution.

An interesting and important question is what sustained the Leninist ultraleft; what was its material basis? This question deserves further examination elsewhere, but for now there are some tentative answers.

First, some analysts have noted that many ultraleft leaders had bases in ideological organs such as Red Flag. Fully 22 out of 44 people arrested as leaders of 516 were members of the news media. Footnote Since it is literally the job of such people to be sharp in all matters of ideology, it is perhaps easy to become caught up in criticizing every ideological deviation whether by power-holders or not. Without power to administer the government or economy, journalists may have an institutional

interest in criticizing all sorts of social phenomena in order to expand their sphere of influence.

Secondly, in a political system that necessarily rewards correct political behavior in terms of careers and educational opportunities, ultraleftism is an easy way to demonstrate one's ideological purity at all times. Those who behave correctly all the time can expect to be noticed at least some of the time. Ultraleftism also offers the opportunity to attack others competing for career rewards, since by ultraleft standards 90% of the cadres (and the masses in practice) are the class enemy. Thus if those who distribute political rewards have incomplete information, they may reward ultraleftists.

Thirdly, as an elitist ideology, ultraleftism enjoys all the material bases of other elitist ideologies—namely the existence of classes. According to Hong Yung Lee, Lin Biao sought to replace Liu within the party bureaucracy by attacking Liu and then aiming the conflict away from the party bureaucracy through campaigns to study Mao and wipe out the four olds. Footnote Both conservative Red Guards and ultraleftists had this sort of interest in stressing ideology over class conflict.

Finally, to the extent that ultraleftism embodies a certain amount of truth, it is a result of the continued existence of the state, the distinction between leaders and led and the corruption and bourgeois influences within the party. In short, ultraleftism has a material basis in ideological organs, careerism, class society and the truth about the state and party.

If Western readers can begin to see beneath a monolithic Cultural Revolution and start to see that there was all kinds of opposition to Mao which could make a counterrevolution possible, then the objective of this section has been accomplished. In the section on the ups and downs of the capitalist-roads, we will look at how the contending political lines were embodied in groups of people with political power. For now, we turn to how the dictatorship of the proletariat approaches the question of democracy for people with these different lines and how proletarian democracy was seen as essential to seizing power from and exercising dictatorship over the counterrevolutionary class.

## PROLETARIAN DEMOCRACY IN ACTION

In his essay the "Proletarian Revolution and the Renegade Karl Kautsky," Lenin argued that proletarian democracy is one thousand times more democratic than bourgeois democracy.

the Soviets are really organizations of the oppressed and not of social-imperialists and social-pacifists who have sold themselves to the bourgeoisie. The fact that the Soviets have disenfranchised the exploiters shows that they are not organs of parliamentary chatter (on the part of the Kautskys, the Longuets and the MacDonalds), but organs of the genuinely revolutionary proletariat which is waging a life and death struggle against the exploiters.

### Footnote

In the Marxist-Leninist tradition, it is not enough, as in Western bourgeois democracies, that everyone has the formal right to pull a lever behind closed curtains every few years. Dictatorship must be exercised over the exploiters, who prevent the great majority from running their economic and political lives.

To even speak of "democracy" is to risk confusion. Samuel P. Huntington and the Trilateral Commission openly advocate broad apathy in a democracy necessarily run by a coherent elite of necessarily limited capabilities. The "demands" of democracy can become greater than the supply of goods, services and rights that can be guaranteed by "democracy" in this view. Footnote Perhaps in a future article, the author will treat various deep-rooted Western conceptions of democracy as they relate to the economy, mass participation in politics and the Cultural Revolution.

For democracy to work, Mao saw more clearly than any previous Marxist-Leninist that the masses must learn to run the government and economic administration. "You must concern yourselves with state affairs and carry the cultural revolution through to the end!" Footnote Furthermore, "To protect or to suppress the broad masses of the people—this is a fundamental distinction between the Communist Party and the Kuomintang, between the proletariat and the bourgeoisie, and between the dictatorship of the proletariat and the dictatorship of the bourgeoisie." (June 1968) Footnote As for the minority of exploiters,

We must pay attention to policy in dealing with counterrevolutionaries and those who have made mistakes. The scope of attack must be narrow and more people must be helped through education. The stress must be on the weight of evidence and on investigation and study. It is strictly forbidden to extort confessions. As for good people who have made mistakes, we must give them more help through education. When they are awakened, we must liberate them without delay. (December 1968)

Footnote

With Mao the emphasis is on proletarian rule in a revolutionary and dramatic fashion. Those who can not handle the challenge or disagree receive the treatment of "cure the illness to save the patient."

Still, there are those who do not agree with Mao's analysis of democracy and dictatorship and propose a different solution to the problems of bourgeois democracy. Andrew Walder cites Alec Nove to say that "markets and profits" are "the only possible mechanisms" "through which genuine decentralization can be effected and worker control exercised in a socialist economy." Footnote Furthermore, "the only way for participating workers to evaluate alternatives, is to use markets and market prices as the basis of decisions." Footnote Like the Huntington approach, this approach is heavily influenced by mainstream Western economics because it explicitly links exchange and political democracy. To Walder and proponents of the Yugoslavia example, participation occurs through worker consumption. Workers who want one thing or another can obtain their desires through exchange. Since exchange is unanimous, it appears voluntary and democratic. Pluralism and participation is enforced through purchase power. By this reasoning, candidates for office might also be commodities in the marketplace of ideas. In short, there is a strong link between Western conceptions of democracy and exchange.

In contrast, Marxists do not stress the exchange of things for things. "Bourgeois economists always study social economy as a relationship between things, and use this to cover up the relations of capitalist exploitation. What Marxist political economy studies is not the relationship between things but the relationship between. . . one class and another." Footnote Apparent democracy in exchange conceals the dictatorship of the bourgeoisie underneath.

Underestimating undemocratic influences in capitalist economies, Walder holds that mere decentralization and marketization hold the keys to democracy. He attacks the Maoists for trying to instill revolutionary values in people in the central government instead of pushing for decentralization. In fact he points to the perversity of the patronage system created by the reward of political activists loyal to the party and shopfloor managers in industry. Footnote The first argument is a very common criticism of communist economic systems generally. However, whether or not Maoists hold power or persuade those in power is important. Until the state is finally abolished, the question remains of who and what line will rule, whether power is centralized or decentralized. The same is true of economic power.

Defenders of Western economic and political systems, such as Milton Friedman, rebut this line of thinking by saying that the separation of economic and political power and the relative decentralization of both allow for cross-cutting coalitions to form political and economic policies. When

economic and political power is concentrated in the hands of the same people, as in communist governments, pluralism is undercut. In Marxist terminology, one might say there is a material basis for dictatorship instead of democracy where economic and political power directly coincide.

On the other hand, the Maoist reply is that the working classes must run both the political and economic spheres of their lives. Instead of the free-for-all pluralism that allows for the domination of the bourgeoisie, the Maoists advocated the use of political campaigns/mass mobilization to ensure that both economic and political power are in the hands of the masses. Such a view of democracy especially stands in contrast with Huntington's economic model of democracy.

Like most Western scholars, Walder says that political campaigns ultimately result in cynicism and alienation. In China, he claims that material incentives were more necessary than recognized during the GPCR to achieve objectives. Political study wasted the time of people who only became more cynical. Footnote Absenteeism and loafing resulted. Footnote

Walder's approach is crude and ahistorical. In the first place, productivity grew 2.5% between 1966 and 1970. Footnote Between 1971 and 1975, labor productivity grew 1.8%. Footnote Walder's evidence about declining worker motivation comes from Chinese who went to Hong Kong. Footnote Of course, these people would not have left the Mainland if everything were rosy for them in China. Footnote Secondly, there will always be people who take advantage of the chance to be lazy or cynical, but the question is whether the social transformation is worth the campaign. Mao posited that by raising the level of the broad masses scientifically and otherwise, an explosion in production would take place. This explosion hinges on mass education in academia, factories and fields. Organized and given the chance, the workers would raise their own productivity by learning through practice. Thirdly, a slower work pace and a chance to relax is not inherently evil, Footnote especially if the alternative is mass unemployment! If workers are overworked, they do not have time for politics and education and will be in a poor position against the managers. Also, a little looseness helps blur the division of labor by eradicating the role of the slave-driving manager. Walder failed to take into account the overall trends in labor productivity, the causes of rising labor productivity and the actual potential for unemployment.

By far the most serious error that Walder makes is to extrapolate from industrial conditions to a plan of market democracy for the whole society. His criticism of Chinese economic organization failed to take into account the overall situation in post-1949 society.

Moral incentives are not just important in making workers get over the need for material incentives for the ultimate drive to communism. Nor do they merely serve to boost production in a country that can not afford to offer swimming pools for material incentives. Moral incentives are essential to the relationship between the city and country. Walder and many others completely miss the fact that China's peasantry can not leave the countryside and take up urban industrial jobs. An increase in urban wages would necessitate more state coercion to keep the peasants out of the cities. (Unfortunately, as long as there is a state, the Maoists must admit that there is some coercion of the masses—the contradiction between leaders and lead, rulers and ruled. Only the eradication of the conflicts that make states necessary will mean the complete end of coercion.) Walder talks about "collective incentive schedules," "preferences" and other neoclassical pets, but he forgot about the peasants' preferences for high-paying jobs in the cities Footnote —preferences encouraged by Walder's anti-politics view.

The Cultural Revolution approach was more thoroughly democratic and less coercive than Walder's. Rather than increase industrial wages with the surplus extracted from the countryside and the urban workers, the Maoists keep industrial wages fixed and expand industry and the mechanization of agriculture throughout the countryside. This is in order to make peasants and women industrial workers. Footnote In contrast, Walder wants to boost industrial productivity by jacking up the urban wage. This he thinks will be the fastest way to expand the industrial base and thereby give industrial jobs to the peasantry. He argues that worker productivity declined because of a decline in the industrial workers' real wages, a decline in the urban housing stock (probably a point that should be conceded to Walder as a real oversight), the conditions of younger workers, the use of moral incentives instead of performance-tied material incentives, the lack of disciplinary will on the part of managers and the patron-client relations established by a structure that rewarded political activism. Later it will be shown that the post-Mao leaders, who have followed much of Walder's

advice, have presided over an expanding absolute income gap between the city and countryside, rising unemployment in the cities and a weakening proletarian class position— institutional problems that result from Walder's distributional approach that favors the urban workers in the short run.

In addition to these problems, according to his own figures, Walder should recognize the value of Maoist policy. First, even by making the most unfavorable comparison of years—1957 and 1977, the per capita income of wage-earning families still rose in real terms from 166 yuan/month to 218 yuan/month. This was a result of the increase in number of people per family employed. Footnote His demographic argument about certain age groups' getting squeezed is undercut by this fact and certainly proves to be exceptional, not the average. Secondly, while Walder's figures show a real decline in urban wages per worker at the same time that there is a rise in per capita income, Walder also shows that women took an increasingly important role in the labor force. In his writings on industry, he does not consider the adverse effects that reversing Maoist policy might have on society and the economy as a whole. The Maoists were not interested in expanding urban/rural and male/female inequalities.

Walder's implicit economic assumptions amount to that faster-paced work is better; exchange between the countryside and urban areas is founded on an uncoerced and democratic social division of labor and that the race for GNP does not entail institutional change— class polarization. In contrast, the Maoist model is supposed to have failed in achieving its own goals and amounted to "a Chinese offshoot of primeval Stalinism" Footnote in Walder's view.

Although Mao evaluated Stalin as 70% correct, he disagreed with Stalin as to the nature of class struggle under socialism. Stalin essentially thought of problems under socialism as resolvable through purges and executions and struggled against what he saw as impurities in socialism. Mao, on the other hand said, "never forget class struggle" in 1962. When Walder calls Mao a "primeval Stalinist," he does not mention any of Mao's discussions of Stalin's incorrect side (See for example "Critique of Stalin's 'Economic Problems of Socialism in the Soviet Union,'" Miscellany of Mao Tse-tung Thought, vol. 1) or the whole reason for the Cultural Revolution—the persistence and continuous formation of classes under socialism. As for a discussion of democracy, Mao also pointed out that Stalin killed too many people because of an incorrect view of class struggle and that Stalin demobilized the masses with his slogan "cadres decide everything." Footnote

While Walder successfully establishes that individual party and shopfloor leaders become patrons of workers, who "kiss ass" to obtain housing, bonuses and promotions from patron leaders, "principled particularism" is a concept of dubious comparative value. That China in the 1960s and 1970s had this type of industrial organization seems factually accurate. Yet, one must ask: what are comparable phenomena in other societies and is there a theory here that makes meaningful distinctions?

For instance, Walder points out that individual cadres are subject to bribery of a sort because of a shortage of consumer goods. Yet, he also points out that in Japan and the United States there is a shortage of money. So in one society bribery takes the form of goods, and in another, in the form of money. Now that China is opening to the West, Hong Kong businesspeople can be found all over the Chinese coast making bribes and influencing Mainland cadres to take up the same practice. Is it important to notice that bribery takes different forms in different countries? Is it not more important to understand structural variables that explain both forms of bribery?

There is also the phenomena of the activist, perceived as a bootlicker trying to advance in the CCP to become an office-holder. True, the rewards for political activism and loyalty are not as great in the United States. Nonetheless, the United States has its share of resume-padders, careerists and even rate-busters where there is piece-work. The United States also has the phenomena of the professional politician, who is usually most successful when not saying anything of substance and hence alienating to some sector of the population. Is it true that performance-oriented opportunism (meritocracy) is better than political virtue-ocracy style opportunism when it comes to the economy?

The issue boils down to one of what to compare. Certainly there are different forms of corruption in political and economic organization. It would seem that the real question, however, is whether or not there are different levels of corruption in an ultimate sense. If one gives an official the money to buy an opera ticket or an opera ticket itself, the level of bribery is the same.

The author would argue that the level of corruption is determined by the degree of economic and political hierarchy in society, and for the most part, since no society has abolished classes or states, the level of corruption in different societies is quite comparable at this stage in history. Power corrupts in both its economic and political forms. Too often this truism is not properly appreciated. Political scientists and sociologists are apt to discover a form of alienation, corruption or inefficiency in one society that is rooted in an institution with its equivalent in all power-stratified societies.

It is especially questionable that the overall level of informal networking and relations is higher in China than elsewhere by virtue of its "principled particularism" of the 1960s and 1970s or its "paternalism" in the 1980s. By his focus on Maoism and the Cultural Revolution as asceticism and a return to revolutionary values, Walder leaves out the substantial economic policy disputes. Whereas these disputes were carried into broad daylight by different factions of the CCP in the Cultural Revolution and its aftermath, economic policy issues in the West are solved in the mist of the market and behind closed doors in corporate boardrooms. Where political and economic power coincide in a formal governing body like the CCP, it is easier to spot the actors involved and hold them responsible.

In a sense, the CCP is an easier target than the impersonal market. The Cultural Revolution demonstrated that bureaucrats have no where to hide compared with the "invisible hand." For this reason, the author would argue that the possibilities for democracy are greater in societies where economic power is readily observable.

In order to deflect a Walder-style criticism, it is necessary to show how Mao saw the class struggle as involving the masses of people and not merely the purification of the ranks. The creation of the Red Guard Dispatch during the Cultural Revolution was a crucial case in point.

The Shanghai Liberation Daily was the official paper of the CCP's East China Bureau. In November 1966 the Red Guards asked to publish their own newspaper on the Liberation Daily press and have the two papers distributed together. Footnote The Liberation Daily refused. The Red Guards occupied the Liberation Daily thus embroiling Shanghai in debate. Thousands of workers organized the Scarlet Guards and tried to force the rebels out. At the same time, the Red Guards called in some workers from the Workers General Headquarters. Five or six thousand people held the building. Tens of thousands stood outside clogging up the streets. There was some broken glass, "but in the main the struggle was ideological. Leaflets, wall newspapers, declarations and statements by loudspeaker and by voice sought to win adherents for each side." Footnote Significantly, the opposition to the take-over had 16 loudspeakers, including ten new ones from the party. The Red Guards had only three. Their supporters in the streets had their wires cut and van seized. Footnote Such methods are mildly coercive, but in general the confrontation was a model of discussion over an issue of great concrete importance. After they failed to convince the Liberation Daily, the Red Guards did not try to convince some central government bureaucrats as Walder claims they did. The Red Guards exposed the Shanghai party for suppressing their politics and then seized power.

With the two main Shanghai papers in their hands, the Red Guards proceeded to beat back the party's economist counteroffensive. Defeated over the issue of the newspapers by broad public opinion created by discussion of the take-over, the party took to handing out large bonuses and calling strikes in the name of the Cultural Revolution in order to discredit the Cultural Revolution by crippling the economy—including an important part of foreign trade at the Shanghai docks. Once again, the Red Guards created public opinion and seized power. On January 20th, 1967, two weeks after their victory at Liberation Daily, the Red Guards issued an "Urgent Notice." They called for an immediate return to work and a return of bonus money and travel allowances given out by the party bosses. Footnote Thousands of posters went up around the city denouncing the attempt to buy the workers off in order to discredit the Cultural Revolution. The posters targeted Liu and Deng in particular by depicting them as trying to derail the revolution with sacks of bank notes. The party was depicted behind a fortress of gold. Footnote The Red Guards ran the factories and docks until the workers returned to work. The success in running the economy guaranteed the victory of the Red Guards.

On February 5th, the Shanghai Commune formed to run Shanghai with the support of the party center in Beijing. Footnote With Beijing and Shanghai in rebel hands, much of the rest of the country followed suit. Problems of economism broke out in other provinces Footnote and in some

places the revisionists in the party instigated power seizures in the name of the Cultural Revolution in order to protect their own positions. In time, these party officials had the currency they handed out thrown at their feet. The January Revolution of 1967 in Shanghai made Western politics look pallid in comparison.

In his book *Cultural Revolution and Industrial Organization in China*, Charles Bettelheim explained how workers took over political and economic administration in China. In the first place, the two participations—political cadres in production and workers in management—became implemented for the first time. Footnote In the Beijing General Knitwear Factory this led to the workers' discussing regulations. They abolished many and pruned the bureaucracy which implemented them. Footnote Workers' management teams were set up to watch over managers. This meant that large numbers of workers in addition to party committees, party cells and revolutionary committee members would keep an eye on the managers. Footnote In general the cadres and functionaries could be publicly criticized while the workers could not be. Footnote Ultimately, the chairman of the revolutionary committee had responsibility for things like commitments for the plan, but the slogan was "multiple initiative, individual responsibility." Footnote

Just how strong the trend against bureaucratism and formalism was is demonstrated by the abolition of the party committee at the General Knitwear Factory from 1966 to 1969. Footnote "Politics in command" meant getting rid of the old party. The revolutionary committees took in what were determined to be good party members. A rough measure of Shanghai factories showed that 49% of revolutionary committee members were party members. 70% of party members made it onto the revolutionary committees. Footnote Cadres who wanted to boost their prestige applied to May 7th Schools. At these schools they engaged in manual labor and ideological reeducation. Admittance could only be gained by application. Footnote Still, despite these measures towards workers' management, party rectification and criticism of cadres, "the Chinese reject as illusory the belief that there are magic organizational formulas guaranteed to prevent any regression in a bourgeois direction." Footnote This rejection extended to the party itself.

On the technical front greater receptiveness to workers' suggestions was the order of the day. Whatever the workers knew would improve their working conditions was tried even if it did not fit the textbook learning of technicians. Technical teams were established that combined groups "three-in-one." Workers, technicians and cadres participated. If some innovation worked in practice, then it was accepted whether or not it fit the textbook theory. Footnote In the chapter on science and technology, the author will explain more about the knowledge and desire for knowledge on the part of workers.

The Maoists saw that to exercise democracy it was necessary to exercise dictatorship. Concretely, this meant winning over the people, taking power and using it. With all the means at their disposal, they discredited the revisionists. Then they replaced the revisionists in power.

Ultimately, the Maoists changed the name of the Shanghai Commune to the Shanghai Revolutionary Committee. They did this because Mao pointed out that China was not quite ready for Paris-style communes while there were foreign enemies (the United States in Vietnam for instance) and counterrevolutionaries to deal with. Footnote

Democratic centralism combined thoroughgoing democracy with unity of action and centralization of information. It put no premium on formal voting procedures, but it did put one on going all out to mobilize public opinion. The proletariat was not to purchase democracy as Walder would have liked but instead seized it.

## TWISTS AND TURNS FOR THE CAPITALIST-ROADERS

Many political histories and interpretations of the Cultural Revolution have been written. Daubier has already written a complete if uncritical political history of the Cultural Revolution from 1966 to 1969. Jean Esmein also has written an excellent book on the same period. Footnote There is

no need to go through a blow by blow account of how it is that the head of state Liu Shaoqi fell during the Cultural Revolution. On a small scale, what happened to Liu Shaoqi was the same thing that happened to the President of Beijing University. People put up some posters exposing the crimes or revisionism of their leaders. This served as a basis for people to force the fall of leaders in the superstructure, whether they be in the universities, operas, party or government. At the level of government, posters are supplemented by newspapers and journals and the attackers must be capable of offering an alternative. The section on proletarian democracy hopefully showed that once there was a political opportunity, the mobilization of public opinion was key to the seizure of power and dictatorship over the new bourgeoisie.

In this section, the author hopes to demonstrate what political alignments looked like during the Cultural Revolution and how the balance of power between the Maoists and capitalist-readers changed over time. Overall, the author will focus on the fact that the Cultural Revolution had what only seemed to be easy victories. With the understanding attained from the section on the political spectrum, the reader is ready to see that the class struggle is very complex in appearance and that this compounded the difficulties of the Cultural Revolution. Furthermore, in this section some analyses of the material basis for the fall of Mao and the Four will be evaluated in terms of the military and agriculture.

The capitalist-readers started to fall with the publication of Yao's "On the New Historical Play The Dismissal of Hai Jui," which criticized Wu Han for writing a play that attacked Mao in between the lines. Also, Jiang Qing led a PLA forum that upheld Mao's line in literature and art in February, 1966. Footnote By May of 1966, in an enlarged Politburo Peng Zhen was dismissed along with the rest of his "gang" that had made it impossible for Mao to even publish an article in Beijing. Footnote

Another early setback for the revisionists was the removal of the army chief of staff Lo Jui-ching. Officially, an investigation of Lo had found that Lo did not support the propagation of Mao Zedong Thought; he had defied directives of Mao and Lin Biao; he reported to the Party Secretariat without consulting Lin; he had attempted to replace Lin. Although these charges essentially concern party discipline, they had an ideological content as well since Lo was resisting directives within the few institutions that Mao still formally controlled and where a movement to study Mao's thought was afoot. Footnote Furthermore, Lo had supported unity with what was by then considered a revisionist Soviet Union. Mao had already polemicized against the Soviets for not supporting armed struggle in the Third World, advocating a "peaceful road" to proletarian state power and for restoring capitalism at home. Lo, in contrast, supported conventional war strategy and a tightly united party against U.S. imperialism in Vietnam. Footnote Apparently, there was also some concern that Lo was in collusion with Liu to stage an armed coup d'état. Footnote However, Liu and Deng could not defend Lo because his ideas of military cooperation with the Soviet Union in the war against U.S. imperialism smacked of a breach of national integrity and an alliance with class enemies.

After initial victories, Mao dropped out of sight during "the fifty days" in which the Cultural Revolutionaries were attacked by work-teams sent by Liu and Deng. Mao succeeded in getting the revisionists to expose themselves in their attacks on the masses. Footnote While he was gone, he swam what is reputed to be nine miles in the Yangtze river and clearly demonstrated his strength despite old age. When Mao returned, he defended students against attacks and said, "youth is the great army of the Great Cultural Revolution! It must be mobilized to the full. . . . It is anti-Marxist for communists to fear the student movement." Footnote Just as the PLA was a base for Mao in the Socialist Education Movement, youth became a base for Mao's line. Mao even described this base in the "revolutionary intellectuals and the young students" who "were the first to achieve consciousness, which is in accordance with the laws of revolutionary development." Footnote Only the January Storm of 1967 brought the urban workers to the fore. Footnote

Quick and easy gains by the Maoists at the beginning of the Cultural Revolution ceased with the ultraleftist offensive. Tao Chou of the Propaganda Department stopped protecting Deng and Liu from attacks but he opened up the range of targets of the Cultural Revolution. Footnote Others at the forefront of attacking Liu and Deng or without necessarily a history of defending Liu and Deng—Chen Boda, Wang Li, Kuan Feng, Chi Pen-yu, Lin Chieh and Mu Hsin were all purged in 1968 and 1970 for attacking too broadly and letting the real capitalist-readers off the hook. Footnote

The ultraleft attacked Zhou Enlai in early 1967 through his ministers in the State Council

which he led—Nie Rongzhen (strategic industry and Academy of Sciences), Chen Yi (foreign affairs), Tan Zhenlin (agriculture), Hsieh Fu-chih (public security) and Li Xiannian (finance). Footnote It seems likely that Mao considered the attacks on Zhou as tactically incorrect or premature at a time when Mao was targeting other more important and clear-cut enemies. Undoubtedly Zhou saw to it himself that 516 was labelled counterrevolutionary and not merely tactically incorrect, Footnote so it is impossible to say for sure whether Mao was in genuine agreement with Zhou at the time that 516 was labelled counterrevolutionary. Perhaps Zhou forced Mao's hand, as Lin had once done before.

In 1976, Mao did not attend funeral services for Zhou; although, he received foreign observers. Footnote The press also did not play up Zhou's achievements and the official mourning period seemed short to Zhou supporters. Footnote

As for Zhou's ministers and their post-1976 fates, Li Xiannian became one of the top six of the Standing Committee of the Political Bureau; although, he was sometimes linked to the "whatever faction" along with Ye Jianying. Nie Rongzhen was a member of the Politburo. Tan Zhenlin became a vice-chair of the Central Advisory Commission headed by Deng and meant for retiring leaders. Footnote Tan had lost his Politburo post in the Cultural Revolution and was connected with the rightist February Countercurrent of 1967. Hsieh Fu-chih, who died in 1972 Footnote was replaced by Hua Guofeng, who arrested the Gang of Four after Mao's death. Colorful Chen Yi was an important general in the Liberation and died before Mao.

Nonetheless, during the Cultural Revolution, Yao Teng-shan actually managed to take over the Foreign Ministry from Chen Yi. During this short ultraleftist rule, the Cultural Revolution gained much of its reputation in Western circles. The ministry put out calls for armed insurrection in several countries; cut relations with Burma; stopped Soviet shipments to Vietnam as a way of combatting revisionism; engaged shipping workers in physical fights with Italian longshoremen, burned down the British Embassy and criticized Ho Chi Minh for ideological betrayal of the Vietnamese Revolution. Footnote Of course, the spirit of these and other generally combative acts was not condemned and the ultraleft was not usually attacked with the ferocity that the right was attacked, but according to Mao "Wang Li [one of the leaders of the seizure of the Foreign Ministry] has made more mistakes in the last forty days than Chen Yi in forty years." Footnote Soon after, the Beijing supporters of Chen Boda were purged from the Group in Charge of the Cultural Revolution. Footnote

Mao also supported some of the old generals that were being threatened with an extension of the campaign to drag out the capitalist-roaders. Most notably he stood for pictures on National Day, October 1st, 1967 with Ye Jianying Footnote who later turned the tables on the Gang of Four. In short, there were limitations to how far Mao felt he could go in sweeping out the old. The ultraleft made it difficult to merely target a handful of capitalist-roaders. Mao may have made mistakes tactically and strategically in his various Cultural Revolution alliances. Unfortunately, the ultraleftists who attacked everybody, no matter with how much honesty and principle, only made it more difficult to find and defeat capitalist-roaders. "I [Mao] said that we ought to make a program aimed at the biggest of the power holders in the Party taking the capitalist road. At present this contradiction is not concentrated; it is widely dissipated." Footnote The anarchist tendency to attack everyone and everything was on Mao's mind in July 1967, a time of Leftist counteroffensive but also a time of the deepest schisms in the Cultural Revolution.

Overall though, the Cultural Revolution managed to get through the February Countercurrent after the January Storm and various ultraleft offensives. Revolutionary committees were set up to see to worker dictatorship in the factories. These committees were not uniformly and automatically dominated by the Maoist line. The process was uneven as would be expected from organizations that could not be set up by mere bureaucratic fiat. The median establishment of revolutionary committees was late 1967 or early 1968. Footnote However, the range was from January 1967 to December 1968 Footnote and some were probably even longer in forming.

Contrary to Walder's interpretation, Andors says that the revolutionary committees were not merely exercises in the persuasion of central authorities. They were "power seizures." Footnote Where genuine seizures of power were not possible, the PLA stepped in and provided an alternative source of legitimacy for takeovers. Footnote The PLA took the job of mediating political disputes, so a PLA seizure of power was not necessarily indicative of a less thorough-going politicization. In fact, where the PLA stepped in perhaps too much politicization had left bitter personal wounds and irreconcilable

factions.

Party leadership of the formation of revolutionary committees was successful in some places, but in general the party was suspect and not a source of automatic legitimacy. Furthermore, the PLA itself was not an iron pillar with one political line. The Committee for a Proletarian Party, Charles Bettelheim and the ultraleft have criticized the Cultural Revolution for not applying to the PLA. According to the CPP, Mao's unwillingness to attack the PLA leaders on the capitalist-road was "one of the chief reasons for the reversal of the Cultural Revolution." Footnote

On the right, Mao faced those in the party and government who opposed the Cultural Revolution. Then there were the those in the army who did not want their institution to become the focus of radical attack. On the left, the ultraleftists insisted in dragging out the capitalist-roaders in the army. The ultraleftists apparently had the support of the radicals within the party, most notably Jiang Qing and Chen Boda. Jiang and Chen criticized Hsiao Hua, the director of the General Political Department of the PLA in January, 1967. When word of Jiang's and Chen's criticism leaked outside the party, Zhou Enlai publicly criticized both. Footnote

In 1968, the radical Red Guards, particularly the Earth faction in Beijing, took to implying that Lin Biao was in fact another Khrushchev, who should not be named a successor to Mao. Other charges included that Lin conducted espionage against Mao and that he was behind a recently purged underling, who had been insubordinate to Jiang Qing. Footnote

Actually, while it is true that many of the generals were later criticized in 1976 as bourgeois democrats or people who were stuck in the New Democratic period, the PLA as a whole did not escape politicization. Mao pointed out that

the great advantage of the army supporting the

left is that it makes the army itself get

educated. They understand this question

through actual struggles. In supporting the

revolutionary masses and the left-wing

organizations not only do they see the

struggles between the two lines that exist in

all aspects of society and the class struggle;

they also see that the struggles between the

two lines and class struggles exist in the

army as well. When the army supports the left

this problem is similarly exposed, with the

result that the army is strengthened and the

ideological level of our troops is raised. Footnote

As China's highest military leader, Mao put his weight behind letting the army politicize itself. He also made sure that no one tried to impose a certain point of view by saying "it is bad to shoot at any

time.” Footnote Jiang Qing praised the PLA’s patience as demonstrated by its being beaten up by Red Guards without complaint or shooting. In short, Mao’s call for the army to “support the Left” was a brilliant ploy at a time when the army was getting itchy to take part in the factional struggles anyway. True, the army did not always support the real Left, but the politicization was genuine and tended to limit the possibilities of one general or set of generals’ spoiling the whole process.

In fact, the criticism of Lin Biao’s coup attempt itself was extremely political. It was in the army that the cult of Mao Zedong went furthest because Lin Biao put together the Little Red Book and repeatedly emphasized how Mao was a “genius” worthy of absolute obedience. Mao roundly criticized the theory of genius as subjectivist and favorable to Lin himself who was seeking to create precedents for the day he succeeded Mao at China’s helm. Lin’s “genius” theory and May 16 attacks on the masses instead of the handful of power-holders on the capitalist road, earned them the epithet of “elitist.” One analyst concluded that “the movement against the ultra-leftists sought to prevent the rise of a military based elite.” Footnote

In addition to its argument concerning the lack of politicization in the military, the now defunct Committee for a Proletarian Party in the United States also criticized the Gang of Four and Mao for undermining the Cultural Revolution by taking a less radical line than Lin and Chen Boda on the question of the countryside. Footnote Lin and Chen Boda pushed the Dazhai model in agriculture, but were attacked by regional military commanders. General Wei, Chairman of the Kuangsi Revolutionary Committee, and Vice-Minister of Defense, Hsu Shih-yu attacked Lin Biao and Chen Boda. Hsu said,

it is not necessary to make the rich and the  
poor equal in order to make a revolution.

There are people who condemn private holdings  
and part-time earnings (of individual peasants)  
as hangovers of capitalism. . . This type of  
thinking may be leftist in appearance, but its  
content is Right-wing. (Early 1971) Footnote

The Dazhai model featured self-reliance, absence of private plots and brigade level organization. Dazhai served to encourage poor peasants to raise themselves up materially and politically. Furthermore, Dazhai served as an attack on material incentives and inequality. However, “Liu’s Sixty Articles stood unreformed and the agricultural property structure remained unchanged throughout the Cultural Revolution. . . . The proletarian dictatorship rested on weak class foundations.” Footnote

Yet, the CPP acknowledges that the period preceding the GPCR was a period of retrenchment in agriculture. According to the CPP, private plots reached 15 or 20%; Liu circulated his policy of the “four freedoms” for study—“freedom to buy and sell land, to hire tenants, to select crops to plant, free markets and pricing”—and private tilling in Kweichow and Szechwan exceeded collective tilling. Footnote Therefore the Committee for a Proletarian Party’s charge is ahistorical because the GPCR did result in a correction of these rightist deviations. With time, the Dazhai campaign also stepped up.

Still, the Cultural Revolution was not smooth sailing for the Maoists. The CPP is correct that “In the country as a whole, the revolutionary left had been reduced to a minority faction by 1970-1971, and with the fall of the Lin Piao grouping, the process of retrenchment grew apace. By 1971-1972, the dismantling of the radical reforms in China’s factories had already begun.” Footnote By that time, the Cultural Revolution Group had been decimated. The student movement had been shut down. The Vietnam War seemed to necessitate national unity and a program of departmental

war preparedness.

Nonetheless, the Left's strength was evident in Lin Biao and Shanghai. For his part, Zhou Enlai succeeded in removing his ultraleftist enemies, but he also gave his support to the Cultural Revolution, even if that support was tempered by the desire for a smoothly run state and economy. When Lin Biao fell, Zhou was the primary beneficent. Although the Left managed to keep the discussion of Lin Biao confined to the party for over a year, eventually Zhou gave his speech to explain what happened. Mao apparently had to make deals to wipe out the rest of Lin's regional commanders and party supporters. Thirty-two key generals were dismissed or arrested. Twenty-five regional and district commanders fell in early 1973. Footnote By the 10th Party Congress, Deng was put back in the Politburo and named Footnote Vice-Chairman of the Military Affairs Commission. By January 1975, Deng was further promoted to vice-chairman of the Central Committee, member of the Standing Committee of the Politburo, First Vice-Premier and chief-of-staff. Footnote Lo Jui-ching and Yang Cheng-wu were also rehabilitated. Footnote

Next to Liu Shaoqi, Deng was the highest capitalist-roader who was bounced out of the government and party during the Cultural Revolution. His ascent to leadership after Mao's death has meant a major rewriting of history.

Perhaps the most telling revision of history is the re-labelling of the counterrevolutionary Tiananmen incident in 1976 as revolutionary. This event was a riot by mourners of Zhou Enlai who objected to the government's treatment of Zhou's death. Groomed as Zhou's successor, Deng stood to gain the most from the riot. As a result of the riot, Deng lost his posts in the government and a campaign was focussed up on Deng and the "right deviationist wind." In addition, Zhou was obliquely attacked, even before he died, in the "Criticize Lin Biao and Confucius" campaign. When Mao died, Hua continued the campaign to criticize Deng for two months, but then dropped it. When Deng returned in April, 1977, it was just a matter of time before the lesser figures criticized and knocked down during the Cultural Revolution came back.

This section has been included in the essay as a corrective of some mistaken impressions about the dynamics of the struggle for state power during the Cultural Revolution. In the first place, the Cultural Revolution went beyond a simple removal of certain capitalist-roaders from power. That was accomplished early on despite rightist currents and ultraleft offensives. The Liuist faction was announced as officially and decisively beaten in September, 1967. Footnote

Late in 1967 and to the chagrin of radicals and some ultraleftists, the official line changed from focussing on attacking capitalist-roaders to ideological self-criticism and criticism of revisionism. At the same time, the 516 was being purged from the leadership of the Cultural Revolution. Purges against the ultraleft left Jiang Qing and Chen Boda with almost no one in the Cultural Revolution Small Group. Footnote The Cultural Revolution became a struggle over industrial and agricultural organization, the ideology of the broad masses of people and how to move forward politically.

Secondly, the Cultural Revolution did not mainly fail of its own accord. Contrary to ultraleft opinion, the army was politicized by the Cultural Revolution and the fact that it did not uniformly support the Left or the Right is proof that that politicization was genuine and not imposed. Moreover, as one would expect, the Cultural Revolution had some difficulties in reaching the countryside, but the right deviation of the early 60s was definitely corrected. In addition, the Red Guards were sent to the countryside partly as an effort to politicize the countryside. Jan Myrdal documented the politicization of a politically uninitiated village in his book *China: The Revolution Continued: The Cultural Revolution at the Village Level*. Models of socialist development were created at Dazhai and Daqing.

Finally, although Zhou died before Mao, the Maoists were in such a minority position that they were not able to create public opinion broadly enough in a few months to be able to forestall Hua and Deng. In 1976 they only had clear-cut power in those sectors of the state absolutely necessary to reconsolidate the all-round dictatorship of the proletariat—arts, theoretical journals and the press. From these spheres of the dictatorship of the proletariat the Gang of Four could still hope to create public opinion and seize power. However, the deadlock in the government was broken by the revisionists before the Maoists could sway public opinion to the revolutionary left.

The regional military commanders constrained the Maoists at every step without being able

to form a coherent plan to overthrow the Maoists. Deng could not have achieved power without the base and protection of the regional military commanders.

After the Lin Biao crisis and the ultraleft attack on Chen Yi, Deng and Zhou gained control of foreign affairs. In particular, when Deng returned to power the famous Three Worlds Theory was promulgated by Deng at the UN in April 1974.

The current regime claims the Gang of Four did not support the Three Worlds Theory or the making of the Soviet Union the "main danger." Footnote This may be correct. The edition of the Fundamentals of Political Economy published in Shanghai by the Gang of Four that came out in May 1974 only tacked on the analysis of the Three Worlds on the last two pages. It makes the distinction amongst the Three Worlds, but it does not call for alliances amongst Third World governments. Instead, the Shanghai authors speak of the unity of the "people," which in Leninist parlance is a word less specific than proletariat and unconnected to any particular organization or government. Moreover, no where in the text are "imperialism" and "hegemonism" paired together as in Deng's speech. In Deng's speech, the two words refer to the United States and the Soviet Union respectively and imply that the Soviets are more dangerous because they want and are capable of total domination. Deng refers to the Soviet Union "particularly" and "especially" as threats, but the Shanghai authors do not. They use the phrase "colonialism, imperialism and especially the superpowers." Instead of pairing "imperialism" and "hegemonism," the Shanghai group uses "hegemonism" more generally in "colonialism, imperialism and hegemonism." Footnote Admittedly, this kind of speculative analysis is befitting of a "China-watcher." One problem is that while the Shanghai text refers to U.S. imperialism and social- imperialism equally throughout the book, the fact remains that the text does briefly set up the distinctions that justify Deng's analysis. Still, in the one place where the Shanghai text does call the Soviets "more malicious" it weakens Deng's formulation and implies that it is only more malicious because it seeks to cover itself with the signboard of "socialism," Footnote not because it is fundamentally different than U.S. imperialism as Deng would imply.

Deng's speech is also conducive to speculation. At the end, Deng pays lip-service to the Cultural Revolution. He is obliged to point out that if a "big socialist country" like China suffers a "capitalist restoration," it becomes a "superpower" and a "social-imperialism." Footnote Furthermore, the section of the speech where Deng expounds what "we" hold is different than the rest. "Imperialism" and "hegemonism" are paired once, but the Soviets are not mentioned as a "particular" threat. Nor is there talk of revolution led by an alliance of Third World governments. However, for the most part, the class collaborationist view of the speech does stand out. Deng says Third World countries like Pakistan, Uganda, Zaire, Nicaragua and Argentina can unite for the destruction of imperialism and social-imperialism regardless of their governments' class nature. Bhutto, Idi Amin, Mobutu, Somoza and Argentinian fascism became allies of the international proletariat by Deng's view. The Three Worlds Theory even called for a partial alliance with Second World countries like France and Britain. Later as the theory developed, U.S. imperialism was depicted as defeated at the hands of the Vietnamese and less and less to be taken seriously. No longer would China be a model to those peoples liberating themselves from imperialism, particularly U.S. imperialism.

It is possible that Mao supported the Three Worlds Theory as a tactical statement. While Lin and the ultraleftists who seized the Foreign Ministry had a harsh line against all imperialist, revisionist and reactionary governments, Mao had favored making use of inter-imperialist rivalries since 1965. As far back as 1937, he also put forward his view on why all enemies could not be lumped together on a tactical level: "you are asking if you can kick the tiger from the front door and the wolf from the back door...This is a conclusion drawn only by Trotskyists that we must fight all imperialists at once...It would be making a net to catch yourself!" Footnote

With favorable condition internationally and militarily, Deng also benefitted from the recentralization of the economy overseen by Zhou in the early 1970s. When the Right finally took decisive control of the government, mass-mobilization was already uneven and even spotty except in base areas like Shanghai. In short, the capitalist-roaders were ready to come into power in their own right.

## TRIUMPH OF THE CAPITALIST-ROADERS

On October 6th, 1976, less than a month after Mao's death on September 9th, Wang Dongxing, commander of the elite unit 8431 that guarded Party leaders, arrested the Gang of Four. Footnote The bigger figures behind Wang included Chen Xilian, the PLA commander in Beijing, Deng, Hua and Ye Jianying. In fact, according to Lotta, Hua was something of a figurehead from the start because with or without Hua, rightists in the military like Ye Jianying would have arrested the Gang of Four. Footnote One general protected Deng by escorting him to Deng's home base in the South where he would hide during the anti-Deng campaign of 1976 until Mao's death. Footnote This same general Xu Shiyu went to Beijing during the funeral for Mao and "thumped the table at a meeting of high-level leaders, threatening 'If you don't arrest that woman [Jiang Qing], I shall march north!'" Footnote In addition, Deng himself was agitating as best he could in the South.

Either we accept the fate of being slaughtered  
and let the Party and the country degenerate,  
let the country which was founded with the  
heart and soul of our proletarian revolutionaries  
of the old generation be destroyed by those four  
people, and let history retrogress one hundred  
years, or we should struggle against them as long  
as there is still any life in our body. If we  
win, everything can be solved. If we lose, we can  
take to the mountains for as long as we live or we  
can find a shield in other countries, to wait for  
another opportunity. At present, we can use at  
least the strength of the Canton Military Region,  
the Fuzhou Military Region, and the Nanjing  
Military Region to fight against them. Any  
procrastination and we will risk losing this,  
our only capital. Footnote

Deng's statement is quite revealing in indicating that the coup's base of power was largely in veteran party and military leaders. Also, his allusion to other countries is interesting and possibly indicates a liaison with the Soviet Union, which has described the Gao Gang clique and Peng Dehuai and his followers as "healthy forces" in the CCP. Footnote The Soviets also defended Liu and described the Cultural Revolution "as one of the darkest periods of Chinese history." Footnote Certainly Soviet pressure on the borders strengthened the rightist hand by making stability and modernization of the

military urgent. In his typically aggressive style, Deng calls military office "capital" that can not be wasted. Undoubtedly Hua's value as capital was that he gave the coup some semblance of continuity as well as representing the heavy industry state capitalists and pro-concentration of state capital forces.

The rewards for the leaders of the coup were great but ephemeral. Wang Dongxing was initially made a vice-chairman of the party; although, he subsequently came under attack in 1978 as part of the "whatever faction." Elderly and retired Ye Jianying became something of a head of state for a period. Footnote Chen Xilian lasted on the Central Committee until 1980 when along with Wang Dongxing he resigned under fire. Footnote Hua will always be remembered for leading the arrest of the Gang of Four despite his resignation as party head. In short, the Hua style "centrists" received the highest positions in the party and government for their work before they were discarded as no longer necessary and replaced by Dengists who worked for the coup all along. Wang Dongxing, Wu De, Chen Xilian and Ji Dengkui were demoted together as a "New Gang of Four." Footnote On September 10th, Hua resigned as premier. Footnote Earlier he had been demoted to vice-chairman of the party. Footnote In 1982, the posts of chairman and vice-chairman were abolished. This left Hua with only his position on the Central Committee. Footnote

Upon the arrest of the "old Gang of Four," Shanghai did mobilize its militia and even prepared a statement to the world as to why it would engage in armed struggle, but on October 13th, Shanghai's leaders subordinate to the Gang of Four returned from Beijing and announced their surrender. Footnote It was a classic capitulation. Beyond blocking the rightist media for a few days, there was never any final decision to resist. As the leading economic center with the largest and most advanced working class, Shanghai changed the course of history by not engaging in armed struggle.

Contrary to most accounts, however, the affair was not settled without a shot being fired. According to Time Magazine, the Hua Guofeng regime arrested a nephew of Mao's, "Mao Yuan-hsin, put him in prison some years and eventually released him to work in an obscure factory. Other reports say Mao Yuan-hsin was killed, as was Ma Hsiao-liu, head of the Peking workers' militia." Footnote (Some accounts have Mao's nephew arrested and suiciding in prison as a "sworn follower" of the Gang of Four.) Furthermore, the Chinese spoke of a "civil war," in some provinces, but so as not to encourage opposition, did not report too many details. Footnote In Wuhan, broadcasts said the area had been "thrown into chaos" by the Gang of Four, who "created white terror, split the ranks of the working class, incited armed struggles, (and) killed and wounded class brothers." Footnote Honan province reported that rebels "stormed organs of the dictatorship of the proletariat and the provincial and lower-level party committees" in a December 7th broadcast. A similar broadcast occurred in Yunnan December 9th.

In Szechwan province it was reported that "because of sabotage by the gang of four, civil war and factionalism did not cease in our province. Many class brothers. . . were sacrificed in all-round civil war. Armed struggle was protracted and large in scale, and people's lives and property suffered serious loss." Footnote Perhaps the most well known incidents occurred at Paoting, a city with an important railroad junction south of Beijing. Thousands of troops sided with the rebels. Footnote The Central Committee condemned the uprising in October, 1976 and apparently there was a great deal of gun seizing by the peasants and some killings and explosions. Footnote The situation was not under control until March 1977. Footnote Despite the military force of the old military leaders, the insurrection reported was probably only the tip of the iceberg. The victory of capitalism was accompanied by armed violence as well as capitalism's usual institutional violence and coercion.

Some of the resistance was non-violent. One man was executed for defacing a poster of Hua. Footnote Others were executed for forming so-called counterrevolutionary groups and distributing literature. Footnote By November 1977, there were at least 200 executions. Footnote Of course, there were executions under Mao, but the point here is that resistance to the counterrevolution faced repression. Trotskyists and others who think that a real counterrevolution has to have overt violence are wrong, but they will not be disappointed in China's case.

In Wuhan, the reimposition of pre-1966 rules resulted in massive worker absenteeism. Footnote Also some railways did not work until March 1977. Footnote Resistance in the countryside has continued to this day. Many of the wealthier peasant collectives have not been swayed by economistic promises of decollectivization. One official responsible for water conservation work in a

successful area said:

the upper levels are pushing this policy hard now but it doesn't sit well here (chi bu xia) You can't do water conservation projects. How will you use the sprinklers and the machinery? They are really going back. After so many years of building the collective system they are taking it all apart. There is strength in the collective system because the numbers are big. In Anhui the policy they are using now is not good for us. We do not want it here. Footnote

Another official in a rich area of Jiangsu said,

presently, output in our commune is very high for the country. Our technical level is also high. Our rice output is especially high. So on this basis we recently began to say that if the masses want production quotas to the household or the labor power it could affect per capita output. But the masses in the whole commune are not willing to have production quotas to the household or the laborer for wet fields. They do not have this desire. They still want to do it on the same basis and in this way increase production and mechanization. Footnote

One team leader summed up this sentiment.

Most prefer to work on the collective fields.

This year our income from sidelines increased by 7000 yuan, mostly because we sent more people to the brigade enterprises. Last year we had 21 people in the factories and now we have 16 more. The collective income will increase and the peasants know this. They can calculate. They know the collective income will increase. Footnote

It is no small contradiction for the pragmatists that collectivization works so well sometimes. They are put in the position of coercing localities to adopt policies that do not offer much materially speaking. Brigade officials in Xiamen's suburbs promised to resist any such policies. Footnote

Other peasants resisted the changes for overtly political reasons. Guangming Daily admitted on September 25th, 1982 that "some people think that the responsibility system has enlarged the gap between the wealthy and poor. They even confuse the situation with polarization." Footnote In the spring of 1981,

the poorest team in the wealthiest brigade south of Nanjing turned down the chance to establish household quotas in the spring of 1981. They even rejected group quotas because they feared that once the first division took place, it was just a question of time until private farming returned in China.

Footnote

A peasant from a nearby team said it best.

Before we were so poor and now the economic work is done well. The new policy is a backward retreat. If you divide the land you will have polarization. Landlords and capitalists will return. Collective socialism is good. Chairman Mao is good. We do not want to move off Chairman Mao's road. Footnote

Even within the trend to household quotas, at least one intellectual admitted that "household quotas with total responsibility" is basically private farming and encourages the hiring of labor. Footnote A letter to the People's Daily dated April 4, 1981 "complained about the resurrection of hired labor in the countryside." Footnote

Hua too presents a problem in agricultural policy. He is associated with the moral incentives of Dazhai and apparently never spoke one way or another on the new "responsibility" system. The Dengists' "legitimacy depends on fulfilling the goals of the 'four modernizations' and raising living standards. Thus they had to increase agricultural production, but this increase could not come from financial investment." Footnote If Deng can not deliver the goods since investment is out of control anyway and because there is not enough money for material incentives, the "reforms" will be undermined. After all, a Hua could promise to restore the economic benefits of Mao's day without changing the essential tributary system to be discussed later. Hua can find a base among peasants who want "'fertilizer, insecticide, and 35 points for managing the fields, all from the team.'" Footnote Someone like Hua might some day call for mergers of land to form U.S. style agribusiness and do so under the guise of collectivization. Some teams still provide grain rations, money to borrow and sickness insurance. Footnote As in the Soviet Union, there will always be a conflict between local and central interests and Hua stands for more concentrated economic power.

## CONSOLIDATION AND ADVANCEMENT OF STATE CAPITALIST CLASS POWER

"In respecting talented people, we must not be restrained by outdated ideas and conventions. This includes the idea of thinking that 'businessmen' (those who are good at doing business) only know about earning money, but they are not politically reliable." ("Are 'Those Who Are Good at Doing Business' Not Politically Reliable?—Fifth Discourse on Respect for Talent," Guangming Ribao 12/19/84, p. 1, FBIS, 1/2/85, K19)

Although there has been armed resistance and non-violent resistance to the counterrevolution, Deng's success should not be seen as too ephemeral. The Four were overthrown over twelve years ago. With a strong state behind them, the revisionists will not be easily overthrown. By the 1978 Constitution, they had removed the four measures of democracy guaranteed to the people in the 1975 Constitution: "Speaking out freely, airing views fully, holding great debates and writing big character posters are new forms of carrying on socialist revolution created by the masses of the people. The state shall ensure to the masses the right to use these forms." Footnote In 1984, a female worker in Shenyang received a one year jail sentence for putting up a big character poster criticizing her boss. Footnote

China has for the last century and a quarter had a tradition of turbulence and reports of riots still trickle out of China, but overall, the position of the counterrevolution is well consolidated. The high-level conflicts within the CCP are conflicts within the state capitalist class. The conflicts do not involve the struggle against imperialism, decollectivization, material incentives or fundamental questions of class. The two major questions are how fast to undo socialism and how much economic power should be concentrated at the central government level as opposed to the local government level.

As for conflicts within the state capitalist class, there is no doubt that the die-hard rightists are in control for the immediate future. By the end of 1978, a pragmatist wind trounced the "whatever faction." The "whatever faction" received its name from supposedly supporting whatever Mao said. In actuality though, the "whatever faction"'s support goes as far as volume five of Mao's works published by Hua. This volume of works is devoted entirely to Mao's thoughts before the Cultural Revolution. It is largely about modernization and can be interpreted pragmatically and ahistorically, since the works come from the 1950s. Bettelheim sees through this approach. He quotes Mao near the end of Mao's life on his two great purposes: "'Driving Japanese imperialism out of China and overthrowing Chiang Kai-shek, on the one hand, and on the other, carrying through the Great Proletarian Cultural Revolution.'" Footnote Bettelheim points out that to quote Mao before the Leap is to leave out his more advanced work and is a way of undermining the Cultural Revolution. By April 1977, the press was making a point of attacking the Gang of Four for criticizing accomplishments before 1966 and of stating that Mao's line was always in command from 1949-1966. Footnote Perhaps a better name for the "whatever faction" is the "whatever Mao said about modernization during the 1950s faction" or the "whatever Mao said that can be interpreted pragmatically faction." Mao himself

recognized the ambiguity of some of his past work by 1966. "The right in power could utilise my words to become mighty for a while. But then the left will be able to utilise others of my words and organise itself to overthrow the right." Footnote

Chen Yun, party vice-chair stated the grounds of unity between the "whatever" approach and his own more aggressive pragmatism.

Had Chairman Mao died in 1956, there would  
have been no doubt that he was a great leader  
of the Chinese people. . . . Had he died  
in 1966, his meritorious achievements would  
have been somewhat tarnished, but his  
overall record still very good. Since he  
actually died in 1976, there is nothing we  
can do about it. Footnote

For his part, Deng never had patience with pussyfooting bureaucrats. Even under Mao, Deng was always a full-speed ahead character and frankly expressed himself when he was among allies.

You must go ahead boldly. As long as  
people say you are restoring capitalism, you  
have done your work well. . . . Be afraid of  
nothing. Don't be afraid of opposition or  
of being struck down. We have already been  
struck down once; why should we be afraid of  
being struck down a second time? Footnote

Bourgeois scholarship tends to emphasize the differences between Deng and Hua. Westerners tend to side with Deng against what is seen as Hua's protection of old Maoist bureaucrats. (For an exaggerated account of the differences between Hua and Deng, see Parris H. Chang, *Politics in China Since Mao's Death*.) If anything, Westerners only wish Deng would move faster toward a market and competitive capitalism, but in reality Hua had no fundamental differences with Deng. In his self-criticism, Hua agreed to criticize Mao and "seek truth from facts." Footnote Furthermore, he admitted his error in the treatment of the Tiananmen demonstrations, which he now sees as "entirely revolutionary." Footnote By July 26th, 1980, Hua had adopted the basic points of the current appraisal of the Cultural Revolution. According to Hua, "In the decade of the Cultural Revolution, from the second half of 1966 to that of 1976, our Party committed grievous and serious mistakes." Footnote Furthermore, "as chairman of the party, Chairman Mao Tse-tung of course bore responsibility for these mistakes." Footnote He even argued that Mao's old age and illness accounted for his being

hoodwinked by the Gang of Four. Footnote Hua's position can change to any pragmatic degree necessary.

Hua rose to prominence with Zhou Enlai in 1973 by making it onto the Politburo. Footnote Just before Zhou died, Hua was made Minister of Public Security and a vice-premier. Jiang Qing never trusted Hua Footnote and the Gang of Four criticized Hua indirectly by criticizing the "Three Poisonous Weeds" and more directly just before they were arrested. Indeed, according to Roger Garside, Hua became "Number Two in the Hunan hierarchy in 1967, with the backing of Zhou Enlai and in the face of disapproval by Jiang Qing." Footnote In 1970, he gained the seat of chief of the Staff Office in the State Council under Zhou. Footnote

By the Eleventh Party Congress, the first such congress after the coup, Deng was a vice-chairman of the party and gave the closing speech. Besides the speech of Hua, there was the speech of Ye Jianying, another die-hard rightist, who was nonetheless too orthodox for Western tastes. Of the four vice-chairs, Deng, Ye and Li Xiannian have lasted in positions of power (even as retired office-holders). Wang Dongxing came to be labelled "centrist." Wang was the last of the four to place his vote for the Eleventh Central Committee and was pictured as such. (See The Eleventh National Congress of the Communist Party of China (Documents), Foreign Language Press, Peking, 1977) However, he was listed as the party's secretary-general, an important post in communist history. Furthermore, there were more centrists on the Politburo.

At the end of 1977, Hua was still nominally in command. Beijing Review published a New Year's editorial called "A Bright China," which summed up Hua's accomplishments in smashing the Gang of Four, bringing about unity and overseeing the increase in production. Hua was called the "wise leader and supreme commander," while no other Chinese leader except for Mao and Zhou was mentioned favorably. Footnote

Then, towards the end of 1978, a pragmatist wind swept the country and established the criterion of truth as practical experience instead of the principles based on the ideological vision, theory and historical summations of the communist movement. This was fairly important in giving a fillip to the implementation of social revolution in the relations of production. The first sentence of a book about China's economic reforms by Chinese economists starts "THE ARREST OF THE GANG OF FOUR in October 1976." Footnote However, by the second page, Zhang is talking about "the shadow of the Cultural Revolution"—a reference that includes the struggle against the "whatever faction." The defeat of the "whatever faction" coincided with economic experiments with capitalist industrial organization in Sichuan. By December 1978, a pragmatist orientation in the study of economics was approved at the Third Plenary Session of the Eleventh Central Committee of the CCP. Footnote Readjustment— attention to dislocations, "reform"—"changing the economic setup, or the system of management, both nationally and within each enterprise," consolidation— the establishment of central command and the end of mass-mobilization— productivity measures—were all adopted. Footnote

Later the difference between readjustment and reform became the center of some tension in the party leadership. Apparently, a faction of the party led by Chen Yun argued that reform would fail if the economy went out of whack because of inadequate attention paid to the balance in various key proportions in the economy. Later Li Peng was able to say that the population would not support reform if inflation went too far. Footnote These type of arguments amounted to saying that further restructuring of the relations of production would have to be delicately managed and not rushed into.

As will be seen, 1979 was a big year for the implementation of counterrevolution in the economy; although, the theory of the productive forces, elitist education, labor discipline and "experts in command" were well established by 1979. The destruction of collectivist agriculture, the campaign for marketization and "profit in command," mass firings, "socialist competition" and urban unemployment were still to come.

By 1981, even Liu Shaoqi was posthumously rehabilitated, as was Peng Dehuai. The old guard came into firm control. Deng protege Hu Yaobang took the office of General Secretary of the party. Footnote Dengist Zhao Ziyang became premier. Footnote Chen Yun, the economist of the Standing Committee of the Politburo, was also enjoying the height of his prestige and power in the early to mid-eighties. Politically, he confronted Hua by saying to the effect that Hua should not be proud for arresting the Gang of Four because that was the duty of any communist. Footnote That left

Li Xiannian, who was the remaining member of the Standing Committee of the Politburo. Footnote Ye Jianying was still important, but retired. None of the top leaders were "centrists."

Liu Shaoqi has been lionized in typical Dengist fashion. Strategically, Deng wants to achieve the objective of rehabilitating Liu's politics. Still, he does not openly reject Mao Zedong Thought unless he is among like minded people. Instead he says that Liu's views "were a component of the scientific system of Mao Tsetung Thought." Footnote Deng's hypocrisy necessitates articles in Beijing Review denying that "de-Maoification" is taking place. Footnote Indeed, China celebrated Mao's 90th birthday with great fanfare. Footnote

A furor erupted in the West when People's Daily editorials in December 1984 raised the issue of the obsolescence of Marx's writings and how to evaluate Marx and Lenin. Although the regime still upholds Marxism-Leninism in words, there is an internal struggle in the CCP over how far to go in upholding Marxism-Leninism. Footnote Also, eight years after the end of the Cultural Revolution, some provincial commanders in the PLA came under fire for their role in the Cultural Revolution and for their supposed leftist recalcitrance. Footnote Mao's 91st birthday received only one-sentence from the official press. Footnote At the time these were hopeful signs that China was going to stop the charade and drop Mao altogether.

In the last two or three years, the leadership has undergone further changes. Hu Yaobang suffered a demotion, apparently for letting pro-Western student demonstrations go too far. Footnote Zhao Ziyang took Hu's job and Zhou Enlai's adopted son, Premier Li Peng, ended up with Zhao Ziyang's. Deng Xiaoping officially retired from his posts except the chair of the Military Affairs Commission. Other older leaders went with him. Now when Western observers fret over possible recrudescence Maoism, hard-liners or orthodoxy, they talk about Peng Zhen, Chen Yun, Hu Qiaomu, Deng Liqun, Bo Yibo and Li Xiannian and their influence from the sidelines as they all retired from or lost their Central Committee seats in the 1987 Thirteenth Party Congress. Already the Western press is looking for new targets—baiting Li Peng about his Soviet education for example.

While it is still possible that China will dump Marxism in the not-too-distant future, if only because of pressures generated by the ever-larger free market economy, it appears that retention of Marxism-Leninism Mao Zedong Thought in name has certain long-term advantages. First, there is the difficulty of criticizing Mao too much given his much revered status among parts of the population. Secondly, at least one Western observer argues that the CCP has institutionalized Mao's charisma for the purpose of keeping China from becoming too rashly Westernized both culturally and politically. Footnote In a sense the legitimacy of the CCP itself is subject to attack without Mao. By adopting a veneer of Maoism, the CCP can preserve political stability. Finally, according to Gilbert Rozman, the new supposed hard-liners (so-called moderate reformers)—e.g. Peng Zhen, Chen Yun and Prime Minister Li Peng—favor a new political orthodoxy similar to the one in the Soviet Union. However, even according to Rozman, the economy in China is characterized by so-called reform despite the winds of supposed orthodoxy in politics. While Western observers are naturally preoccupied with China's foreign policy and issues of democracy and human rights, this book now turns to other matters—science, technology and economics.

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The Political Economy of Counterrevolution in China: 1976-88

THE COUNTERREVOLUTION IN THE PHILOSOPHY OF SCIENCE

Stephen Gould has often pointed out that science "cannot escape its curious dialectic," its relationship to culture. What was the philosophy of science in Cultural Revolution China and why was it controversial? What impact on science resulted from this philosophy? Why does it matter who does science?

Dialectical materialism is and was officially the philosophy of science in China. While the Maoists obviously see overlap between the philosophy of science in the West and in the East, they would claim that some cultures are better than others in the promotion of science. According to the Maoists, Marxism embraces and guides the natural sciences better than any other philosophy. Furthermore, "Marxism is the crystallization of the entire human knowledge including natural science." Footnote Moreover, dialectical materialism is "applicable to every branch of natural science;" even though, this does not mean taking over the "specific object of study." Footnote

The dictatorship of the proletariat has something to say about the culture and philosophy that science is promoted through. The dictatorship of the proletariat would determine whether it is worthwhile or not to fund participants in any research on any scientific question, but Mao said that "questions of right and wrong in the arts and sciences should be settled through free discussion in artistic and scientific circles and through work in these fields." Footnote

Mao thought that "administrative measures" Footnote are incorrect for debates such as that in Stalin's Soviet Union over Lysenko. Ultra-Stalinist and ultra-leftist "Maoists" that Richard Lewontin cited in an essay in the Radicalization of Science do not respect the autonomy of the "specific object of study." Once again we see that Mao's position must be distinguished from that of the ultraleft. When asked about Lysenko, who won a debate in biology in the Soviet Union through the intervention of Stalin, some scientists in Cultural Revolution China debated amongst themselves and told their American questioner that "Lysenko thinks potato degeneration is induced by high temperatures. We think his theory isn't correct." Footnote

Outside the natural sciences, the Marxists do make claims such as that all history is the history of class struggle. Broadly speaking, the Maoists also claim that matter is always changeable and divisible. The emphasis on contradiction, struggle and qualitative change has been attributed to Darwin's impact on China's culture in James Pusey's whopping 544 page book China and Charles Darwin. Sun Yat-sen, the great republican revolutionary leader still cherished in China for his role in the Revolution of 1911 said, "while the twentieth century is a world governed by the struggle for survival and the survival of the fittest, how can government, industry, or anything progress without struggle and competition?" Footnote

Lu Xun, who was one of the most influential Chinese in Mao's life, viewed the New Culture Movement in Darwinian light. "Hereafter, we really do have only two roads. One is to embrace our ancient writing style and die. The other is to discard our ancient writing style and survive." Footnote

Pusey goes so far as to say "Darwin justified revolution and thereby helped the cultural revolutions of Sun Yat-sen, Chiang K'ai-shek, and Mao Tse-tung." Footnote Darwin is also seen as responsible for the ideas of historical inevitability, futurism and the perfectibility of humans that the Chinese are fond of. Mao Zedong Thought itself is a "mixture of Darwinian ironies and contradictions," Footnote and Pusey agrees with Mao that in China "'socialism, in the ideological struggle, now enjoys all the conditions to triumph as the fittest.'" Footnote

Darwin was not the only great scientist to interact with China's culture. Edward Friedman insists that the Einsteinian revolution in physics influenced Mao's Cultural Revolution outlook. The Maoist truth that "one divides into two" was extended into particle physics. Footnote Mao predicted that each of the constituents of the atom—proton, neutron and electron—would break down. He came to influence Japanese physicist Sakata Shoichi, who was a world class physicist who discovered some particles. In addition to talks with Sakata in China, Chinese scientists received the resources to search for underlying particles. This included one 50 GeV proton accelerator. Footnote Physicist S. Glashow at Harvard even named an undiscovered particle the "Maon." Dialecticians expect that particles will break down in stages and the Chinese hoped to vindicate dialectics with their work in high energy physics.

So far, it should be clear that science has had a big impact on Chinese culture and that science provides some of the very ideas that constitute that culture and the dialectical philosophy of science. Here it must be admitted, however, that China did not really change the basic results of the theoretical sciences right away. Studies of proton decay go forward without the impetus of the Cultural Revolution.

Instead, the results of science have been affected by the allocation of resources. The dialectical approach stresses the unity of theory and practice. During the Cultural Revolution theoretical research was curtailed. In 1965, there were 106 different research institutes in the Chinese Academy of Sciences and 22,000 personnel. By 1973, there were 53 institutes and just over 13,000 research personnel. Footnote The one thing that unites 28 different Western authors who put together *Science in Contemporary China* is political. "It is clear that the adverse effects of the Cultural Revolution and the subsequent rule of the Gang of Four in the educational system will continue to hamper China's progress in science and technology throughout the 1980s." Footnote

Unfortunately, Western and current Chinese scientists often assume the necessity and superiority of research work over applied work. Many times since 1976 Chen Jingrun, who made a "breakthrough" on the Goldbach conjecture and hid to do research during the Cultural Revolution, has been lauded in China and in the West. The old Whig interpretation as Gould calls it, pictures an heroic scientist like Chen risking everything to carry science forward.

According to China's current rulers, the elite of scientists were right not to concern themselves with the Cultural Revolution. An important and strong mythology has built up that the Cultural Revolution persecuted and diverted scientists from their work which is seen as essential to the Four Modernizations.

In truth, scientists during the Cultural Revolution continued to publish theoretical work, albeit in diminished quantities; went to the countryside and factories to apply their knowledge and engaged in political discussion about one day a week. There are shelves of scientific material from 1966 to 1969 to 1976, published and translated by the U.S. Government in the Joint Publications Research Service (JPRS). The topics of research include crops, fish-breeding, and properties of baking soda. On a larger scale, oil and coal production took off during the Cultural Revolution and increased several fold, while both oil and coal production suffered declines in 1980 and 1981. Science was transferred from the lab and the library to the factory, field and hospital during the Cultural Revolution.

Many examples of advanced technical work will not show up in the analyses of research-oriented observers. First, in agriculture, the famous Red Flag Canal was built in Lin County. This canal allowed for irrigation and made Lin lush in vegetation. Footnote The canal is 70 kilometers long. It was cut through rocky mountains with tools, dynamite and hard labor. When the peasants first drew up the plans, the Party Committee called in some "experts" from the cities. These experts who were obviously removed from the actual conditions in Lin said that the canal could not be done. After debate, the Cultural Revolutionaries convinced the party to go ahead with the project anyway. During the four years that the canal was built, orders from capitalist-roaders were given to stop the canal construction four times. The project was completed in partial secrecy and without state support. Footnote Although many of the peasants who worked on the canal were illiterate, they had learned by doing.

Secondly, a different approach was taken in health. In the case of cancer researchers, instructions were given to go out to the factories where cancer was most frequent. The researchers lived among workers and did much to isolate the occupational causes of cancer rather than laboratory cures for cancer. Footnote Another example was acupuncture. Research was done to "reduce" the effectiveness of acupuncture to neural and or hormonal causes. Footnote At the same time, however, elementary students were instructed in the use of acupuncture as a pain-reliever. Moreover, one hospital reported 90% effectiveness in 2300 operations with acupuncture anesthesia. Footnote Again, what is ordinarily left to full theoretical understanding can often be resolved at the level of practice.

Finally, the ship-building industry provides some famous examples of how learning through doing can replace the work of experts. Total shipping tonnage produced increased six-fold between 1965 and 1974. Footnote "More tonnage has been built in the eight years since the cultural revolution began than in the 17 preceding years." Footnote 10,000 ton ships were built on 7,000, 5,000 and even 3,000 ton ways. Footnote Similar feats include the building of a 500 ton floating crane on a mud beach and the construction of 10,000 horsepower engines from scratch at various shipyards. Footnote Innovation by workers and use of common materials at hand were attributed.

What Stephen Gould would call biases block experts sometimes from seeing all the possibilities for accomplishing a task. Not only are experts blinded by biases in their own theoretical work as

Gould would argue, but also their nature as specialists prevents them from giving up problems that should be solved in practice or in another field. Class enters the picture at this point. As a group, scientists and technicians have an interest in making themselves valuable. Gould locates that interest in the very first ruling class that separated itself from manual labor and mystified its role in magic and brain work. Footnote Furthermore, he calls the "belief in the inherent superiority of pure research" to be "social prejudice." Footnote The advantage of the Cultural Revolution approach is that it includes the practical knowledge of the workers. Even Western analyst Nicolaas Bloembergen recognizes that the approach works well for China, which can easily get its theory at international conferences, from journals and from equipment purchases. For example, semiconductors have been successfully copied. Footnote The unity of theory and practice not only helps in meeting the needs of the Chinese people—for example, the synthesis of insulin—and breaking down class divisions, but also it works.

This brings us to the question of who does science. In the United States, it is hard to appreciate the economic context of education in China. Approximately 50% of youth in the United States go to college. In China, it's the top 1% of students who go on to college, only because China cannot afford to support multitudes of students. (By the way, this is a fact that Western observers seldom take into account in their criticisms of Cultural Revolution education or their support for student demonstrations.) Only 5% of children who complete primary school gain admission to universities or secondary technical schools combined. Footnote In the United States, if someone needs a technical skill, that person is expected to go to college and take some courses. Accessible education for Chinese, equivalent to night school for instance, tends to have the applied nature held in low regard in the West. Even today's "key universities," such as Nankai in Tianjin engage their elite students in majors such as tourism.

Hence it was not nearly so unrealistic as might be thought to say in Cultural Revolution China that "science is the summation of the experience of the working people." Footnote By this view, science was to be advanced by making the masses scientists who would solve their own problems and take care of their own needs. In contrast, Hu Yaobang, before he was demoted in the party hierarchy, said "the key to the four modernizations is the modernization of science and technology." Footnote Furthermore, the official line is that "to attain our magnificent goal" of the Four Modernizations "in the final analysis it is a matter of how to arouse this group of people who have mastered the knowledge of science and technology so as to give play to their enthusiasm and role." Footnote No statement could better encapsulate the restoration of the Whig view of science done by a heroic minority.

The planned expansion of the research force to 800,000 (less than 1 in 1,000 of China's population) by 1985 (Fang Yi's speech at the National Science Conference 1978) and the placement of scientists to direct projects represents a shift back to the bourgeois mystification of science and bourgeois rule. Whereas proletarian dictatorship used to be applied to the questions of what would be funded, today's policy is to dump the non-scientists for direction from the Scientific Council.

"Unity-criticism-unity" has been stressed in order to give the bourgeois intellectuals the tranquility they desire to get on with their work. The change in the philosophy of science may be characterized as a deemphasis of struggle and practice and a renewed emphasis on unity and theory. The intellectuals have been taken out of production in order that new exploiters might be established. The problem is that the so-called modernizers have to figure out how to make the work of the intellectuals relevant to the Four Modernizations. With the anti-reductionist Cultural Revolution approach, there were accomplishments in high brow science, but scientists mostly made their contributions in concrete and historically-contingent situations—the factories, fields and hospitals.

## TECHNOCRATS: THE RESURGENT MIDDLE CLASS

"You all know the saying, 'Cadres decide everything.' The truth of the statement has been amply proved." (Chen Yun, "On Cadre Policy," Beijing Review no. 13, 1984, p. 16) [Reviving a saying of Stalin's criticized by Mao.]

In his very important book *China Since Mao* (1978), Charles Bettelheim said that “civilian cadres who were far from sympathetic to the Cultural Revolution” “constituted the social and political basis on which Hua Kuo-feng was to rely in his coup d’état.” Footnote Furthermore, because of the numerical weakness of the Chinese proletariat, the revolutionary trend had to rely on “petty-bourgeois trends,” Footnote especially after the fall of Lin Biao and the ensuing compromises. Although the thesis here stresses the two line struggle between the revolutionaries and the revisionist upper levels of the party and state, it is important to note why Bettelheim’s ideas are not so far from reality.

In 1978, Bettelheim could not help being impressed by the changes in the status of the civilian cadres—the technical and bureaucratic elite. Before the coup, Hua coauthored some documents with Deng that came to be known as the “Three Poisonous Weeds,” which were used in the Four’s criticisms of Deng. Hua was not criticized by name. Footnote The “Weeds” speak of the need to “rectify” “enterprise management.” In the same breath, Hua and Deng want to “make their [enterprise] rules and regulations more strict.” Footnote Furthermore, “someone must be put in charge of every piece of work and every station, and every cadre, every worker, and every technician must have clearly defined duties.” Footnote There is no mention of revolutionary committees. The emphasis is on the “unified leadership” of the party committees. Footnote It is very significant that the new reliance on experts—meaning technicians and bureaucrats—goes hand and hand with a crackdown on labor and an emphasis on distinct responsibilities.

Just how far have the intellectuals been removed from production into theoretical work? Already in the “Weeds,” Deng says, “it is by the adoption of the most advanced technologies that the industrially backward countries catch up with the industrially advanced countries in the world.” Footnote Of course this entails training the “necessary technical forces” to go along with technology importation, but this is not so notable as the attribution of “backbone roles of specialized research agencies.” Footnote Later in Hua’s 1978 Constitution, the task is no longer to make the masses scientists but to combine “professional contingents with the masses.” Footnote Not to be outdone, Deng sanctifies the division of labor between mental and manual labor Footnote by saying intellectuals do mental labor and should be revered as part of the productive forces. Then he makes the typical argument that any work done within the context of inherently socialist state-ownership advances socialism. Footnote Therefore, if a scientist does not know much about politics that is all right as long as he works for China and not some other country. In addition, “professional scientists and technicians form the mainstay of the revolutionary movement for scientific experiment.” Footnote Still, it would be hard to beat Hua, contrary to Leo Orleans’ belief that Hua stands for science for the masses. Footnote On August 11th, 1977 in one paper is the following gem: “The degree of a country’s industrialization is mainly in direct proportion to the development of mathematics in that country.” Footnote Theoretical science has reached a new high in China.

At the same time, Bettelheim is especially correct that scientific management represents a crackdown on workers. He should not be criticized for targeting scientists who are just powerless professionals cloistered in the Ivory Towers. The academic elite in China is really much more elite than in the United States. More importantly, in China, scientism extends to management. “Our major current problems in developing science and technology and the economy are management problems.” Footnote Furthermore, “in the development of scientific and technological undertakings, the scientists, and technicians and the management personnel—from first to last—are the two principal forces.” Footnote The push for “scientific management” includes time-motion studies and Taylorism. Time motion studies were suspended from 1966-1976. Footnote Piece-rates, which were used under Stalin too, came under heavy criticism as coercive and divisive of the working class during the Cultural Revolution and abandoned. Piece-work resumed in 1978. Footnote Also, task-rates are a major form of remuneration in agriculture. Footnote Moreover, Bettelheim points out that labor emulation drives have lost any of their spontaneity. Now they serve as opportunities for management to correct worker habits. In order to expand coal production “the Ministry of Coal Mining. . . has recently organized 125 of the country’s mines in an emulation movement to last one hundred days, starting on January 1.” Footnote In short, China is developing a science of domination.

Again, Hua led the way in the issue of scientific management. Bettelheim cites an article dated March 22, 1977. “It is necessary to have a scientific attitude in the managing of modern enterprises. . . In the managing of modern enterprises it is necessary to employ a number of scientific methods.”

Footnote According to Bettelheim, the article may have forged a quote from Mao on scientific management because the Red Guard version of Mao's quote contained no reference to scientific management. Furthermore, the same article states that in management "the most important question" is "developing the productive forces." Footnote Thus, Hua differed little from his successor Deng on management.

Indeed, Hua's press of New Year's Day in 1978 proclaimed the theory of the productive forces. "Why do we say the socialist system is superior? In the final analysis, it is because the socialist system can create higher labor productivity and make the economy develop faster than capitalism." Footnote Moreover, by November 27th, 1977, Chinese radio was broadcasting that "politics must serve economics." Footnote "Losses of a political nature" must "be reduced to the minimum" argues the CCP on November 9th, 1977. Footnote The theory of the productive forces was already in perfect form by September 21st, 1977. "In the last analysis, the economic basis is the decisive factor in social progress, and the productive forces are the most active and revolutionary factor in the economic basis. Thus, in the last analysis, it is the productive forces that determine production relations." Footnote

Perhaps the new atmosphere concerning labor is best summed up in the Chi Hsin's criticism of the Gang of Four. The Four had the slogan that "it is better to have a socialist train that is late than a capitalist [fascist] train that is on time." Chi Hsin disagreed. Footnote A similar slogan of the Four was criticized in an article titled "'Behave at the Docks as Masters, Not as Slaves to Cargo Tonnage'—How this slogan harmed work at the Shanghai Harbour." Footnote The campaign to force workers to toil started under Hua's regime.

Pragmatism or the philosophy of doing what works or being "realistic" and "practical" favors the capable elite who can obtain quick results. The possibilities of the masses' learning through the transformation of their own conditions is restricted by those who would separate the experts from the masses as is done in China. It is no coincidence that pragmatism and the discipline and restriction of workers by regulation to certain tasks occur together. The masses' participation in the politics and economy of China are restricted in favor of the rule of experts. If fascism gets the job done, then fascism is necessary by this logic. Yu Guangyuan, a vice-president of the Chinese Academy of Social Sciences said:

We support any system of ownership which promotes the development of the productive forces to the maximum extent; we accept with reservation any system which promotes such a development to a rather limited extent; we do not support any system which does not promote such a development, and we resolutely oppose any system which hinders such a development. Footnote

Senior scientists and high-ranking intellectuals in China can be considered part of the state capitalist class. The majority of cadres form a middle-class of popular support for pragmatism. Bettelheim is right about the middle class to the extent that it is a recruiting ground for the state capitalist class and to the extent that it has a material interest in pragmatic production policies. He is wrong to the extent that the real base of the counterrevolution is in the higher reaches of the party and government.

Leo A. Orleans offers a non-Marxist analysis of the changes in the position of scientists in China. He claims that the scientists were "deeply scarred by the Cultural Revolution," which was a "decade of abuse." Footnote Still, he has no illusions about the role of China's scientists who "actually occupy key positions in government, while many more can exert significant influence through highly developed informal relations with officials in policy making positions." Footnote In fact, "in the years since the gang of four, the higher echelon scientists have tended to the elitist and isolated position of the traditional Chinese intellectual." Footnote Consequently, recently there "reappeared a clear-cut distinction between mental and manual labor." Footnote Orleans concludes that the severe test for Beijing will be to turn around the much more elitist and isolated scientists at the Chinese Academy of Sciences. Footnote The evidence he gives is that research has accelerated, but application lags. "Prompt" application occurs for only 10% of China's science projects as opposed to 80 to 85% in the U.S. Footnote Furthermore, 28 of 63 projects in Shanghai were replications, 24 of which were duplications of work done in 1973 and 1974. There are fully 980 projects on haploid seed breeding. Footnote Thus, the surge in research is not necessarily resulting in more advances in science. It does however result in the removal of workers from production into higher classes.

The criticism of property no longer extends to mental property and the attendant mystification in China. Nominally, an intellectual might not own a factory, but he still might be in a position to actually control that factory or its product. "Modern science and technology occupy a key position in the construction of modernization and the creator of science and technology should of course have its corresponding position in society." Footnote A source of that prestige is the kind of education an intellectual receives. Certainly there is no lack of continuity in terms of the tradition of scholarship in China. Today, elite scholarship takes the form of college entrance exams and favored treatment for 88 so-called key universities. Footnote This is to make up for supposed egalitarian "excesses" that destroyed a "generation" of elite scholars. Again, while Orleans is probably the most informed analyst of science in China, he does not see that it is no "concession" for Deng to admit "the damage done by the excesses of the Cultural Revolution." Footnote Orleans says, "Teng Hsiao-ping has conceded an age-gap had been left in the scientific and technological force 'which makes the training of a younger generation of scientific and technical personnel all the more pressing.'" Footnote Anxious to discredit the Cultural Revolution, Deng also wants to make arrangements for a new class polarization.

Even bourgeois scholar Immanuel Hsu admits that "another anomalous phenomenon of modernization is the emergence of new classes in a so-called classless society." Footnote Historical materialists can explain how this class polarization came about apparently so suddenly. In previous sections, the defeats and reversals of the early 1970s were analyzed in a general way.

Specifically, with regard to education, it is not surprising to find Zhou Enlai behind the reversals of the present day. "In the first place, we must devote more energy to perfecting a number of 'key' schools. We will then be able to train specialist personnel of higher quality for the state and bring about a rapid rise in our country's scientific and cultural level." Footnote During the mini-NEP of the early '60s, Zhou protege Chen Yi said "'we must not judge a man's not being Red or 'White' by how frequently he takes part in political activities. . . . But provided they are successful in their studies and contribute to socialist construction, there is, in my opinion, nothing wrong about their taking part in political activities less frequently.'" Footnote Thus we see that the two- line struggle in education started as early as 1961. In 1967, some students were charging that children of cadres were receiving privileges in the higher-track schools:

elite schools had 20 square meters of space per person,  
 whereas ordinary schools had only 3.5 meters per person;  
 building costs per unit were 260 yuan for an elite school,  
 and only 35 yuan for an ordinary school. Footnote

Although there was great struggle in education throughout the 1970s, by 1972 Robert Taylor was

concluding that the “elite- mass structure is appearing in higher education.” Footnote

Leo Orleans also discusses the “hidden struggle” in the early 1970s—a time when Zhou Enlai quietly took advantage of the split in the Left caused by Lin’s coup attempt and asserted control in foreign policy, the army and education. “An early sign of the reassertion of pragmatism may be seen in the progressive re-opening, beginning in the 1970s, of many of the research institutions; by mid-1976 seventy had been identified as functioning again under the Academy of Sciences.” Footnote Furthermore, “Now it can be seen that, after vacillation—or, more likely, hidden struggle—during the early 1970s, the basic responsibility for research in science and technology is reverting to the academies and the most qualified scientists.” Footnote The opening of the academies and the reversal of gains in education were naturally important material bases for the eventual elitist triumph.

After the death of Zhou Enlai, some of his policies continued to find their way into implementation. Drafted by Zhou, recently implemented regulations allow up to 10,000 yuan as a reward for invention. These rewards were abolished in the Cultural Revolution. Mao himself wrote personally to inventors as one form of moral encouragement. Now the Physics Institute of the Chinese Academy of Sciences contracts technologies—21 in 1980—to individual enterprises. The state capitalists charge the enterprises a 20 percent fee on profits for use of inventions the first year and less thereafter or 5% of sales and less thereafter. Footnote In addition, non-geologists can receive up to 5,000 yuan for finding a mineral deposit.

The Cultural Revolution approach to education seemed like so much rhetoric at the time to many, but within two years of the coup in 1976, Suzanne Pepper concluded that reversals in education were “transforming into reality the rhetoric of the two-line struggle.” Footnote First, the Cultural Revolution stressed more emphasis on practice over theory—field work over purely academic courses—in order that varying levels of technology could be applied, not just the most advanced. Second, it opposed the two-track system, selection of certain schools for extra funding, and unified entrance exams and supported the education of students in their own localities for the benefit of their locality—thus undercutting the reproduction of the bourgeoisie. Finally, students participated in politics; ran the schools in revolutionary committees; struggled for egalitarian teacher-student relations; cut into the “marks in command” approach; opposed rote memorization—thus attacking hierarchy and engaging in class struggle directly in education. Footnote The Cultural Revolution approach had to be overthrown in the chase for advanced technology, the reproduction of the bourgeoisie and the mystification of class relations necessary for capitalism.

In addition to the struggle in education, the actual high-tech scientific projects undertaken strengthened the position of the elitists. Through thick and thin, research on nuclear weapons continued. Apparently, those generals in support of Peng Dehuai’s conventional war strategies were more willing to support Peoples’ War as long as China had nuclear protection. Footnote Mao willingly made the trade of constructing nuclear weapons, which is a relatively small project, in return for a military that did not drain off resources for modernization or lose touch with its roots among the people. A bigger culprit in large-scale technology importations after 1972 can be found in “scientific instruments, machinery, transportation equipment and scores of whole plants.” Footnote The author is in complete agreement with Kojima Reiitsu’s interpretation of this phenomenon.

One factor in the defeat of the Cultural

Revolution group was the introduction of foreign plants

after Zhou Enlai triumphed over Lin Biao in the early

1970s. In the three years starting in 1972, China

imported plants valued at as much as US \$2.8 billion,

mostly from Japan, the United States, and Europe. It

seems that the Cultural Revolution group’s effort to

sustain economic development on a largely self-sufficient, self-reliant basis was compromised by these purchases. Footnote

Chemical fertilizers and plants for their production were one big item, and consequently, China's own efforts at fertilizer production have been and remain weak. The same is true of oil, coal and electric plants and aircraft and ships. Only in 1984 were the Dengists able to start focussing state efforts to overcome the lag of these sectors behind the rest of the economy.

Mao once said,

Excessive discussion of mechanization and automation will make people have contempt for semi-mechanization and production by native methods. There have been such tendencies in the past. Everybody one-sidedly went in for new technology and new machinery, massive scales and high standards. They looked down upon native methods and medium and small-sized enterprises. Footnote

Mao could have been talking about Baoshan or the more recent mania for Western technology.

Whether or not the modernizers succeeded in developing China through high-technology imports, the attending importance of those intellectuals who could handle foreign technology well beyond China's "played an important role in undermining the leadership of the Cultural Revolution group." Footnote The imports concentrated power in the hands of intellectuals on an historically significant scale.

In conclusion, Hua and Deng have found it necessary to make changes in science and technology for several reasons. First, in order to implement a coherent plan that is essentially capitalism it is not enough to just commoditize production and tell firms to pursue profit. There must be a mechanism that necessitates competition for survival. To do this it was necessary for Hua to change the very approach to science. Science can not focus on the fields, hospitals and factories where various levels of technology are applied. It must encourage the pursuit of specialized and advanced knowledge that will go into making the cheapest techniques of production, not just the ones that can most sensibly be employed in China. To do this, Hua and Deng commoditized science and increased the emphasis on research work. Conveniently, the quest for technology justifies the opening to the West and forces Chinese firms to compete with Western capitalists. Now all firms must hire scientists to find the most profitable techniques of production or lose out to their competitors.

Secondly, for lack of manpower, Hua and Deng started recruiting from the scientific elite to take control of factories and society. The technocrats remain an important part of the political alliance of the bourgeoisie. Indeed, the technocrats are seen as the "key" to the Four Modernizations. As such, this has justified a new policy in education which tracks all children into different opportunity levels in the name of science and modernization. The two-track education system thus ensures the reproduction of the political dictatorship of the state capitalist class.

Finally, science has served as a justification for the end of mass-mobilization techniques of

production and politics. "Cadres decide everything" is the new dictum in China. Scientific mystification known as "scientific management" has served as a justification of a crackdown on labor.

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The Political Economy of Counterrevolution in China: 1976-1988

THE NEW CLASS POLARIZATION AND CLASS RELATIONS

THE OWNERSHIP COUNTERREVOLUTION IN AGRICULTURE

"While the new team leader had good political connections with the brigade, team members began to complain that he lacked ability. By this they meant that he refused to allow team members to increase their income by selling seafood in the lucrative free market. Although peasants in other brigades were 'becoming rich' through these means, the income of peasants in Team No. 4 stagnated. One observer noted : 'The new team leader was timid. The policy had changed many times. But he said that the new policies were capitalist.' It soon became obvious that this view was out of step with the views of higher authorities, and the villagers demanded that he be replaced. In 1981, the brigade leadership (which itself had just been reorganized), called for new team elections. . . . The new team leadership then liberalized the team's marketing policy." Footnote

—First-hand observer John F. Burns

"In these localities pressure from above met with support from below, squeezing the middle-level bureaucrats who may have opposed the policy. Unlike some other movements for change in the countryside where the center's goals were anathema to peasant interests, the advocates of reform for this policy [decollectivization—ed.] developed an unofficial coalition with peasants in the poor areas. Caught in this vise, the middle-level cadres could do little but accept the changes." Footnote

—First-hand observer David Zweig

First-hand observers who do not describe what they see in China as social revolution have nonetheless accurately conveyed the rapidity of change in agricultural organization in China since the death of Mao and the arrest of the Gang of Four. Oddly enough, empirical knowledge of China's decollectivization has not connected with theory.

Indeed, according to Zweig, in decollectivizing "the movement has gone faster than anyone expected." According to Pat Howard, "the relations of production in the countryside have occurred with a scale, speed, and significance rivaled only by the earlier land reform and cooperativization movements." Footnote What Zweig, Howard and others have missed is the very possibility for social revolution against socialism that Mao and the Gang of Four attempted to guard against. The Maoists worried about coups, restorations of capitalism and the "ease" with which "someone like Lin Biao" "could set up the capitalist system." In such worries, the Maoists proved to be correct. Whether or not one agrees with the Maoists that capitalism is evil, they were correct about the possibilities for a rapid change of social structure in China.

THE IMPORTANCE OF THE CENTRAL GOVERNMENT IN RURAL APPROPRIATION

One must not forget that China is still approximately 80% peasant. Footnote Facts and figures are easier to gather for the urban areas. Some analysts—Trotskyists for example—prefer to analyze

urban conditions because they identify with the urban worker more readily than with the peasant. However, a discussion of class relations in China would be grossly incomplete without an analysis of the immediate conditions in the countryside and the relationship of the rural areas to the urban areas. It is essential to understand the capitalist revolution that has occurred in the countryside.

In China, there is no feudal class of landlords in the countryside, at least not yet. Nor is there capitalist agriculture as in the United States. There is a middle class of peasants, especially in the suburbs of Beijing and Shanghai and other major cities where nearly every peasant family owns a television set. Footnote Yet, this is not evidence of state capitalism.

Both the Soviet and Chinese revolutions succeeded with a worker-peasant alliance and in both surplus from the countryside was collected up by the state. Of course, this in itself does not mean there is exploitation. Under both socialism and communism there will be a surplus. The question is who disposes of and who benefits from the surplus. These are two separate questions in the short run. A party may represent the laboring classes in such a way as to benefit those classes. However, in the long run, it is necessary according to the Maoist view that the laboring masses raise their own understanding of economic and governmental administration so that they come to dispose of the surplus themselves. Otherwise, government and party leaders will entrench themselves and lose touch with the masses, set up state capitalism and act in a fashion contrary to the interests of the peasants.

Before the question of appropriation is raised, it is important to spell out the scale of the surplus. "Li Bingkun estimates that . . . between a third and a half of state financial income in 1977 was derived from the agricultural sector." Footnote In 1976, in comparison, agriculture was responsible for 41% of total income. Footnote Thus, agricultural and industrial incomes were taxed at about the same rate despite the fact that agriculture is where three-quarters of the workforce must make its living.

The importance of this tribute is declining only because industry's share of income is increasingly predominant. As shall be seen later, with the new emphasis on technology and profits, industrial expansion does not mean greater employment of either urban workers or peasants.

Agriculture has always received a smaller portion of investment than industry. Footnote In 1978, about 10% of total agricultural income was invested in agriculture through the combined efforts of the state and the agricultural localities themselves according to Nicholas Lardy. Yet, about 36.8% of total national income was invested overall. Footnote Moreover, "Liang Wensen states that between 1952 and 1979 just 12% of some Y 630,000 million accumulated investment went to agriculture." Footnote Much of that investment comes from the localities too. In one province, only 24% of total investment in agriculture came from the state. The rest came from the collectives. Footnote In 1986, only 3.3 percent of state investment went to agriculture. Footnote It was considered a show of concern that state spending on agriculture reached 5.8% of the total in 1988. Footnote The state has always set about investing most of its funds outside of agriculture. Footnote

Year	(Investment)	(All expenses)
	% of capital construction	% state expenditures
	devoted to agriculture	devoted to agriculture
1952	13.4	5.1
1957	8.3	8.1
1966	n.a.	10.0
1970	n.a.	7.6
1976	n.a.	13.7

1978	10.6	13.6
1980	9.3	12.4
1984	5.0	n.a.
1985	3.4	n.a.

State Statistical Yearbook of China 1986, p. 20, 521.

In this light, the statement that “ideological and political line decides everything” does not sound so metaphysical. The issue of appropriation in agriculture is ultimately a political issue. The class that controls the state also controls appropriation in agriculture.

The state may be ruled by an alliance of the workers and peasants to the benefit of the peasantry. If the state takes the surplus and invests it in rural industry, then this will raise the living standard of the peasantry. Furthermore, to ultimately assure the material interests of the worker-peasant alliance, one could argue that revolution in other countries is necessary and that therefore aid to foreign revolutions is in the interests of the worker-peasant alliance. Whatever its use, the surplus under socialism would be expected to have a use in line with the worker-peasant alliance.

Much of the peasantry in post-Mao China has no interest in the alliance with imperialism, the anarchy of production, the coercion of labor and class polarization occurring now in China. These are issues that are indicative of the nature of the class that is collecting the agricultural surplus.

#### EVIDENCE OF THE NEW EXPLOITATION IN THE COUNTRYSIDE ITSELF

There are a few points that should be made about the immediate conditions of the peasantry as they are affected by the state. One of the best arguments for the socialist nature of China is the narrowing of urban wage differentials and the argument that the peasantry’s material position is catching up to that of the urban worker. “The government has raised its purchase prices for farm products by a big margin (30.8 percent in the two years 1979-80), reduced the agricultural tax or exempted some from it, increased imports of grain and reduced state purchase quotas of grain in some regions.” Footnote Although production predominantly for exchange is a feature particular to capitalism, it is considered a sign of prosperity that 60% of the peasants’ production was for exchange in 1986, up from 50% in 1983 and 40% in 1978. Footnote

Of course, Mao did not believe political questions were resolved by wealth and income statistics. So even if statistics show that urban equality is rising and the urban/rural gap is diminishing, that would still leave other important issues including the role of peasants and workers in production. It would be “goulash communism” and “pragmatism” to assess class relations in China simply by examining living standards.

It would be as difficult to say that peasantry’s living standards have declined since 1979 as it would be to say that they have declined since 1949. The author does not doubt that especially in the areas of housing and disposable income available for the purchase of recently available appliances, there has been great progress. Indeed, at least in the short-run, the regime may have stimulated various kinds of initiative in the peasantry and earned the support of the vast majority for its capitalist revolution. Footnote

Nonetheless, certain arguments in favor of the so-called reforms are easily debunked. One must be careful about statistical categories defined by the regime in power. Numerical estimates of wage differentials mask the issue of who is in what class or category—the very question to be answered. In the Soviet Union, the people with managerial or higher positions receive personal income wages in

addition to the pay of their office. Also, the state capitalists cash in on the prestige of their positions in stores created just for top party and government officials. These stores have lower prices and better products than available elsewhere. In addition, there is the "Kremlin ration." Footnote  
Essentially, income and consumption data can not resolve the question of who is in state power and whether or not surplus appropriation by a capitalist class is occurring or not. Footnote

Nevertheless, the CCP cites some data that seems to show that urban /rural inequalities have declined. The ratio of non-peasant to peasant consumption supposedly fell from 2.9 to 1 in 1978 to 2.2 to 1 in 1984 before inching up to 2.5 to 1 in 1986. Footnote

Western apologist for the coup, Victor Lippit also argues that the urban/rural inequalities have been declining in recent years. "On a broader, national scale, the evidence also points toward the maintenance of equality. In 1979 and 1980, as I have indicated, incomes and retail sales in the countryside grew more rapidly than those in the urban areas, decreasing urban-rural differentials in percentage terms." Footnote

Unfortunately, the peasantry's income may be increasing as much as twice the rate of the urban workers' income, but the urban workers start from a base that is more than twice as large. Lippit's own figures show an expanding absolute gap between the urban workers and the peasantry. "The wages of workers and staff members in urban collectives [where wages are lower than in state enterprises—author] rose by 7.1 percent in real terms in 1980 to an average of 624 yuan." Footnote  
This means that in one year urban collective workers increased their wages by about twice as much as average per capita agricultural income increased from 1977 to 1980. Footnote

In 1980, the per capita average income for peasants in collectives was 170 yuan and that of state-owned enterprise workers and staff was 781 yuan. Footnote  
Here the figure for rural workers may include collective industrial enterprises in the countryside. Yet, the urban workers still make more than four times as much as their rural counterparts. For an actual narrowing of income gaps to occur, the rural workers would have to increase their incomes at a percentage rate at least five times greater than their urban counterparts.

In the long run, Mao hoped that the development of industry would draw people out of agriculture. Between 1949 and 1970, the industrial proletariat expanded its size by three and one half times. Footnote  
However, recent wage increases of as much as 40% in one year for low rung urban workers only serve to attract people to the cities and increase unemployment and the necessary coercion to keep the peasants out of the cities. Under Mao, urban workers faced a real decline in income and "draconian means" were used to solve the unemployment problem—the countryside movement. Rural incomes rose, especially with the Maoist approach of implanting rural industries, and countryside movement youth from the cities lightened the work load. One might say that this resulted in underemployment, but Marxists find this preferable to unemployment for urban people and greater work burdens for peasants.

Fox Butterfield has some things to say about income differentials. Butterfield, whose book *China: Alive in the Bitter Sea* is named after a saying of bitterness for the Cultural Revolution, has unwittingly aided the Maoist cause. He recognizes how difficult it is actually to equalize incomes.

In the cities, the state provides free  
education, medical care, old-age pensions, and  
low-cost housing. By government count, its  
subsidies for these services total \$351 a year  
for every urban resident, more than doubling  
city income. In the countryside the Communists  
have established a widespread network of schools and

clinics; but unlike the cities, the local teams and  
brigades have been left largely to pay for them out of  
their own slender earnings. Footnote

Indeed, Chinese officials admit that as a result of decollectivization between 1979 and 1984 the portion of the rural population covered by the collective medical system was cut by one-half—from 80 or 90% to 40 or 45%. Footnote In late 1984, the regime was claiming to make efforts to eliminate state subsidies to urban areas as part of making the economy more competitive. One wonders how much welfare cuts will be translated into bonuses and salary raises for urban workers.

Butterfield also provides the Maoists other important ammunition. For example, he assures the reader that real wages in the cities fell from 1965 until Deng took power. Footnote Thus, the urban/rural division decreased since agricultural income increased in the same period, if only very slowly. Footnote Meanwhile, the industrial base was expanding at 11 or 12% a year thus opening new industrial jobs at a rate of 10% a year from 1950 to 1966. Footnote Ultimately, industrial expansion and the eventual mechanization of agriculture was the Maoist strategy for eliminating the urban/rural division of labor.

This aspect of the Maoist strategy of development is little understood and rarely does one find a critic of Maoist policy who will address it. When Mao said that mechanization was “the only way out” for the peasantry, he was specifically criticizing development strategies with unrealistic assumptions about land and labor productivity. Many critics of Maoist policy find it unfortunate that the Maoists restricted rural markets as a source of peasant income. Typical of this line of reasoning is Pat Howard, who cited the peasant complaint that they were “roped together to live a poor life.” Footnote Howard also points to evidence that per capita agricultural production in key areas declined from 1956 to 1977 and that a majority of middle peasants never regained their precollectivization levels of income under Mao. Footnote Yet, the Maoists did not expect that there could be continual gains in agricultural productivity, unless of course one were thinking of the kind of efficiency that would increase the more landless peasants were created. Rather the Maoists assumed a certain stagnation in agriculture that could only change one of two ways—with mechanization and the obsolescence of agriculture itself with the growth of industry in the countryside or with capitalist attempts to squeeze more out of agriculture with the resulting class polarization, including landlessness and unemployment.

Of course, the Maoists were aware that it was possible to drive a fraction of the peasants off the land to crowd the cities with slums and surplus labor. Although younger economists in China today freely advocate this classic Third World underdevelopment pattern, it was not an option before 1976.

Now, with the trend of power to the experts, mechanization is occurring as a process alien to most peasants and Mao’s “way out” is increasingly unlikely: “Tractor stations will be set up by the state to serve the communes and brigades in return for reasonable expense fees.” Footnote William Hinton reports that operators of farm tractors make large profits. Footnote Furthermore, Butterfield collected evidence that the peasants recently started to bear ever greater costs in industrial inputs.

In Hebei province, near Peking, an American  
scholar who was permitted to live on a commune there,  
Steve Butler, found that the ratio of peasants’ costs  
to their gross income jumped from 25 to 30 percent in  
the early 1970s to 50 percent by 1980. “The cities are  
ripping off the countryside,” Butler remarked. Farming  
costs have become so high, he estimated, that the

peasants may actually get a negative return on their collectively planted grain crop. The key to their survival is in private sideline production where they can plant other crops or do other jobs with a good return on capital. Footnote

Establishment journalist Butterfield almost successfully proved that the cities are exploiting the peasants and that more private agriculture is one of the results.

Since Butler made his observations, however, things have changed dramatically. First, the effort to stimulate agriculture since 1979 has resulted in what is probably an unprecedented closing of the scissors—an increase of agricultural prices relative to prices of industrial products needed in agriculture. Footnote Nonetheless, it is true that the CCP has allowed peasants to escape into a private agriculture in order to make up for deficiencies of state and collective investment. The push of dilapidated collective production and the pull of increased market prices for agricultural produce has caused a focussing of initiative in the private sector.

It is important to realize that private plots of land alone are not the “key” to survival, however. The return to capitalism in China has not been quite that straightforward. Private plots only expanded from 5% of the land to 15% of the land in 1979. Footnote One peasant in Taiyun farms a huge farm by Chinese standards of over 100 acres with hired labor. Footnote In some places, up to 40% of income comes from the private plots, but the average is still about 20%. Footnote Despite a growing middle class, more frequent landlessness and an occasional landlord, the private plots are not “key” to “survival,” at least not yet. Admittedly, the distinction between private plots and family farming of plots leased out for 15 years is small, but it is still of some concern to the peasants and foreign analysts.

So-called sidelines include many business activities in the countryside that belong in the private sector and often take advantage of collective property in one way or another. For example, livestock raising by individual peasants can interfere with the collective economy to the extent that the animals are allowed to trample crops, eat food they shouldn’t etc. “Surveys show that in the poor teams (namely, 16 per cent of the nation’s production teams in 1979), where the per-capita income derived from the collective economy was less than 40 yuan a year, the peasants’ earnings from domestic sidelines surpassed their income from the collective economy almost without exception.” Footnote

Under Mao, China stressed “grain as the key link” in agriculture and downplayed sidelines, which tended to divert peasants from grain production toward one non-grain speciality or another. Since the death of Mao, the so-called reformers have attacked this as a dogmatic formulation which suppresses the initiative of peasants and prevents the development of a diversified economy. Footnote

Some Westerners have said that the Maoist policy is at best rational with certain military assumptions since it stresses the food self-sufficiency of each locality. In case of a land invasion, each locality will have its own grain and not have to depend on other areas, which are possibly under foreign occupation, for life-sustaining food. Particularly in the 1960s and early 1970s when the Soviet Union and China had border clashes and when U.S. troops menaced China from their positions in Vietnam, it was not unreasonable to prepare each locality for self-sufficient guerrilla warfare.

Nonetheless, in addition to the military situation, there are other reasons why Mao’s stress on grain production was economically rational. First, grain provides the peasants with 80% of both their caloric and protein intake. Thus, when the initial move to liberate sidelines occurred in 1980, there was some famine that happened in areas of Hubei and Hebei provinces. Footnote

Although the Chinese government itself provided substantial aid to both provinces totalling \$140 million dollars and including 150,000 tons of grain, it took the unprecedented step of asking for international aid. China claimed it urgently needed seven months' supply of food for an estimated total 20 millions persons and United Nations observers noted that about 500,000 tons of rice and 75,000 tons of soybean were needed to feed 6 million persons through to the next harvest in Hubei and a million tons of grain in Hebei province. Footnote

While the Maoists certainly could not deny the advantages of a diversified economy, the question was how to diversify that economy. By giving an individual peasant the right to specialize, the state generates several economic problems. One is that specialization implies trade and a need for transport. While it may appear economically rational to allow peasants to earn as much income as possible this assumption is invalid for several reasons. One is that a necessary and connected assumption is that the price structure is rational. Certain non-grain commodities may indeed have high prices as a means to discourage their consumption, not because the state intends to encourage their production.

Secondly, if China did have a 100% free market economy, it is still a questionable use of resources to engage in time and transport-consuming long-distance trade. That is to say that the invisible hand does not know the actual needs of the peasantry.

While it will never be possible for the Chinese economy or any other economy to become a 100% free market economy, especially in the areas of energy and transport, it has been possible to license peasants to take advantage of a price structure not intended for a free market. Hence, some peasants have become rich, basically at the expense of the state and other peasants because of their luck vis-a-vis the price structure—in aquatic products for example.

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Price structure	1950 = 100	
Item	1978	1985
General	217.4	362.9
Grain	258.9	522.2
Cotton	188.0	230.3
Fresh vegetables	172.2	333.0
Livestock for slaughter	200.2	328.1
Dried and fresh fruits	205.1	384.4
Aquatic products	182.6	506.3

Means of agricultural

production Footnote

100.1

123.7

State Statistical Yearbook 1986 "Purchasing Price Indexes of Farm and Sideline Products by Category of Commodities," p. 544, 546.

Butterfield gives a perfectly credible picture of income inequalities in recent China. He claims that peasant communes range in income per capita from \$10 to \$540 a year. The inference he draws is that "there is not one vast uniform countryside, rural China, but a wildly variant patchwork pattern of emerging prosperity and continued poverty." Footnote

Moreover, unconsciously Butterfield points to the compromise of China's national independence since 1976. "Grain imports climbed upward throughout the late 1970s and in 1980 reached an all-time record of 13.7 million tons. Almost all the imported grain was funneled into the cities." Footnote Admittedly, it is in the interest of the worker-peasant alliance that the cities bear the cost of feeding themselves so that the peasants may keep what they produce. The problem is that despite supposed emphasis on agriculture and light industry and bumper crops, the regime imports both grain and manufactured goods. The record grain imports can only be justified as an opening to foreign competition or a belief in the comparative advantage game that has seen so many developing countries become cash-crop exporters.

Since 1980, China has become a net-grain exporter, but as the short-term gains of short-sighted material incentives run out, new trends in the Chinese economy are beginning to appear. According to the Chinese government total grain production declined after it abolished the quota and offered purchasing contracts instead to peasants in 1985. Since then officials have considered and occasionally implemented compulsory grain delivery, but seem to have preferred to increase material incentives for grain production, which has not recovered to its 1984 level yet. Footnote Furthermore, according to William Hinton, yields may also be going down. Footnote Even in model Wuxi County, grain output has declined from 615,000 tons in 1978 to 489,000 tons in 1987—only 13% more than grain production in 1970. Footnote

One last source of problems in the countryside is regionalism. It is "increasingly difficult to effect resource transfers across administrative boundaries." Footnote The contention involved in property relations between the cities and countryside and between the locality and the central government make state efforts for equality less likely and more difficult. For military preparation for invasion and as a spur to mass-mobilization, the Cultural Revolution saw a great measure of self-reliance in the rural localities. It is true that this probably resulted in a decrease in government appropriations across provincial borders. However, the current regime neither claims to be preparing for People's War against the Soviet Union or American imperialists in Vietnam nor to be encouraging the mass-mobilization that went along with local self-reliance and initiative.

## SAMIR AMIN'S STATIST MODE OF APPROPRIATION

In his book *The Future of Maoism*, Amin outlines what he calls a statist mode of appropriation that has affinities to state capitalist appropriation. For example, he sees Cuba as a dependent statist country. In statist countries, the state turns from socialism to appropriation for the middle class. Footnote This is very interesting for several reasons. One of the first shifts after the arrest of the Gang of Four was the shift towards the technocratic elite. This elite increased its prestige, income and aloofness dramatically even before the major so-called reforms of 1979 came into place.

Amin's statist mode is meant to apply to the Soviet Union. By his model, the masses receive one-third of all income; private strata receive one-third of the income and the military and administration do one-third of the consumption. Footnote

Although his economic models are interesting in their own right, Amin has turned out to be historically incorrect. He believed that the "centrist position will ultimately prevail" in China. Footnote By centrist he meant what he saw as the coherent position of Hua and Zhou. He definitely considered Deng and Liu to be on the right and he added a further category of revolutionary for Mao and the Four. Footnote Basically, Amin thought China would stake out a middle course and remain what he would consider socialist with a few Yugoslavia type reforms and other innovations drawing from the revolutionary left and the right. Footnote Consequently, Amin did not see that the "statist" economic outcomes should have been expected in China's case.

Having based his own legitimacy on the Four Modernizations and programs for the people's consumption, Hua lost out to Deng. The heavy industry bourgeoisie, which supposedly backed Hua, has great power, but Deng leads the bourgeoisie with the help of the consumerist torrent unleashed by Hua.

With no fundamental disagreements with the pragmatists and with generals forcing his hand from the beginning, Hua started "The Great Leap Backward," which is what Charles Bettelheim was able to write on March 3rd, 1978, several months before the "whatever faction" was finally discarded by the pragmatists. Since Hua is still in the ruling coalition, he or someone like him might again come to rule China when the concentration of capital is much more the order of the day and not the dismantling of socialism to build a reform coalition. Ironically, Amin's centrist coalition may have a future, but only in implementing Soviet style reforms.

Perhaps Amin was overly concerned with replying to bourgeois economists and vulgar Marxists who look at the Soviet Union's consumption levels and determine that the U.S.S.R. is socialist. The consumption-siders see no Rockefellers or Vanderbilts burning money or racing yachts, so they conclude there must be socialism in either or both China and the Soviet Union. The late Albert Szymanski, a sociologist opposed to the Maoist view of the Soviet Union asks the Maoists why the state capitalists in the Soviet Union do not consume more than they do if they really have power to appropriate the surplus of wage laborers. He then points to the consumption of the working class to show that the workers must have state power. (One might as well ask why the income of capitalists in the United States is not twice as high as it is. The capitalist class can only appropriate what it can get away with in class struggle.) Fox Butterfield dwells on the privilege of the CCP and the military elite. Amin answers these consumption-siders that the state controls production and the middle classes are doing the consuming. This of course leaves open the possibility of further development of a capitalist class and not just an occasional black market millionaire.

Empirically, Samir Amin failed to recognize the social revolution that has happened in China since 1976, did not grasp that China too is developing a middle class and saw his predictions quickly disproved by the post-Mao regime: "The 1982 statistics show that 2.4 per cent of peasants received less than 100 yuan, 24.4 per cent earned between 100 and 200 yuan; 37 per cent between 200 and 300 yuan, 29.5 per cent between 300 and 500 yuan and 6.7 per cent over 500 yuan." Some peasant families even make over 100,000 yuan. Footnote

According to the State Statistics Bureau in China, inequality among Chinese farmers has been on the rise. Declining only in 1982, the gini coefficient has risen every year since 1978 from 0.2124 to 0.2636 in 1985. Howard points to an income gap between rich and poor peasants that has grown to 200:1 and up to 10 or 20:1 within villages. Of course, the CCP defends this rise in inequality as necessary to attack egalitarianism and short of class polarization which would entail the ownership of a large portion of the means of production by a small group of the rich. Footnote

Amin was overly optimistic about China. He overestimated the spontaneous capability and desire of the peasantry to wage a class struggle for socialism and against the family farming seen today: "Proposals of this nature [proposals that are now reality in China—ed.] would meet with ferocious resistance from the peasantry, which in itself would be enough to reverse them." Footnote Proposed and implemented in China before, today's agricultural policies were criticized as early as 1962 and condemned "as part of 'Liu Shaoqi's revisionist line'" during the Cultural Revolution. Footnote No doubt Amin was remembering this history when he stated his confidence in the Chinese peasants' desire for socialism. If Western observers ever had any doubt that Deng Xiaoping, as the number two ranking target of the Cultural Revolution, held the policy views attributed to him by the Maoists,

history has afforded the rare of pleasure of seeing what “the losers would have done.”

What has been seen is that at the very least, even a united peasantry can be repressed. More truthfully, family-farming has proved quite popular. Footnote In the words of David Zweig, who has gone to China to find out what social groups supported the agricultural reforms, “in essence we are witnessing the unbridled pursuit of peasant political and economic interest.” Footnote

In addition to repression of radical peasants and the rewarding of peasants who work on their own plots is the new political atmosphere that the CCP gave to the peasants. “The first circular [Central Committee] showed them [peasants] the road to getting rich. The second in 1983 led them down this road and the latest will dispel their misgivings about getting rich.” Footnote The CCP has not been able to convince all the peasants to get rich, but there is certainly a section that has already tried and succeeded.

The collective nature of agriculture has been reversed—sometimes by force, but usually with great enthusiasm by a substantial section of the peasantry that wants nothing more than a private plot. Dazhai has been repudiated. Trees are under private care. Markets have been reopened and expanded. Footnote Under the new “system of responsibility of production” in agriculture, contracts are made between team leaders and team members. Team leaders sometimes play the role of the petty- bourgeoisie in production. They are responsible for contracts to the state, where the real state capitalist appropriators reside. In 20% of China’s production teams by late 1980, quotas were simply assigned directly to the family. Footnote A conference in August 1981 found that 45% of China’s farming teams had household farming. Footnote By 1982, 90% of all production teams used the household responsibility system. Footnote In 1983, household farming received official sanction for universal implementation. 1984 saw the government promise to allow the existing division of land stand for at least 15 years. Footnote This along with leases for longer periods of time in some areas is perhaps most significant in the creation of a permanent constituency for this arrangement of production. Having official favor as a trend, the family quota method has spread into variations that include some management or tools taken from the team. Footnote

Before family-farming became practically universal, the methods of remuneration that were supposed to be by lines other than the family method often broke down into the popular but as-yet unsanctioned family method. The method of work quotas determined by the team management was snuffed out because team managers, not being state capitalists, were too egalitarian in assigning work quotas and remuneration. Footnote The two other main forms of the responsibility system are remuneration by line of work and contracting to non-family producer units. Remuneration by line of work presumes a division of labor and agricultural diversification. The team contracts by skill or product to subunits. Needless to say, this encourages an increase in the division of labor and makes it all the more possible for class polarization to occur as some peasants go into more profitable occupations, perhaps cotton or tobacco. Furthermore, by this method the team “signs a contract with a group of team members, a family, or an individual for the accomplishment of a certain job, depending on the special skills of the group, the family, or the individual.” Footnote This method often breaks down to the family level.

The remaining method of agricultural “responsibility” also tends to break down into the remuneration by line or family method.

But as production teams in these areas  
gradually build up a diversified economy, it  
is highly probable that they too will begin to  
contract jobs to producers along the lines of  
specialization . . . On the other hand,  
producers are based in individual families,  
and this is still true in China’s countryside

today. Thus contracting jobs to producers  
 often means, in effect, contracting them to  
 individual families or households. Footnote

All these means of twisting official policy into family farming evolved out of the genuinely popular nature of family farming. The historic Central Committee meetings of 1979 which ushered in faster reform explicitly prohibited household contracting “except for certain sideline occupations with special needs and single isolated households living in remote mountainous areas lacking convenient transportation links.” Footnote

Howard depicts what she should call a social revolutionary process this way:

One can only agree with two People’s Daily reporters who  
 described the communication dynamic involved in the  
 evolution of this policy as “the bottom level pushes the upper  
 level and the masses push the cadres” (July 2, 1981: 5). But one  
 would also have to conclude that the peasants got more than a  
 little help from certain leaders at the very top of the party and  
 the provinces. In general, central policy statements have  
 represented not policy initiatives so much as policy responses  
 to initiatives taken by peasants and local leaders. Footnote

Within the eventually successful trend to family farming and remuneration, the trend towards “total responsibility” has also been victorious. It is essentially private farming except that the land can not be sold. The land is divided up and the state taxes the product and requires minimal sales to the market. Footnote The word “responsibility” is much bandied about these days as a reaction to the supposedly terrible and anarchious Cultural Revolution years.

Collective agriculture is broken. Families and specialists are allowed to go their way with new “flexibility.” Not only does this mean a new middle class, but also, with China’s backward traditions, a reinforced patriarchy. Women who had the support of others and high visibility in collective work lose that support and atmosphere when work is returned to the family. Sexist traditions can thrive in the household free from public scrutiny. The potential for recognition of women is lost when output and income depend on the family rather than collective female or individual female efforts in the community.

Another impact of the new quasi-private farming is in production itself. Both an economist and a doyen of China field researchers—William Hinton— Footnote have noted that family farming undercuts those aspects of production where large collective efforts are necessary—mechanization, irrigation and flood control.

The extra-budgetary housing boom in China occasioned by the reforms is certainly overdue, but it has had a haphazard quality in that it has occurred at the expense of arable land.

During the period of the Sixth Five-Year Plan (1981-85),  
 available arable land shrunk by an average of about 470,000  
 hectares a year. In the past two years, it dropped further by a

total of 670,000 hectares. Thus it has been difficult to increase

the sown acreages of both grain and cash crops. Footnote

Officials were alarmed enough to pass a law in 1982 against putting graves and houses on arable land. Footnote

With decollectivization and the division of the land, plots are smaller and take on a patch work look. Tractor ploughing becomes impractical. Since 1979, a major year for the so-called reforms, the total area of land ploughed by mechanical means has decreased from 4,221.9x10<sup>4</sup> hectares to 3,444.2x10<sup>4</sup> hectares in 1985. Footnote Official figures concerning the increase in energy used by mechanical tools in agriculture and the number of tractors available actually point to an irrational use of such machinery for transport, not mechanical ploughing according to William Hinton. Footnote

In addition to evidence collected directly in the field by Hinton, there is statistical evidence on a national level that collective efforts to avert flood catastrophes have suffered, now that family farming seems to undercut the incentive of peasants to work together on large projects like irrigation and dams. Natural disasters in 1985 were nearly twice as likely to result in a production loss of 30% or more than in 1976. Out of the 17 years for which there is data offered publicly, the four years that showed the greatest resilience of the Chinese in the face of natural disaster were 1970, 1975, 1976 and 1977. That includes all three years from the Cultural Revolution for which there were data. Footnote

Comment	Proportion of disaster affected land that lost 30% or more of production (%)
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1952	54.1
1957	51.4
1962	44.8
1965	53.9
1970	33.1
1975	28.9
1976—Mao dies; Gang of Four arrested	26.9
1977	29.1
1978	42.9
1979—price increase for farm products	38.4
1980—household sidelines double since '76	50.1
1981—household equals collective income	47.1
1982—90% family farming	48.7
1983	46.7
1984—Household income 8 times collective	47.9
1985	51.2

Source: State Statistical Bureau, China 1986, Statistical Yearbook of China 1986, Hong Kong: Economic Information and Agency.

In 1988, the natural disasters were bad enough for the China Daily to report that 20 million peasants faced the prospect of starvation. Footnote

Partly as a result of the capitalist anarchy of production to be discussed in a later section, investment in agricultural infrastructure has actually declined despite recent sloganeering critical of the Maoist period for stressing heavy industrial development too much.

State investment in the agricultural infrastructure has dropped to 3.4 percent of the country's total capital construction

investment in recent years, compared with an average of 11.9 percent during the 29 years from 1950 to 1979. As a result, water conservancy facilities remained in disrepair and the country's total irrigated farmland shrunk by 660,000 hectares between 1980 and 1986. Footnote

Pat Howard witnessed how reservoirs in Inner Mongolia had become empty from neglect and heard about peasants who fought over irrigation since there was no longer a collective effort to control irrigation. On the whole, water conservation efforts saw a 70 to 80% decline in investment in some provinces. This kind of phenomenon led Howard and William Parish to carefully credit pre-reform infrastructural development for making breakthroughs in production in the '80s possible. Footnote

For their part, three analysts of Chinese agriculture conclude that the 1979 reforms included a nice price lift for peasants, but still "farming does not pay" Footnote in the words of one of the analysts in William Parish's collection on rural reform. According to Nicholas Lardy, despite the reforms, the government has yet to really do anything about unfavorable terms of trade between urban and rural areas. Perhaps the household farming system is nothing but a "cheap fix" since the proportion of government investment in agriculture has declined. For his part, Thomas B. Wiens doubts whether reforms are permanent and whether the impetus to agriculture is enough to put more food on the table. Footnote Although these three authors are encouraged by the rural reforms, they make it clear that the problems of rural agriculture are large even in comparison to the change in property relations instigated in the reform. The larger question of investment and development priorities simply can not be avoided.

In fairness, the government of China does have an answer to the problem of infrastructure development—taxes. Footnote In reform model Wuxi County of Jiangsu Province,

the county government stipulates that every profitable rural enterprise should hand in 120 yuan per worker each year to fund agricultural construction. This brings in 30-40 million yuan a year, which is used to build farmland irrigation systems, promote the technological upgrading of agriculture, develop mechanization and subsidize farmers engaged in agricultural production. Footnote

Half of Wuxi's income taxes go to agricultural development also. The rates are "1-2 percent from farmers; 3-5 percent from workers and 5-8 percent from private businessmen." In addition, the county requires 10 to 15 days of voluntary labor per year from farmers turned workers. Footnote Thus, these measures in Wuxi County are apparently effective and designed with an eye toward equality, especially between the countryside and urban areas. Nonetheless, should the success of Wuxi County be as great as claimed, it would not indicate the success of capitalism but the seeds of socialist planning within capitalism.

The success of such planning is also politically contingent. It is well-known that the development of taxes in the West has induced political resistance and the organization of powerful interests to resist and restructure taxes in a regressive or narrow-minded fashion. Footnote Already China has encountered widespread tax evasion. With the concentration of land "in the hands of skilled farmers" Footnote that is occurring in Wuxi along with the development of industry, one would do well to wonder what political coalition of forces will continue to support the implementation of taxes in Wuxi. In any case, Wuxi is still the exception, not the rule, as statistics on agriculture's relative share of investment bear out.

The more the division of labor is accentuated with individualist farming, the greater market pressures will become. Families will have to trade more and more for their needs. This in turn is a tremendous material basis for a greater division of labor and a return to the sale of land.

In fact in addition to illegal sales of land, Footnote there are now legal sales of the use-rights to land. The CCP has sanctioned both the marketization of the product of the land and the potential of the land. It remains to be seen from field research what the actual difference is between family and private farming in the year 1988. Footnote

By 1986, migratory tenant farming had already started its comeback. Over 200,000 peasants went to the Pearl River Delta in Guangdong, sometimes living in shacks with their families. Footnote

What is the CCP's bottom line on the emerging middle class in the peasantry, the increasing absolute gap between town and country, bonuses for production over quota, markets and patriarchy? "So long as public ownership is maintained, there can be no violation of socialist principles." Footnote

When peasants in one village secretly divided up the land in their enthusiasm for family farming, the commune party secretary objected. Wan Li, the provincial party secretary overruled the commune party: "No matter what methods they adopt, as long as they help the team increase agricultural production, make more contributions to the state, accumulate more funds for the collective, and gain more income for the peasants, they are good methods." Footnote

In other words, anything in the economy is all right if it increases production under public ownership. No wonder in Shanxi Province, the Communist Party has sanctioned the concentration of land ownership in some peasant hands and the corresponding landlessness of other peasants. Footnote

In China, appropriation of wage labor is all right as long as it is done publicly—statist appropriation. However, to call China statist is inadequate for two reasons. One is the fact that China seems to be going beyond the statist mode with its plans for a market economy and maybe full-fledged competitive capitalism. "Statist" is a good answer to the bourgeois academics and vulgar Marxists who start their analysis in consumption and exchange. However, Amin's analysis does not take adequate account of the anarchy of production. In other words, as shall be seen later, no one need consume the surplus if that surplus is totally wasted through needless competition for profit or desperate plans for Western-style modernization.

Concretely, a hint of the anarchy of production under state capitalism can be seen in the example of the Baoshan steel complex. The mills, imported from Japan, West Germany and of course, the United States, were supposed to put out 6.7 million tons of steel per year with Western style levels of technology. This project was China's largest ever. Footnote In fact, with projects like these the capitalist drive to accumulate proved so strong that this very project was temporarily suspended with budget cuts in 1980 and 1981 because investment was "out of control."

Maybe poor planning accounts for the swampiness of the grounds where 300,000 tons of steel were driven into the ground, sometimes out of sight. Maybe poor planning was also responsible for the fact that the Yangtze river was not big enough for the job, so that a new port 130 miles away had to be built. Nonetheless, the scale of the project and the infatuation with wholesale grafting of Western industry would have been foreign to Mao. Institutionally speaking, Mao understood the real difficulties of undertaking such projects—problems of getting experts to work, problems of applying foreign technology and the problem of taking resources away from the masses who need to raise their own level in regard to financial and technical matters.

“Poor planning” is like the argument “incorrect prices.” Each assumes that bureaucrats can be convinced of their errors. In reality, this persuasion involves political struggle within institutional constraints. Either there is a struggle to free the market and dispense with bureaucrats—a struggle that can never completely succeed—or there is a political struggle to overthrow the vested interests that make bureaucracy necessary.

Baoshan is a symbol of a faction of the Chinese state capitalist class. It embodies both the idea of bigger, faster and better and the attempt to compete in the international capitalist arena. The colossal anarchy of production seen in Baoshan is reminiscent of the Soviet Union. Amin should have labelled his centrists as a faction of the state capitalist class.

In conclusion, capitalist land tenure patterns have been restored and implemented for the first time in some parts of China. Although the market predominates in agricultural production, this has not meant a rational allocation of resources. In the short run, capitalism has brought many incentives to increase production. Internally, agriculture is expanding, but counter-trends are already surfacing in the decline of mechanization, irrigation and arable land brought on by the capitalist social revolution itself. Damaged by the anarchy of production outside of agriculture, especially in energy, chemicals and transport, agriculture is also subject to the new political situation that underlies a decrease in agricultural investment. While it is possible for capitalist countries to enjoy long periods of economic growth, as the short run gains in agriculture run out, cyclical and anarchic forces will come more and more into the fore.

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The Political Economy of Counterrevolution in China: 1976-1988  
THE OWNERSHIP COUNTERREVOLUTION IN INDUSTRY

THE OWNERSHIP COUNTERREVOLUTION IN INDUSTRY

“The enterprises have acquired the ability to improve and develop themselves and manage to act as legal persons with certain rights and duties.” (He Wei, “The System of Socialist Public Ownership Should Have Various Forms,” Renmin Ribao, FBIS, 1/8/85, K17)

PROFIT IN COMMAND

State capitalism is more easily seen and apparent in the industrial sector than in the agricultural sector, if only because agriculture has a more individualistic character. Footnote Whereas the peasants are an incoherent group with widely differing interests, except in relationship to the state and urban areas, the local enterprise officials are a more readily identified group associated with the power of the post-1976 ruling coalition. If agriculture has been handed over to the private interests of peasants, industry has been wrested from the control of local producers by local officials, especially enterprise directors. Decentralization of power from central ministries to local officials in this case coincides with a decrease in worker control.

The state’s most important change in the class relations in the factories is the use of profit criteria

in industrial production. Indeed, the Chinese media is campaigning for the use of profit as an index. For example, one article proclaims the "Profit Rate of Capital is the Comprehensive Target of Assessing the Operation and Management of Enterprises." Footnote

The link of the profit motive to production is not just a matter of policy proclamation. Footnote A survey of 429 enterprises in 27 cities conducted by the China Economic System Reform Research Institute (CESRRI) found four empirical links between the new policy and production. First, the correlation of the increase in profit retention by the firm allowed by the state and the "increased rate of growth profits realized was 0.57" Footnote in 1984. Secondly, the correlation between increased profit retention and growth of per capita bonuses in the firm was 0.29. Thirdly, "the annual growth rates of product value and of profits" showed a correlation of  $r=0.3249$ . Fourthly, the correlation between profit and investment in fixed assets is 0.1373. All four correlations involving the influence of the state's allowing increased retention of profit with profit growth, bonus growth, product value growth and investment rates are statistically significant. Footnote

The management of the factory is now evaluated by the profit rate of the factory. This brings up the other most important change in China's economy—competition that is also openly advocated by the government. A management that does not squeeze profits out of the workers will be replaced through mergers, closings or appointments as will be seen later on.

The profitability criteria has been employed to obtain specific results. For instance, to encourage competition and innovation, the government allowed 100 pilot enterprises in 1978 to keep the profits that they obtained from the independent development of new technology or equipment for two years. Footnote Furthermore, the easiest way to obtain the money to reinvest in such new equipment and technology was to produce over quota where factories retained about 15% of their profits.

The original reforms were to allow this profit retention, especially for overquota production. This undoubtedly put the squeeze on management and the workers. The firms were ready for the next step.

The local enterprise directors in league with local party officials in search of taxable revenue struggled for and obtained a greater share of profit. This reinforced trends since the early 1970s to remove the central government from some of its responsibilities and liabilities. The vested interest of local party officials of obtaining price flexibility for their taxable enterprises also guaranteed that price competition would not be simple market competition. State monopoly capitalists rise above the fray to destroy the market that engendered them.

## THE NEW PROFIT SHARING AND LOCAL INTERESTS

When the pilot projects in Sichuan were spread across the country in 1979, the profit retention system was used. Now, China has moved into taxes instead of profit retention, which was in place in 80% of state enterprises by 1982. Footnote Although it is difficult to document the actual struggle that must have been going on between factories and the Center there have been some revealing statements as to why the tax system has been adopted. With taxes, officials hope to eliminate "the jockeying to seize and misappropriate a part of the profits." Footnote The CESRRI survey of 429 enterprises shows that "in 1984 alone, enterprises were able through 'negotiations' with these higher-ups" to raise their share of retained profits "from 19.36 percent to 21.59 percent." Footnote They also managed to increase the share of retained profits disbursed as bonuses "from 25.43 percent to 36.70 percent." Footnote

Apparently, the Center believes the local state capitalists will find a tax fair if they retain a greater share of the profits. Also, the tax system is reasoned to be less egalitarian and more in line with the recent outlook on incentives. Footnote The tax system will give the strong enterprises an added edge. Under the initial reforms, and to the extent they were abided by, profits retained were too small to affect the competition amongst firms. Now the big firms will keep a large portion of their large profits and small firms will keep a large part of their small profits. This absolute advantage for

size will tend to speed up the process of concentration of capital under the heads of managers who can drive the enterprise for profit. It supposedly helps in technical innovation as well for firms to have the ability to make large investments. Finally, the Center believes that the tax system will actually increase state revenue as enterprises perform better with the new incentives. Footnote

The state's share of GNP had reached an all-time low of 25.5% in 1982, down from 37.2% in 1978. Footnote The state's share of GNP continued to hover around 25% in 1983 and 1984. Footnote In 1983, industrial taxes collected increased 6.2%, but industrial production was up 10.2%. Footnote By 1984, the institutional struggle between local and central state capitalists had turned slightly to the Center's favor. "The profits and tax payments contributed by the industrial enterprises included in the budget have increased by 11.6 percent over the corresponding period of last year, exceeding the 10.5 percent growth rate of the total output value of industry calculated on the same base." Footnote Moreover, according to Susan Shirk, the Finance Ministry will not stand for deficits or inflation in the coming reforms. Footnote Overall though, lest anyone think the marketization phase ended in 1984, the Central Committee did pronounce once again in October, 1984 that industrial reform would proceed.

The share of the profit going to the central government, enterprise and individual is stated in the slogan "big, medium-sized and small slices." The tax ensures that the "state will be able to get the biggest slice of the newly increased net income." Footnote The same article accounts for the "failure of the state to get the biggest slice of the increase in profits because, if it raises the profit targets, the enterprises will take action to protect the interests that they are already entitled to." Footnote An example of how the new commodity relations and opening for the Law of Value is expressed in everyday life is offered by a Mr. Ma Shengli of a paper factory in the city of Shijiazhuang:

"The State handed down [1984—ed.] a profit target of only  
170,000. Low enough, you'd think, but still the factory  
wouldn't accept it. Back and forth we argued, insisting they  
lower it to 140,000; one thing for which there's never a  
shortage of verve, I tell you, is the haggling you engage  
in with the State!" Footnote

Implied in these last two paragraphs about the new property relations is that there was considerable ambiguity and flexibility in the profit-retention scheme of previous years that allowed enterprises to retain more profits than they should have according to state regulations. Whereas the reform started out with a profit-retention system of 2 or 3% of over quota production profits, as of March 1983 the tax rate on profits left most enterprises 45%. Footnote Given the incentive to hide taxable income and the weak position of the central government in this centrifugal phase, the figure actually might be higher. Reform showpiece No. 1 Cotton Mill of Sichuan appears to have evaded 2.4 million yuan worth of taxes. The tax evasion turned up in one national investigation totalled 1.3 billion yuan. Footnote As in the case of the turn to family farming, the turn to profit retention by the enterprises and bonus disbursement enjoyed spontaneous support at the grassroots level.

The new tax system is the most important part of the deal that Deng made with industrial state capitalists to join the so-called reform coalition. The bounty of the tax system will extend the state capitalist class to include party officials and factory directors who dispose of the after-tax profits. The state capitalist class will gradually remove managers influenced by Mao. Only the very best exploiters will remain thanks to the government's closing and merging of firms that fail to make profits.

## BARRIERS TO COMPETITION: LOCAL PARTY OFFICIALS AND INFLATION

Local party officials are central to understanding the impact of the so-called reforms on competition and the intensifying anarchy of production. Henan Province gets 30% of its revenue from cigarette production. Footnote Understandably, Henan officials are not anxious to allow outside competition or central government takeovers or shutdowns of cigarette plants. In Shanghai, which is China's largest and most successful industrial city, local party officials have not been anxious to abandon a proven formula for success. A survey of 115 Shanghai factories in 1985 showed that only 15% of the factories had implemented Deng Xiaoping's reform giving state enterprises autonomy and responsibility for themselves. Footnote Christine Wong has pointed out that there is neither plan nor market in China because local officials erect protectionist barriers. These barriers prevent the market from doing all the wondrous things it does in economics classrooms.

Small plants enjoy flexible prices with the consent of local officials. Local officials also have increasing control over allocation. By 1982 they controlled 49% of total coal production, 47% of steel production, 43% of lumber and 75% of cement. These figures all exceed their counterparts for 1965 and 1980. Footnote

With profit in command, price competition causes misallocation. Taxes on cigarettes and wine amounted to 40 to 60% before the reforms. Then local officials wrested tax exemptions from the central government. Now the local cigarette and wine enterprises pay the taxes to local officials. Footnote It is little wonder that a liaison between local officials and enterprise directors has developed thereby bringing about unprecedented production of these unhealthy goods.

Wine and cigarette production provides insight into the causes of the anarchy of production. "So many small [cigarette] plants had been set up in the tobacco-growing provinces of Henan, Shandong, Yunnan and Guizhou that the amount of tobacco shipped out of these provinces declined from 300,000 tons in 1978 to only 100,000 tons in 1980." Footnote "In the wine-making industry, a 1980 survey found over 12,000 distilleries had been added in 17 provinces during that year alone." Footnote Chinese economist Xue Muqiao, who is one of the handful of top leaders in the government, notes that every official supports his own factory against exports from other localities. Footnote Furthermore, with the restriction of export of tobacco, "large plants in Shanghai, Tianjin and elsewhere" operated "far below capacity." Footnote

None of this can be attributed to the Maoist economic strategy. First, with politics in command, wine and cigarette production was not a priority. Secondly, there was no profit motive and no government mechanism to enforce "survival of the fittest." Thirdly, property relations between the central and local government were combatted, not overlooked. Democratic centralism did not encourage "every man for himself" and there was no profit retained by the enterprise or individual workers to dispute. Finally, where there were allocation problems, the Center had the ability to intervene where the initiative of the masses was not enough. In 1958, the number of commodities under central control was reduced by 75%. Footnote However, because the government was not a coalition of contending property interests, it was able to restore central control at "the 1957 level by 1963." Footnote The Maoists had allocative flexibility—options that as will be seen in the section on anarchy of production can never be regained by the post-Mao leaders.

Up through the mid-eighties, planning was supposed to play the main role in the economy and the market the supplementary one, so "conservative" bureaucrats seemed justified in taking over firms when competition had taken its course. Cigarette production was taken over by the central government in 1982. Footnote The state capitalists must undercut their own efforts to set up a perfect market. Cut-throat price competition results in anarchy, which brings about so-called imperfect competition.

Inflation also forces the state monopoly capitalists to destroy the market. The Center wants "fiercer competition on the market," which reputedly compels "enterprises to work harder to improve quality, increase the variety of products and reduce costs," Footnote but the coup's legitimacy stemming from promises to raise living standards is undercut by inflation. Already officials have to assure the public that inflation, which only started with post-Mao reforms, is not going to be of the runaway kind that existed before Liberation. According to the CCP, inflation was running at 7.3% in 1987. Running at over 20% in 1988, inflation according to Prime Minister Li Peng has become the state's top priority. Li Peng, who China-watchers are saying is benefitting at the expense of Zhao Ziyang because of inflation, says price controls are not desirable. Apparently the CCP is studying the

idea of using more subsidies to consumers. Footnote

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Year	"General indexes of retail prices"
	"Preceding year = 100"
1966	99.7
1967	99.3
1968	100.1
1969	98.9
1970	99.8
1971	99.3
1972	99.8
1973	100.6
1974	100.5
1975	100.2
1976	100.3
1977	102.0
1978	100.7
1979	102.0
1980	106.0
1981	102.4
1982	101.9
1983	101.5
1984	102.8
1985	108.8

Includes "list prices, negotiated prices and market prices"

Statistical Yearbook of China 1986, p. 535.

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Inflation has had a demonstrated ability to slow the onslaught of a faction of the CCP that wants a free market economy. In 1979, inflation was 15%. In 1980, it was somewhere between 15 and 30%. Footnote The inflation hit middle class goods including pork, beef, poultry and eggs at a rate of 30% in 1979 thus undercutting the effective demand of the recently strengthened middle classes. In 1980, foodstuff prices rose another 13.8%. Footnote Given the choice between price flexibility and damaging its political base, "the State Council, recognizing the seriousness of the

situation, issued an edict strictly limiting price increases.” Footnote According to coup apologist Victor Lippit, “the effect of this was, however, was to limit the flexibility and decentralization that economic reform was intended to bring.” Footnote Thus, inflation is one manifestation of capitalist crisis that the Chinese leadership has on occasion preferred to suppress by choosing dislocations in the economy instead.

Although it is tempting to sensationalize the problem of inflation in China, it is still a limited problem. A July, 1985 CESRRI survey found that 46.5% of urbanites thought the price reform caused their standard of living to go down, but 90% of those urbanites who believed their living standard was going down did not believe it was “going down greatly.” Footnote Only one in five city dwellers have experienced a decline in living standards thanks to inflation according to a more recent analysis. Footnote Inflation’s shock value comes from the fact that the Chinese people lived many years without inflation under Mao. It is also a political obstacle to the faction of the state capitalist class that would prefer an instant free market economy.

Inflation is also used politically to argue against easy money as the source of excess demand. It has become a saying that enterprises use their own money for employee welfare and borrowed bank funds for expansion. The CESRRI economists have detailed the ways in which they believe that bank lending has been too liberal. In response to these criticisms, The People’s Bank of China increased interest rates on September 1st, 1988 and it cited inflation as the reason. One year deposits now receive 8.64% interest, up from 7.2%. Eight year deposits receive 12.42%, up from 10.44%. Meanwhile, the bank increased the lending rate from 7.92% to 9% for one-year loans.

The existence of interest rates for loans to firms is in itself a very important mechanism to ensure economic competition in exchange-value terms—capitalist competition. With interest rates directing capital investment, political/use-value considerations take the back seat. Interest rates establish a certain minimum level of success in exchange-value terms that firms must achieve in order to obtain funds to expand and not generate losses. Like a sports official that sets qualifying times for competition, the state bank sees to the weeding out of weak competitors while giving other firms the chance to be on the top of the heap.

#### CENTRIPETAL FORCES: THE UNDERTOW OF THE CONCENTRATION OF STATE CAPITAL

If one examines the state capitalists’ methods of coercion of labor in industry, one sees that workers do not control production. In the first place the consolidation aspects of the reforms have served to reinforce hierarchy and to squeeze more labor out of labor-power. One might be surprised to know that despite intentions to decentralize the economy and eventually give the market a greater role, the CCP has followed its old dictum of “one step backward, two steps forward.”

The step backward is centralization that results in the formation of monopolistic trusts—trusts that some day may include entire ministries of the government. Indeed, the young CESRRI economists and social scientists, who are gung-ho for creating markets for capital, labor and everything in-between, oppose the scattering of investment that has occurred with the creation of the political coalition for capitalist reform. They complain incessantly about things like “one-kick” blast-furnaces, so-named because they are small enough to be knocked over with one kick. Western observers who used to link the interests of heavy industry with Hua Guofeng may be disturbed to find that the most liberal of economists support an increase of centralization of investment in heavy industry. Footnote Ironically, at least initially, the so-called reforms have implemented one part of the Maoist vision—the decentralization and spreading of industry into the countryside. Footnote

The consolidation there has been has occurred by efficiency or profit criteria. Institutionally speaking, this means that those firms that squeeze the most out of the workers, manipulate prices or get lucky vis-a-vis the price structure the most will win the struggle for survival, partly by making enough profits to justify paying interest on loans for expansion. Those that have the best rapport with the local government officials or are run by competent government officials will do best via price competition. Thus, given the institutions that fix prices in China and given the economic power of enterprises, especially larger ones, telling officials to pursue profit criteria is to tell them to obtain “distorted” prices from price-setting officials and to influence the administration of the supply of industrial inputs.

When profit is not in command, prices are still established through institutions, but there is no competition for survival, career success or expansion that exerts pressure on prices and allocation. Under Mao, profit was not the "nose of the ox." Footnote Furthermore, career opportunism was denounced; one's worth was determined by political and ideological criteria and the slogan was "fight self and revisionism" and "serve the people."

Today's slogan is "enrich yourselves." The new line is that "we should break with the convention of discriminating against businessmen and despising those who are good at doing business." Footnote A factory director under these conditions can only be expected to bribe price-setting officials; embezzle state funds; coerce the workers; cheat on taxes and otherwise fight to expand his/her firm. A successful factory director can take over other firms in mergers and eventually be hired by the state when it takes over the enterprise. Footnote A small enterprise becomes a large one as a small fish grows into a shark. "In 1980 over 5% of state enterprises underwent mergers or integration with others, and in 1981 even more were affected." Footnote By 1988, the CCP was admitting that mergers were done explicitly by exchange-value criteria and not for reasons having to do with direct social utility. For example, in Wuhan 27 factories "on the verge of bankruptcy. . . merged with local profitable enterprises." Footnote

The issue is not bad prices or bad planning. The issue is the power than can be exerted by officials and the structural compulsion to use that power in dog-eat-dog competition.

Rosalie Tung sums up this development.

To increase efficiency, the government has also decided to establish specialized companies. On the basis of statistics from twenty-eight provinces, municipalities, and autonomous regions, some 19,300 enterprises had been reorganized into 1,900 specialized companies or general plants by the end of 1980. Footnote

Tung goes on to explain the basis of this new efficiency in a newly merged Nanjing Radio Corporation that used to be thirty- eight separate units.

The corporation operates under unified management, but production is organized according to each member factory's speciality.

Major decisions are made by the board of directors in consultation with the factory director, deputy directors, chief engineer, and chief accountant of the respective member factories. Footnote

Tung has delineated the organization of the newly consolidated state run enterprises. The board of directors is at the top and the factory director is below.

The contention here is that the board of directors is definitely part of the state capitalist class

in China and that depending on local circumstances so is the factory director. A factory director who is a technician and still works in the factory as a technician is petty-bourgeois. An old revolutionary committee leader who now serves as something of a lower level manager is petty-bourgeois. Factory directors who are removed from production are part of the state capitalist class. They can be knocked down a peg in a merger if they have not been extracting surplus fast enough. It is a difficult issue to divide up the factory directors because China is in such a state of flux and reorganization and because China's class structure is becoming more hierarchical, layered and complex. Generally and increasingly though, the factory directors belong to the state capitalist class. Footnote

This is a good place to explain some of the rightist codewords for class struggle. "Unified management," has come to mean unity among managers and an end to supposedly anarchist mass-mobilization techniques. Local initiatives by the masses are brought together under state capitalist control.

"System of responsibility" means there is hierarchy that leads away from the masses. For instance, in the case of the Beijing Internal Combustion Factory, "since the reorganization, the factory director is no longer responsible for running the day-to-day activities of the factory. His primary responsibility is to study policies relating to production and management." Footnote Removed from production, this factory director is a member of the state capitalist class, who does not serve primarily as a technical professional.

"Vertical integration" and "consolidation" mean concentration of state capital. "In 1979 the government consolidated some 25,000 to 50,000 marginal enterprises into 970 specialized companies, each with decision-making powers to suit local requirements." Footnote

Perhaps the best example of the concentration of state capital is in cigarettes and wine where centrifugal forces associated with the post-Mao reforms resulted in tremendous wastage and duplication. The State Council had to shut down 183 cigarette plants that were off the state budget—as most investments are these days as will be explained in the section on the economic implications of the counterrevolution. Also, 60 were taken over by the state. In addition, to build any further wineries, one must have permission from the Light Industry Ministry. Footnote

Consolidation occurred even in the earlier years of so-called industrial reform. In 1981 over 1,000 factories were shut down for reasons of inefficiency. Footnote In 1985, a survey of factory directors shows that concentration of state capital is still the preferred way to go. 88% indicated willingness to belong to larger cooperative units. 54% expressed a desire to merge or start joint-ventures with other enterprises. Footnote

Hence, local officials do not always win in struggles for autonomy against other officials. With the new push for competition and profit, central authorities must resolve more conflicts amongst various parts of the government. Intelligence expert and professor Michel Oksenberg spoke to officials in China and discovered how lower level conflicts found their partisans at higher levels of government.

Large numbers of interagency and interprovincial disputes cascade upon the State Council. In fact, a major structural weakness of the Chinese bureaucracy is the inadequate means for resolving interagency disputes. The SPC [State Planning Commission] and State Economic Commission do act as filters. They are forced to become embroiled in disputes, according to my interview sources, because most interagency differences involve either efforts to alter the plan in midcourse or instances of nonfulfillment of, or non-

compliance with, the plan. Footnote

Oksenberg does not intend to lend fuel to the Marxist fire, rather to point out the organizational interests that result in a kind of pluralism in China.

An even stronger impression I gained was that each agency has its own sense of mission and purpose, or “organizational ideology.” On only a very few occasions did I leave an interview doubting that were it not for that agency, the Chinese economy would collapse, that this agency played an indispensable role in maintenance of the economy, be it setting prices, allocating labor, designing and approving capital construction projects, setting the budget, or making the plans. My interviewees were impressive in delineating the turf of their “system” nationwide. The boundaries tended to be expansive, intruding into other chains of command at lower levels. Footnote

The question that is left open is whether this kind of organizational turf-building has been constant in China or whether this is a recent phenomena created by so-called liberalization.

Susan Shirk argues that recent interagency conflicts are a product of the so-called reform:

The recent economic reforms have increased competition throughout China’s economy. Enterprises want to break into new domestic or international markets—and protect their old markets—in order to earn more profits and foreign exchange. Footnote

The evidence that she provides includes competition between the Ministry of Machine Building (MMB) and the Ministry of Light Industry (MLI). The MMB attacked the MLI’s monopoly on washing machine and refrigerator sales and won a share of that market. Competition like this has had results contrary to stated policy including the expansion of heavy industry at a faster rate than light industry and a blocking of foreign trade. Footnote

Perhaps in an effort to standardize procedures for settling intra-governmental conflicts, China has wrestled with a new bankruptcy law. The bankruptcy law has faced both leftist opposition and rightist opposition. On the left, there are those who point out that it means economic insecurity and unemployment for workers. On the right, some have argued that allowing bankruptcy to occur before full-fledged price reform would mean punishing some enterprises for a price structure that is irrational even in capitalist terms. Footnote

The bankruptcy law is the expression of the ruling class’s will that competition not occur strictly amongst government ministries, which fight to extend their turf through government decisions at the highest levels. The free market which quickly became the norm for agricultural production has also penetrated the industrial sector:

This process of liberalisation was in operation as early as 1980 when iron and steel enterprises sold 2.91 million tons of steel in the free market (11 per cent of national steel output). State enterprises under the First Ministry of Machine Building sold (in 1980) nearly 50 percent of its total output on the open market. Footnote

Since August of 1986, the Chinese government also allowed 28 state-owned enterprises to face the possibility of bankruptcy. Two actually went bankrupt and four are still on the "danger list." Footnote

In the countryside, where conditions come closer to the bourgeois free market ideal, over one million enterprises went bankrupt from the beginning of 1986 to February, 1988. That represents "about 7 percent of the rural ventures that have sprung up in the past nine years." Footnote

One last point about so-called consolidation is that the term is used to refer to labor discipline, as in the case of 185 factories in Jiangsu Province.

The rate of attendance has generally exceeded 95 percent, a rise of 2-3 percent compared with the period before the consolidation; the utilization rate of work hours has generally risen by 3-5 percent, reaching 80 percent or so; and labor productivity has generally risen by about 10 percent." Footnote

This very neatly encapsulates the intention and effect of the reforms in industrial organization-getting labor out of labor-power through the use of state power.

One might object that an increase in the utilization rate of 3 to 5% is really nothing since the "chaos" and "anarchy" of the Cultural Revolution made workers supposedly so lazy. However, even Sun Jen at the Labor Bureau admits that there was at least slow productivity growth between 1966-76. Footnote According to Samir Amin, labor productivity grew 2.5% per annum from 1966 to 1970 and 1.8% per annum between 1971 and 1975. Footnote

Ultimately, the management shake-ups, profit-searching, consolidation and market decentralizations can only be attributed to class struggles in which the state capitalists are competing amongst themselves and seeking to compel laborers to work in the interests of the ruling class. The author will dispel any remaining doubt that the workers have lost control of production in the section on trade unions.

## CENTRIFUGAL FORCES: MARKETIZATION

"All enterprises have their own comparatively independent economic interests. . . The enterprises have thus become both the producers and operators of commodities."

(He Wei, "The System of Socialist Ownership Should Have Various Forms," Renmin Ribao, FBIS, 1/8/85, k17)

"Reform of the price system is the key to reform of the entire economic structure."

("Communique of Third Plenary Session of 12th Central Committee of the Chinese Communist Party," FBIS, 10/22/84, k9)

"Prices will respond rather quickly to changes in labour productivity and the relations between market and supply and demand and better meet the needs of national economic development."

(Ibid.)

The Marxist Law of Value states that commodities exchange in proportion to the socially necessary labor time embedded in them. Under capitalism, exchange serves to mystify the exploitation of labor-power by the capitalists. The distribution of wealth and income only appears fair under capitalism because labor appears to be exchanged for money on mutually agreeable terms. In reality, as Marx showed in volume one of Capital, the capitalist buys the potential to do work—labor-power— and coerces surplus labor out of the worker, so that exploitation occurs outside the sphere of exchange.

Socialism halts exploitation by abolishing the bourgeois right to private property and hired labor. However, the remaining of two bourgeois rights is left open as an arena of class struggle. That arena is the right to pay according to work. The legacy of previous class society assures that any relatively new socialist society has workers unequal in educational background and work experience, for example. Thus some workers will contribute more socially necessary labor time in production than others. Under socialism "to each according to his work" is the dictum, so some workers and strata—technicians and administrators especially—will receive more pay than average.

Pay differentials are accompanied by prestige differentials amongst jobs. Other issues included under bourgeois right include the deference from workers people in certain jobs can acquire. The right to respect, deference and other behaviors are largely a matter of custom derived from previous class society.

Pay differentials are not the object of mere wage struggles under socialism. According to the Shanghai school of political economy, under socialism the bourgeoisie tinkers with bourgeois right in distribution in the hopes of bringing about qualitative retrogression in the arena of socialist ownership.

When advocates of maintaining and increasing the bourgeois right to remuneration by work reach high party and government office, they are called the state capitalist class. In their positions in the state, which itself is a legacy of class society, the state capitalists are in a position to tinker with socialism and turn the tide quantitatively at first and then qualitatively against socialist ownership.

This then is the reason the discussions in China since the Cultural Revolution have often been called the transition debate. During socialism the dictatorship of the proletariat aims to prevent the bourgeoisie from dominating the state as part of a state capitalist class. Wage issues are inherently political issues of the revolution because the party guides wage policy and the state administers it. The struggle over the group of issues having to do with bourgeois right under socialism is the most central to continuing revolution or retreat (quantitative) and eventual counterrevolution (qualitative).

According to adherents of the Shanghai school, proletarian dictatorship roots out bourgeois right in all of the superstructure and forces the bourgeoisie to accept the restriction and destruction of the role of the Law of Value. The final task of socialism is the complete destruction of the role of the Law of Value and the elimination of all aspects of bourgeois right, which otherwise serves as a material basis for counterrevolution.

Communism can only begin with positive and conscious distribution according to need. Exchange is either non-existent or enacted in violation of the Law of Value, which is oblivious to need.

Classes cease to exist because their material basis is destroyed. With the overcoming of remaining antagonistic divisions in civil society the state ceases to have a reason to exist. No one wants power over another and power as such becomes unknown.

The current Chinese government has a different view. "Nearly three decades of experience shows that observation of the law of value results in economic growth." Footnote Moreover, the new government has glorified one of the two major rights of the bourgeoisie—the right to remuneration by work. In fact, Beijing Review not only guarantees "to each according to his work," but also literally promises that income gaps will expand. Footnote

By 1988, a Beijing Review editor admitted that "a few years ago, there was much talk about the defects of absolute egalitarianism. . . . Now it is the problem of large gaps in income." Footnote According to Dai Yannian, the average worker in a state-owned enterprise makes 1400 yuan a year—2000 to 3000 yuan when one counts various fringe benefits and subsidies. Yet,

about 10 percent of the nation's 12 million self-employed  
industrial and commercial workers earn over 10,000 yuan  
a year, and 1 percent of these earn far more—up to  
hundreds of thousands of yuan. Footnote

Beijing Review has started boasting of the existence of millionaires such as Liu Xigui, who has hired 100 drivers and loaders for a private transport business that has over 3 million yuan in fixed assets and an annual profit of 1 million yuan. Footnote

"Selling what is in demand, and producing what sells, is an objective law of development," according to the ruling class. Footnote Furthermore, the CCP has adopted the neoclassical outlook on insatiable desires: "The basic aim of socialist production and construction is the satisfaction of the ever-increasing material and cultural needs of the people." Footnote

In fact, one market advocate in an article praising the new labor contract system saw that it was necessary to make clear that China's contract system did not mean labor-power was a commodity. "If labor contracts are treated as labor task contracts, and regulated according to civil or economic law, then the labor force will be used as a commodity, and hired labor will be created, which is in basic violation of the nature of our socialist society." Footnote Thus, it was deemed necessary to distinguish among the various means of coercing labor out of labor-power in China. However, some other Chinese have not been so clear about what the turn to the market means. One Chinese economist of high standing called for the day "all economic relations become commodity in nature." Footnote Chinese officials recently wonder out loud whether or not "to boldly open the real estate market, the consumers' labor service market, and the investment market, which were confined in [the] past." Footnote In sum, the post-Mao leadership has two factions: one that follows Chen Yun believes that a mixed economy with planning predominant is best; another faction would like to pursue a free market outright. Footnote

New regulations have opened many other markets for the first time already. Regulations issued in May, 1984 state that once state quotas are fulfilled or if the state refuses the product of an enterprise, the enterprise is free to do as it pleases. Carl Riskin has pointed out that like progressive piece-rates, above-quota sales on the free market do not conform to the principle of "to each according to his/her work" because prices on the free market are generally higher than those fixed for quotas. This means work beyond a certain level will receive greater remuneration than work below that level. Footnote

State regulations also state that firms can sell means of production for prices within 20% of the state price or negotiate with buyers and can choose any supplier of raw materials including non-state suppliers. Also, as in the case of the collectives, property may be leased out to other firms or individuals given the permission of the CCP. Footnote

In 1988, the CCP had plans to open futures markets for long-term delivery of produce, pigs,

grain, cotton, ramie, nonferrous metals, silk and rabbit fur. Footnote It has also had on-again, off-again flirtations with opening a stock market. Initial trials enjoyed great success in collecting funds for enterprises.

The big drive for the market has meant an increase in the number of workers employed solely in selling. In this way a friendly local party committee is indispensable for an enterprise, both to secure necessary inputs and for staff to find buyers.

Chinese factories have a whole category of

employees just to help them cope when they can't get

what they need from the plan. They are called cai gou

yuan, literally, "purchasing agents" or "buyers," though the

way Chinese described their functions they might better have been termed "fixers." Another article in the People's

Daily estimated that every day 50,000 to 60,000 buyers

arrive in Peking and Shanghai on urgent errands for their

factories. Footnote

To make life easier for consumers, China has been letting individuals work in retail sales and services. Footnote By the first quarter of 1981 there were 600,000 handicrafts and retail businesses run by individuals, up from 100,000 in 1978. Footnote The total number of licensed private enterprises in China reached 1.5 million by 1983. Footnote By the end of 1986, there were about 20 million self-employed businesspeople. Footnote

Among those people seeking private businesses are doctors. By 1988, one-fifth of all doctors and nurses had private practices. They performed trendy operations to give Chinese people Western-looking eyes, Western-looking noses, breast implants and even longer legs. Footnote

While the private sector in industry accounts for less than one percent of China's industrial output value, it has shown the fastest growth. By 1988, there were about 225,000 private enterprises with eight or more employees, 16 on average for a total of 3.6 million employees. New regulations protect private enterprises and allow inheritance. Footnote

Along with the extensive growth of the collective sector, the private sector's growth accounts for a decline in the relative role of state-owned enterprises in industry. By 1981, the state enterprises employed only 42% of the employees in industry. Footnote

The state, though necessary under socialism, involves hierarchical relations that compose a material basis for state capitalism. Government officials who set prices are vulnerable to bureaucratism—isolation from the masses. They may work for their own interests and the interests of those who are willing to bribe and otherwise influence the top officials to work for capitalism. That is why Mao claimed the continuous need for seizure of state power by the working classes.

In China today, purchasing agents are regarded as necessary to oil the works because of the difficulties in the supply market that enterprises face. According to the CESRRI economists, the free market has relatively little influence over the supply of inputs for production. Yet, recently, individual entrepreneurs fill in where planning has been increasingly thrown out. Private enterprises have an official role supplementing the planned economy. Footnote Already millions of people are doing the work that used to be that of planners. If Chinese capitalism opts for the free market, the entire society will become involved in unconsciously filling in for planning.

It is ridiculous to call China a planned economy for the single fact that only 30 to 40% of industrial output prices (by sales volume) are fixed. The rest float within a certain range or operate within the free market entirely. Footnote In addition, state-owned enterprises only obtain from 20 to 40% of their raw materials at state-fixed prices and "generally, almost all the raw materials needed by collectively owned enterprises are bought at market prices." Footnote A Political Bureau meeting in August 1988 confirmed that all but "a few important commodities" would be left to the free market in the 1989-1993 period. Footnote

## TRADE UNION FARCE

"The factory director or manager alone assumes full responsibility for directing the production, management and operation of his enterprise." (Jin Qi, "Reforming Enterprise Leadership System," Beijing Review, no. 25, 1984, 4.)

The role of trade unions in China is highly touted for public consumption lately. No longer are trade unions just another organization practically superfluous as in the Cultural Revolution when workers were supposed to concern themselves with administrative and political matters, not just traditional union issues.

The trade unions are represented as the vanguard of the working people in an article titled "Trade Union's Role in Socialist Society": "Lenin said that the trade union should be the vanguard of the working class and a link between the worker masses." Footnote Furthermore, "trade unions must stand at the forefront of the socialist democratic movement led by the party and become the core of this movement." Footnote However, even if it were true that a big role for the trade union in enterprise control and representative "democracy" were indicative of socialism, China today still would not be socialist.

The post-Mao leaders recognize that one-man management is nothing new. Jiang Yiwei, "deputy director of the Institute of Industrial Economics," admitted that "leaders of independent enterprises might 'become a new privileged stratum or even become capitalists.'" Footnote That is why Jiang Yiwei talks about election of representatives of workers and staff.

Having abolished the Cultural Revolution revolutionary committees that ran production, the post-Mao administrators argue against supposed anarchy. "The administrative command of the factory director is an important aspect in any change in the enterprise leadership system in that it is essential for the establishment of an authoritative chain of command and the combination of democracy and centralism." Footnote

Responding to letters from factory directors and managers "to 'free them from their bonds,'" Beijing Review published an article specifying the powers of factory directors derived from the State Council's "Provisional Regulations on Greater Decision- Making Powers for State-Owned Industrial Enterprises." Footnote "The factory director or manager has the right to appoint or dismiss cadres under him." Also, "the factory director has the right to reward and punish his workers and staff, with promotions, wage hikes, or even disciplinary dismissal." They "have the right to reject forced assignment from higher agencies or individuals." Finally, "factory directors may promote 3 per cent of their workers each year." No where in the whole article titled "Businesses Enjoy Expanded Powers" are the unions or Workers' Congresses mentioned. Footnote

In place of the mass-mobilization approach of the revolutionary committees, industrial management offers spurious workplace democracy. In the first place, workers' congresses elect the factory directors, not the trade unions themselves. The congresses are selected by the trade unions and meet only when necessary. Footnote Secondly, once elected the director is subject to party approval. Footnote Thirdly, if the director disagrees with the Congress' resolution, he may choose not to implement the resolution. In this case, the party again is the final arbiter. Footnote Finally, the CCP has not been quick to undermine its own prerogative. The actual implementation of the reform is not widespread. The Cultural Revolution's influence is one problem as opinion-makers are quick to

denounce anything smacking of anarchism and instability.

Perhaps more importantly, the ruling class is already too unwieldy of a political coalition to subject itself to elections. On the one hand, there is the element that wants a free market established everywhere. On the other hand, the intelligentsia, factory directors and technocrats are happy with their newly found status and power in the post-1976 regime and do not want to make the link between free markets and free elections. A CESRRI survey of factory directors found that two-thirds opposed democratic management; 73% favor strict work standards over helping workers gaining satisfaction or arranging work for workers; 57.4% believe that their decisions cannot be changed despite criticism from lower levels; a majority feel that workers are irresponsible because of their "weak" or "very weak" sense of collectivism and overall picked "high wage and fat bonus" as the most important thing for workers in a list of 11 aspects of job satisfaction. Footnote

Martin Lockett and Craig Littler have investigated the supposed trend to election of enterprise managers. They found that official figures put election of factory directors occurring 11% of the time in state enterprises as of June, 1982. Moreover, their own investigations failed to turn up elections of any kind in Guangdong Province. In Sichuan, only one factory director was elected out of approximately 400 experimental enterprises as of 1981. In some places, elections were tried out and abandoned with apparently no clear reason. Lockett and Littler cite the Chongqing Clock and Watch Company. Overall, between 1980 and 1982 there also appears to have been a decline in the number and percentage of state industrial workgroup and section leaders elected. Footnote

Besides participation in management, the workers have lost other important means of acting as masters of their own work. First, they no longer are allowed to strike. Footnote The 1978 Constitution contains a new clause which "prohibits any person from using any means whatsoever to disrupt the economic order of the society." Footnote If trade unions are to become vehicles for worker mastery of production, then how are they to exert any power? One can not help but draw the parallel to corporatist states. The unions are set up by the state to perform various tasks to ensure production, but then they are denied any real power to act in workers' interests. In South Africa, there are also trade unions. They are recognized, but not allowed to negotiate or strike. Footnote

Secondly, the Chinese government intentionally portrays itself in the official press as something with its own prerogatives. There is a concerted campaign at this moment to link worker gains to productivity.

Henceforth, the increase in peasants' income should rely mainly on production development, and the increase in workers' income should rely mainly on enhancing productivity. Only thus can we gradually change the tendencies that the proportion of the financial income in the national income shrinks year after year, funds are excessively scattered, the scale of investment in fixed assets swells excessively, and the accumulation rate continues to rise. Footnote

Financial income here refers to the income of the state. Thus the state itself is attempting to increase its income and has directly tied that income to restriction of the income of workers and peasants.

Other articles stress the relationship between firing of workers and the state's income. An opinion in the China Daily surmised that if all the surplus laborers were fired, enterprise profits would increase so much that they would deliver 20 to 30 billion yuan more per year in taxes to the state.  
Footnote

Production for production's sake and growth for all is the line being pushed on the unions whose duty it is to "do well in production and to safeguard the interests of the state." Footnote For power and the means of coercion, the manager has usurped some of the Party's role and the state's income. The state loses local control and must make up for its loss of income by trying to exact more from the workers and peasants. Rather than use Cultural Revolution methods of political campaigns to achieve the working classes' ends, the state tries to coopt the factory managers. As the number of coopted rises, the number of managers is whittled down by mergers and shutdowns.

In conclusion, the relationship of the workers, their trade unions and the workers' congresses to factory managers ultimately brings up the question of their relationship to the state—a relationship of exploitation by the state capitalists. The role of the trade unions and worker congresses is only a big myth of worker power and growth for all. It is quite fitting that the article on "Trade Union's Role in Socialist Society" ends with a paraphrase from Deng. "We should focus on three matters—seeking a quick development of social productive forces and gradually improving the people's living standard, economically; perfecting the state's democratic and legal system, politically; and training a large number of fine, skilled personnel, organizationally." Footnote Deng means pull the cart; wear blinders and we will tell you how to get there.

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The Political Economy of Counterrevolution in China: 1976-1988

THE COERCION OF LABOR OUT OF LABOR-POWER AS A WHOLE

UNEMPLOYMENT, FIRING AND CONTRACTS

""[We] must destroy the idea of the iron [rice] bowl. . . . [The idea that] workers can be hired but cannot be fired exists nowhere in the world. Workers can be fired in the Soviet Union and Eastern Europe""— reported in 1968 as a quote of Liu Shaoqi.

(Hong Yung Lee, The Politics of the Chinese Cultural Revolution, p. 131.)

One major difference between neoclassical "economics" and Marxist "political economy" is that the neoclassical economists do not speak of labor-power, only labor. To Marxists, labor-power is only the capability to do work that people bring to the market. Labor is the actual work. When a capitalist hires a worker, he pays for the worker's labor-power. Except for wages by piece-rates or the like it is usually too cumbersome to contract and pay for each task that a worker does.

Consequently, the neoclassical does not have a theory of firing except as a short-term cost or cost of turnover. On the other hand, the Marxian political economy approach recognizes that firing is a basic method for extracting labor from labor-power. Workers who do not accomplish enough are fired, so that capitalists do not have to stipulate exactly how much work they want done in their contracts. Coercion can even apply to the hiring and firing of piece-rate workers and is a general rule that the capitalist class abides by to get things done.

Of course, there is the carrot as well as the stick. Workers can be played off against each

other over promotions and wage raises. In some Western countries, the unions can largely determine issues of the workforce in return for stability of the workforce. Corporate welfare programs, retirement schemes and guaranteed promotions and raises all work toward a loyal workforce that wants to work and not be fired.

There is a big movement in China to increase wage differentials and thus link income to work done. In the original move to bonus-oriented salaries for hard work, firms handed out so many bonuses that the CCP took this as a sign of egalitarianism. In order to prevent indiscriminate bonus-granting, the state imposed a tax on enterprise bonuses. At the same time the limit holding bonuses to two months of a worker's salary was abolished. Footnote

Treasured are the jobs in the urban enterprises because they earn so much more than jobs in the countryside. Loyalty to a particular firm is less important. Any job in the city is guaranteed various subsidies characteristic of a welfare state. In this section, the focus will not be on the carrot of urban jobs but on the stick of contracts, sexism and the state.

Sexism and racism can also be expected from capitalism. Playing off one group of workers against another is a favorite strategy of capitalism. In China, sexism is a part of tradition that the state capitalist class draws on to divide workers, as the author will soon demonstrate. Undoubtedly, racism or ethnic chauvinism play a role too, but the author is not qualified to explain what relations of domination may exist between the Han nationality and the other nationalities that make up China. Footnote

Neoclassical textbooks leave out the issue of firing in the real world. They teach that labor is simply a matter of hours spent at the workplace. Whether anything gets done—labor—does not matter:

The total supply of labor means the total number of hours of work that the population is willing to supply. This quantity, which is often called the supply of effort, is a function of the size of the population, the proportion of the population willing to work, and the number of hours worked by each individual. Footnote

Missing is any discussion of how hard a worker works. Moreover, class power seemingly does not affect economic behavior. "Economic theory assumes that the same principles underlie each decision made within the firm and that the actual decision is uninfluenced by who makes it. The key behavioural assumption is that the firm seeks to maximize its profit." Footnote The radical rejoinder to the assumption that power does not matter is to ask what would happen if the worker tried to fire his boss in order to maximize profits for the firm? Clearly there are some limitations concerning the relative powers of classes that influence profit-making decisions. By assuming as given the existence of the institutional relationship of firing, neoclassical economist is serving a very crude ideological purpose—the mystification of class relations.

However, the Chinese economists, as explained earlier are more conscious bourgeois propagandists than their Western counterparts. They recognize the difference between actual work completed and the potential to do that work. They have a theory of firing and they intend to use it. "Nor will workers strive for high production in a system in which they can always be hired but never fired." Footnote The post-Mao economists would like to pass this off as a "law" of human nature. The people are inherently lazy and unchangeable according to these economists. Thus, the new policy is to fire workers for efficiency reasons. Footnote In fact, the Chinese report that in some places only

40% of workers dismissed are given jobs in other places. In Beijing 88.2% of a group of 1700 extrabudgetary and illegal workers were fired. One half of 2200 illegal workers total have been fired. Footnote Undoubtedly, the fact that there are 7 million additional unemployed workers each year in China also hurts the position of these fired workers.

Hong Kong sources convey a Chinese report that "the central task of this reform is to reduce the number of permanent staff and workers and to practice the system of contract workers." Footnote The new drive is necessitated by the chaos in capital construction to be discussed in the section on the anarchy of production.

The swelling capital construction ranks and the excessive

number of permanent staff and workers have always been a major reason for the low efficiency in China's capital construction. The adoption of the system of contract workers is conducive to streamlining state capital construction ranks and raising labor efficiency. Footnote

The reason for the increased use of contract workers is unabashedly coercive. A report from the Yantai Prefectural Construction Company in Shandong Province is paraphrased as saying

that when the system of contract workers is adopted, the enterprises are able to increase or reduce the number of workers according to the needs of different tasks and that the contract workers, who are more willing to obey orders and bear hardships and who usually have a higher rate of work attendance, are better than the permanent workers. The use of contract workers will help the enterprises raise their labor productivity. Footnote

According to some Chinese economists, regulations for the use of contract workers should allow that contract workers be paid more than permanent workers, thus driving a further wedge into working class unity for the benefit of making the workforce more temporary in nature. Footnote

In any case, the new use of contract workers is only the tip of the iceberg. Now, a new "labor contract system" is being prepared for the nation, as apart from the old "contract workers." So far "7.8 percent of all workers in state-owned enterprises" or 7.5 million workers fall under the new system. Footnote Already as seen, the independent financial unit in the countryside is now the family which contracts out to the team or more directly to the state. Now the labor system in the cities is going through a series of experiments and reforms.

In order to eliminate the maladies of “the iron rice bowl” and “everyone eating from the same big pot” existing in our present labor system, a series of experiments has been developed in the labor contract system, in Shanghai, Beijing, Guangxi, Henan, Jiangsu, Gangu, and Heilongjiang. . . . Marked results have been achieved. Footnote

While the Chinese ruling class has a theory of firing that the Western economists do not have, the Chinese are learning about the mystification potential of law and contracts from the West. The Chinese rulers are now talking about the equal status of parties to a contract as if there were no classes and class power. In neoclassical theory, contracts are voluntary and the mobility or freedom of “factors” of production is assured. The Chinese rulers are going in for this mystification of the social relations of capital too. “A labor contract is also a type of economic contract, and therefore possesses the normal characteristics of an economic contract; that is, both contracting parties are of equal status, and draw up a certain agreement voluntarily and according to law.” Footnote However, “Naturally, when setting out the labor contract system, it is necessary for us to use foreign law documents for reference, but this is by no means to say that our labor contract system can be equated with the capitalist labor contract system.” Footnote In short, the Chinese ruling class would like to make use of that great ally of exploitation—the law—but in the process can not help offering the very critique that exposes class rule.

Class power can also be seen behind the new policy of labor immobility in the labor contract system. “According to the agreement, the laborer becomes part of the unit’s staff and workers, undertakes a certain type of work and abides by the internal regulations of the unit; while the unit issues wages according to the quantity and quality of labor.” Footnote At another point in the same report, there is a discussion of “buying and selling labor,” as if to say that the Chinese state capitalists have done better than the Western capitalists in buying labor, not just labor-power. Footnote

In any case, the class power behind issues of labor mobility even smacks of corporatism. “Labor service companies” are to be set up to collect up workers to distribute and to take care of. “Social insurance and welfare may be the responsibility of labor service companies.” Footnote Furthermore, “collective welfare facilities should be set up, so as to provide conditions beneficial to workers’ housing, convalescence, rest, and recreation.” Footnote Moreover, “strengthen the work of labor service companies, making them responsible for the management, technical training, introduction to employment, self-help through production, and personnel awaiting employment and for social insurance and welfare work.” Footnote If these labor service companies really come to play all these roles of discipline and welfare, they will bring about a new chapter of corporatism in the world. If corporatist style unions set up by the state are to coopt the working class and provide workers what they need, where will the money come from? Will this entail an expansion of existing welfare efforts or a consolidation of old ones? This is not known yet, but in 1986 the Chinese government credited labor service companies with cutting down unemployment since 1979.

Labour service companies now total 38,674. They have set up 75,000 production enterprises, 108,000 commerce, catering and service enterprises, and 26,000 construction, transporting and loading service companies.

They have provided jobs for 5.57 million people and their sales volume from 1981 to 1984 was 477 billion yuan. Footnote

One of the main points Huang Shilin, the author of a 1983 article on the labor contract system, tries to make is that the new system should not be confused with contract labor. Footnote This new system, originally envisioned by Liu Shaoqi,

can easily give people the impression that the implementation of the labor contract system is merely a question of using part of the labor force of an enterprise as contract laborers, and nothing more than adding social insurance and welfare to what is basically temporary work; it will, therefore, be very easy for people to treat such workers as "second class citizens." Footnote

In addition, "this attitude is not without justification at present." Footnote However, there are supposed to be some real differences between this system and the contract work previously discussed. First, "the laws of their application are different." Footnote One operates by "labor laws" and the other by "civil or economic law." Footnote Secondly, once the new system is in place, distinctions between casual and permanent labor will be broken down. Everyone "will carry out their work according to the stipulations of labor contracts." Footnote The ruling class intends to be fair about coercing the masses as equally as possible.

Still, there will be some inequalities upon introduction of the new system.

The fact that after the introduction of the labor contract system the jobs of some people will not be as stable as those of regular workers, and that in insurance and welfare will no longer be undertaken wholly by the unit, gives some people misgivings . . . and arouses in them doubts as to its socialist nature. This attitude is incorrect. Footnote

Indeed, "some workers, after their contracts have expired or been terminated, may find themselves in

a temporary situation of 'unemployment' between jobs." Footnote Here the state capitalists blame the masses by saying "those laborers who find difficulty in gaining employment due to their labor attitude or poor working ability" will be taken care of by the state. Footnote Overall, it is not hard to see why labor contracts have not been popular: the regime has only managed to implement them for new workers and of those new workers in Canton, one poll shows that only 31% support the labor contract system. Footnote

In agriculture, the state is also taking a blame-the-victim approach. "Help the poor stations" are being set up in the rural areas by prosperous and technically astute peasants. Footnote Financial aid to the poor is considered pretty small—1.5 billion yuan a year or 8.6% of the state's aid to agriculture. Footnote

This raises some differences between welfare capitalism and socialism. Under socialism, poor individuals do not go to departments or stations for help. They receive education in group practices—collective action. Poor individuals raise their technical and material level through the team, brigade and commune. Welfare states can be criticized not only because they never go far enough but because they are subject to fiscal austerity. Rugged individuals out for themselves will not help others when there is a crunch. In collective labor, people see their welfare as unitary. The group can organize politically and economically against the attacks of nature and exploiters. Using a socialist cover consistently, the CCP is installing a less than wealthy welfare state to coopt and pacify the people. In case this approach does not work, the bourgeoisie is starting to implement corporatist labor schemes historically associated with fascism.

## SEXISM AND THE DIVISION OF THE WORKING CLASSES

Liberal theory has an inadequate approach to race and sex discrimination. The Liberal explanation for the lower incomes of minorities with the same job qualifications is that consumers must prefer the goods produced by the mainstream group. Therefore, the employer prefers to hire mainstream workers. If the employers could sell the goods produced by minorities, then it would pay employers to hire them and pay them less. With time, the demand for minority workers would increase as employers caught on about the wage differentials. Thus, without consumers' and employers' prejudiced tastes there would be no discrimination according to the bourgeois economist. However, since most people buy products without knowing who produced them, this bit of neoclassical theory is as ridiculously ahistorical and anti-institutional as the rest. There is perhaps some concern with the barriers that minorities face in becoming capitalists, but for the most part, neoclassical theory has little worthwhile to say about persistent discrimination.

The problem of discrimination is that the institutions of capitalism are premised on the exploitation of one group by another. For a reason perhaps not fully explained here, Footnote it were as if capitalists did better to discriminate against minorities and women than to hire them individually as part of competition amongst capitalists. For the case of China, it is relatively easy to provide evidence that discrimination against women is a conscious policy advocated and utilized by at least sections of the ruling class. Footnote

This conscious sexism advocated in official press organs is largely a new phenomenon of post-Mao China—something that the Gang of Four never would have tolerated. It is important, therefore, in looking at sexism to notice not only the constant historical presence of patriarchal oppression, but also the variables affecting the elimination of that oppression. To see the importance of the Cultural Revolution in the battle against sexism, one must take a historical view of patriarchy in China and not lightly conclude that patriarchal oppression in one period of time was the same as in another period.

Women face greater discrimination now that China has entered the post-Mao era. The "woman question" is now treated generically with no distinctions made for class and largely with the view that what is good for China is good for women. Consequently, the mass-mobilization and political campaigns initiated by the Cultural Revolutionaries have ended. The style of the Thermidorians is to

act as if the problem of discrimination will be solved by the market and the Four Modernizations.

Trends in the workforce in post-Mao China have been unfavorable to women. According to the CCP, women have increased their share of the urban workforce from 33.1% in 1978 to 36.3% in 1982. At the end of 1985, the percentage of female staff and workers stood at 36.4%. Footnote However, 60 to 70% of these workers are recent graduates from school. Footnote This fact reinforces the claim of Phyllis Andors that the Chinese are making women into a temporary labor force in the cities. On the other hand, Andors believes that women's preponderance in textiles and other export-oriented light industries (concentrated in special economic zones that their own openly pro-capitalist rules) may give them new power given the new emphasis on exports and the opening to the West. Footnote

However, the greater emphasis on competition with the West and hence technology is a double-edged sword for women. As seen in the earlier chapter on technology, the technical elite has resumed its traditional importance in China. Ideologically, workers are being drilled into respect for the intelligentsia: "Staff members and workers must be made really aware that respect for knowledge and intellectuals fully conform to the fundamental interests of the working class and the entire nation, and constitutes an indispensable social quality for the working class." Footnote The shift to the technical elite away from mass-mobilization is a particularly big loss for women because there are fewer women in the technical elite than in the workforce as a whole. While women compose 43.70 percent of the workforce, they are only 31.6 percent of those employed in scientific and technological areas. In addition, Women compose a mere 10.5% of the senior Chinese scientists and engineers—7,400 out of 70,000. Footnote The then CCP General Secretary Hu Yaobang said, "My dear female compatriots, you want true equality with men. But without education and scientific-technological knowledge and skills, how are you to do so? You lack the qualifications." Footnote The shift of power to experts largely represents a new justification for the subordination of women as well as an actual structural subordination.

Similarly the shift away from mass-mobilization toward cadres who "decide everything" is detrimental to women. "Women cadres who assume leadership positions on every front only come to 10.4 percent of the total." Footnote

Men also compose 79.35 percent of the personnel of administration and party organs. Footnote

The unemployment brought on by the capitalist social revolution has also resulted in outright discrimination in hiring. According to Ran Maoying, 80 to 90% of employers at a "labor exchange meeting" in Beijing requested males only. At the Beijing Institute of Foreign Languages in 1983, graduates were equal proportions of men and women, but a majority of employers wanted only men. At the prestigious Fudan University in Shanghai, one-third of all employers making job offers in 1984 accepted only women—including a library, medical school and printing institute. Some enterprises openly accept inferior male candidates for jobs and reject all women. Others accept women only when they reach their prime. Footnote

The unemployment situation has put some young men in the position of openly favoring the return of women to the household. While party newspapers print the letters and concerns of these young men, some periodicals also propose that women take three or four years for pregnancy and maternity leave. Footnote

Numerous biological determinist arguments and theories of human nature, sometimes masquerading as Marxism, have appeared in recent years to justify the oppression of women. Footnote One argument is that although women may be better educated than men they are inferior in other ways and hence deserving of their employment fates. Footnote

Other arguments are meant to highlight the rationality of a division of labor subordinating women. Typical of the uncritical analyses, one compares China with the United States, Soviet Union, France and Czechoslovakia and finds that Chinese men do fewer hours of home chores than Chinese women, but more hours than the men of these other presumably more "advanced" countries. Footnote

At the same time that modernization favors the highest technical stratum and men, the

Dengist policies reinforce barriers to women in education. With the introduction of quasi-private farming, families have been pulling their kids, especially girls, out of school in order that they may contribute to the family's income. "The proportion of school-age children at school actually fell" Footnote between 1978 and 1981. In 1985, according to the State Education Commission, parents kept home 3.5 million girls. One observer found a factory that had drawn children from neighboring villages. Footnote Phyllis Andors remarks on the trend.

The inability of the rural areas to provide even elementary education for all children, combined with the cutbacks in aid from urban areas, the decline of the xia-xing movement and the decreasing opportunities for rural youth to receive college education in light of the reinstitution of the examination system, will make it more difficult for women to gain those skills needed for industrial work. Footnote

In particular, the ending of the xia-xiang movement has undermined the position of women in society. First, once youth were no longer sent to the countryside, China found itself with an unemployment problem for the first time since 1958. Footnote The two main sources of unemployment in the urban areas are youth who returned from the countryside and urban school-leavers. Returned youth are alone responsible for doubling the unemployment rate. Footnote Of these urban unemployed youth, about 70% are women. Footnote Again this group serves to demonstrate the temporary nature of the female workforce and coercive potential in having a reserve army of unemployed taken from youth and women as groups. This kind of fragmentation of the working class has been used to coerce it into the contract system, work in the Western-owned factories and generally intensified labor.

In contrast, the countryside movement, especially from 1968 to 1976, helped women break into jobs formerly held only by men. Young women from the urban areas—sometimes one half of the students sent out to the countryside Footnote —took jobs of great responsibility because they were highly skilled and needed for modernization in the countryside. Indeed, many of these role-model women decided to stay in the countryside and marry beneath their traditional social station. Those that married in the countryside received favorable publicity for breaking down the urban/rural division. Footnote

The ending of the countryside movement was followed by retrogression in the official line on women in 1978. Women were only slowly to break away from the double burden of housework and agricultural or industrial work. Footnote "Women workers, commune members and women scientists and technicians need to work hard and study, but they have to spend a considerable portion of their time tending to housework and children." Footnote Carl Riskin epitomized the new look of modernization in a footnote. "The major attraction of fall 1980 in the windows of Beijing's largest department store was a complete modern kitchen, in which stood a Western mannequin hovering over a mobile serving table labeled (in English) 'wifely wage.'" Footnote Another problem created by modernization was explained by Chinese official Wan Li. "The problem is the sharp increase in marketable grain within a short period. He said that we used to say 'good housewives can hardly cook a meal without rice.' Now we have [an] abundant supply of rice, but we are running short of 'good housewives.'" Footnote The government sums up the role of women: "Women form the main force in logistics. Among them are women childcare and education workers, salesclerks, cooks, street

sweepers, nurses, barefoot doctors and other service personnel who are making extraordinary contributions in their ordinary posts." Footnote Even officially, the goals of the Four Modernizations are not inspiring for those seeking women's liberation.

The actuality of the return to quasi-private farming in the countryside is even worse. "It is the redistribution of production back to the household which more than any other factor has repercussions for the productive activities of peasant women." Footnote In collective work, women had higher visibility and a chance to learn various skills. Footnote Now, women are likely to be "employed in traditionally prescribed occupations" and "will be increasingly confined to the household." Footnote The responsibility system puts a premium on having children as a source of labour for family plots (unless paring of family plots is used as a disincentive for having children) and a premium on labor done at home.

In contrast, women in the Maoist period broke through tradition. Women rose partly as a result of the countryside movement and partly by local initiatives and mass-mobilization reminiscent of the Great Leap. By 1975, 20 to 30% of the workforce in rural industry was composed of women. In Lin County of Henan, up to 40% of the workers in industry were women, largely thanks to the Great Leap precedent. Footnote Moreover, the Great Leap directly encouraged women to join the labor force, but it also created favorable structural conditions. With the creation of community dining rooms to take care of cooking chores, the labor of women outside the home increased an estimated 30% in Henan Province and labor productivity of women in Zhejiang Province, 47% in seasonal labor. Footnote Thus, even in the jobs formerly reserved for men in China, women were making strides because of their part in mass-mobilization.

This aggressive championing of women is part of the Thermidor's flattering indictment of the Cultural Revolution.

During the "cultural revolution," influenced  
by the "Left" thinking, the slogans "equality  
of men and women" and "what man can do, woman  
can do" were overstressed. Many women workers  
regarded it an honour to do jobs beyond their  
physical ability. Footnote

Feminist and China expert Elisabeth Croll finds a material basis for this attitude in the current division of labor. "The allocation of their [women's--author] labour to agricultural production organized by the household, to domestic sidelines and to domestic labour is likely to make any further redefinition of the sexual division of labour and improvement in the political and socio-economic status of peasant women much more difficult in the future." Footnote Outside of their role in the workforce, women have faced ideological and social setbacks as well under the post-Mao leadership. These ideological setbacks will place limitations on the contributions of women to China.

Morally speaking, a basis for women's work in the house was established as early as the campaign against Jiang Qing. "From time immemorial women have been the source of all evil," "Down with China's modern witch," "procuress Lan P'ing," and "the woman devil Chiang Ch'ing" were all phrases that appeared during the campaign. Footnote Moreover,

a relative of Mao is described as  
"encumbered by outstanding personal problems.  
Although she was over 30 years old, she had

never had a boy friend." She was an "old maid." Her "lackey," Tang Wensheng, was also an "old maid," and "unable to succeed with men at either a high or low level and never able to find a suitable husband." They were a "pair of female tyrants." Footnote

Rita Helling found these quotes in the Foreign Broadcasting Information Service documents. They are therefore easily accessible. Other statements can be found that directly speak to the moral responsibilities of women by the neo-Confucian standards.

The problems that usually concern women comrades are the burdens of children and household chores. Should we blame them because of their burdens? When you blame them for having children and therefore, being cumbersome, you should listen to your conscience and ask yourselves whether you have helped them solve their problems. Footnote

The quote goes onto say that the work of women in kindergartens and nurseries is helpful to production, but the point is that men should help women with "their problems" of housework and family. Speeches by Kang Keqing, a female CCP veteran received renewed attention as early as September 1977 for emphasizing the same sort of moral obligations of women. Footnote

The moral obligations of women are of course phrased in the rhetoric of revolution. "The future of the revolution and the hopes of the motherland rest with the children . . . The bringing up of such a mammoth new force is a great undertaking for the whole of society and primarily for the women." Footnote "One of the five major tasks assigned to women by the National Women's Congress in 1978 was to 'bring up revolutionary successors with care. We must educate women with children to nurture carefully the next generation and turn their children into worthy revolutionary successors.'" Footnote Croll concludes that "in all probability the demands on women's labour may be intensified" as a result of policies loading domestic work on the shoulders of women. Footnote

Socially speaking, women came to be considered "generically." The main responsibility of the women's mass- organizations is to ensure the Four Modernizations. Footnote The Women's Federation attempted to resist the use of women models in advertising in magazines and billboards, but failed. Footnote In 1978, the issue of class was dropped from the concerns of women. Indeed, the lowest common denominator uniting the country on the question of women is back in force—patriarchal ideology.

Female infanticide is not a conscious part of the CCP's ideology, but the lack of mass political

campaigns to discredit sexism is striking given the recent resurgence of this ancient patriarchal atrocity. In some areas in places such as Anhui, female babies only number one fifth the number of male babies in what the Chinese admit is a recent development. Footnote Furthermore,

There is a production brigade in Huaiyuan county in which more than forty infant girls were drowned in 1980 and 1981. In the first quarter of 1982 in Meizhuang Production Brigade, Junwang commune, eight infants were born. Three boys were in good health. Of the five girls, however, three were drowned and two abandoned. Footnote

The reasons for this are many. The state offers incentives to have one child and disincentives to have more than two. Since parents are less likely to want to keep having children till they get a boy, they kill girls. The problem is especially strong in the rural areas. Footnote

Boys are considered as providers for old age. Women, by custom, marry off and are not considered to be obliged to the parents. In addition, male children are key to continuing one's lineage, which by tradition is also of utmost importance. The existence of this custom led the People's Daily to call "remnant feudalism ideology" the "principal contributing factor" to female infanticide.

Scientifically, however, this is a dissatisfying explanation. The more years that pass since China overthrew feudalism, the weaker traditions that constitute "remnant feudalism ideology" supporting female infanticide should be. In modernization theory terms, the continual increase in China's prosperity should also steadily undercut tradition. Yet, it appears that female infanticide is enjoying a resurgence.

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County	Birth year	Total	%Boy
Weiqi	1979	11,522 5,950	51.6
	1980	11,554 6,115	52.9
Huaiyuan	1980	13,487 7,593	56.3
	1981	10,768 6,266	58.2

Source: People's Daily, 4/7/83, Chinese Sociology and Anthropology, Stanley Rosen ed., vol. xx, no. 3, (Armonk, NY: M.E. Sharpe, Spring 1988), p. 46. Weiqi and Huaiyuan counties are in Anhui province. Footnote

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Whereas the boy to girl infant birth ratio should be about 1.06 to 1, in China nationally, the ratio is 1.085 to 1. Footnote

There are at least three new factors that contribute to the strength of "remnant feudalism ideology," which should probably be relabelled "rising capitalist ideology." One is the change after the death of Mao to put pressure on families to have one child; however, this alone does not determine that families will choose to have boys if they have only one child. Thus, this explanation is inadequate

by itself. Footnote The second factor is the introduction of family farming, which gives peasants the incentive to have more boys to work on the family plots of land, especially to do the heavier labors of carrying water and thatching roofs. In addition, the new outlook on inheritance and prolonged leasing of land reinforce traditions concerning the continuation of one's lineage through boys.

The third factor is the general increase in the structural oppression of women. During the countryside movement, as seen, men were encouraged to move in with their wives' families and women were able to break down the traditional patterns of employment. Now, however, women are more and more subject to the patriarchy.

A survey of mothers who had baby girls, shows that they themselves had ambiguous feelings about the baby girls, but their husbands and relatives were quite clear. In some cases, men beat wives who give birth to female babies. 16 out of 65 young rural women who gave birth to baby girls cited beatings by their husbands as reasons for not being happy about having the girl. 5 out of the 65 also mentioned beatings by the parents-in-law. A letter justifying this practice was published in the Worker's Daily in 1982. Similar letters preaching the innate superiority of men have been published. One editor justifies the letter publishing by saying that the one-child policy forces these issues into serious consideration. Footnote

Short of violence, the patriarchy has many other channels. Of the 53 young rural women out of 65 who were unhappy with having baby girls, 100% cited "low spirits" and "moaning and groaning" by the husband. 80% cited the parents-in-law's turning "a cold shoulder" and 60% the husband's turning of a cold shoulder. 58% cited abuse by parents-in-law, 55% by the husband. 28% of the women worried about divorce threats by the husband and 37% were brought unhappiness by parents-in-law who were inciting divorce.

For themselves, 75% of the women unhappy to have a girl said they were in need of hands to help and 87% believed a son would provide in old age. Both of these reasons can be expected to be stronger now that families are on their own to do the farming and see to welfare benefits previously provided by collective units—the team, brigade and commune.

As one might expect, rural women who give birth to baby girls show side-effects other than unhappiness. Of those 53 rural women survey who were unhappy having a girl, 43 (81%) lost weight; 36 (67%) became neurasthenic and 45 (85%) remained depressed. Footnote

By taking a step backward in the mode of production and by failing to restructure society to combat patriarchy, the CCP believes it is achieving unity and undisrupted modernization. It has in effect capitulated to tradition and gained responsibility for the increase in female infanticide.

The capitalist social revolution has brought clear retrogression in other aspects of social life. 75% of all rural marriages are still arranged. Footnote Very often there is a brideprice. The amount of money spent on marriage gifts and ceremonies by families anxious to prove the marriage value of their children has exploded since about 1970. Footnote

According to Butterfield and Croll, women and children are frequently sold and prostitution has enjoyed a resurgence under Deng. Orville Schell reported that a liumang—Chinese for a hooligan and black marketeer who is usually an unemployed youth—asserted his ability to sell anything including women through his connections.

China has also acknowledged the existence of "human trading."

The eighty-seven, [convicted criminals surveyed—ed.] acting singly or in gangs, abducted a total of 347 people, 1 of whom died. They received a total of 143,784 yuan from sales of their victims, of whom 8 were children, 12 were teenage girls, 68 were young women, 5 had mental disorders, and 259 were of

other categories. The majority of the victims were first raped

by the male abductors. Footnote

In addition to the usual lack of willpower, morals, knowledge of the law, expectations of escape attributed to criminals, authors cited greed first in their list of salient characteristics of female human-traders followed by conflict between greed and reality and the desire for an easy life. Footnote

Croll also cites increasing violence against women— including family violence and an increase in rape. According to Zhu Wei, an increase in urban rapes was followed by an increase in rural rapes; however, out of the six reasons Zhu cited for the increase, only two were really variables that explain the increase; the others, such as the availability of easy cover for rape in the countryside, were always true and cannot explain the increase. The two reasons that could explain the increase were “environmental influence” and “change in rural mode of production.” The change in environmental influence is really cultural influence including the open door and the new tolerance of pornographic fiction. According to Zhu, one survey found that “70 percent of the rapes were caused indirectly by the influence of dirty stories.” Footnote The “change in rural mode of production” variable is the distinction between collective and individual labor. Zhu suggests that women workers who work alone in the fields are more vulnerable to rape than women who work in collectives. Footnote

Rape, assault and even consensual sex have different implications for unmarried women in China than they do in the United States. One of those implications may be a subsequent life of crime. “Young female criminals of this category accounted for 53.2 percent of the total.” Footnote Commonly women who lose their virginity before marriage “give themselves up as hopeless and willingly become degenerate.” Footnote Thus, women who suffer from rape in China are caught in a double bind. First, there is the pain of the crime itself. Then there is the social stigma attached to women who have had sex such that they are no longer considered attractive marriage partners. The women quite apparently blame themselves for the society’s sexual values as they become involved in crime. Footnote

In contrast, the Cultural Revolution sponsored ideological campaigns such as the “Criticize Lin Biao and Confucius Campaign,” which sought to destroy sexist ideas about the family, motherhood and female subordination to men. Footnote On the issue of chores, “men and women helped each other, and when the women were engaged in study, the children were looked after and household work was attended to by the men commune members.” Footnote Today, on the other hand, official organs such as the Liberation Daily proclaim that “it is not a good thing for more husbands to take charge of household affairs.” Footnote

The effect of the Cultural Revolution and the “Criticize Lin Biao and Confucius Campaign” is the subject of two chapters in Andors’ book. Together the two movements were summarized by Andors in their impact on women.

Increased collectivization, equal pay for  
equal work, rural mechanization and  
industrialization, the xia-xiang movement of  
sending youth to the countryside, the  
expansion of educational opportunities, and  
the renewed emphasis in support for free-  
choice marriage, family planning, and the  
creation of health facilities all were  
official policy during the early to mid-1970s. Footnote

Elisabeth Croll concurred in particular on the importance of the "Criticize Lin Biao and Confucius Campaign."

What is significant about the campaign is that it is the most concentrated and analytical attempt to date to integrate the redefinition of the female role into a nationwide effort to change the self-image and expectations of men and women and combine a consciousness of both women's and class interests.

Through a nationwide study programme the campaign has aimed to identify and trace the origins and development of the ideology responsible for the oppression of women, and identify, criticize and discredit the remaining influence of the traditional ruling ideology. Footnote

Started in 1973, the "Criticize Lin Biao and Confucius Campaign" was halted with the arrest of the Gang of Four.

The upsurge in sexism has become so conscious that it extends to the CCP itself.

In the 1987 re-election for leading bodies at the county and

township levels, the number of women representatives was found to be down in 12 provinces and municipalities. In some areas, there was not a single woman in county and township governments. Footnote

At the prefect and county level, women increasingly headed the party and government according to figures comparing 1983 and 1986, so the 1987 figures may indicate the beginnings of a reversal of gains for women in the much-maligned mid-level of bureaucracy, where the Cultural Revolution generation and Hua Guofeng supporters supposedly remain in control. Footnote At the top levels women have definitely faced retrenchment. Just as the CCP started to emphasize that the National People's Congress is the "supreme power organ," the numbers and proportions of women leading this supreme organ through its standing committees fell.

Year	Congress	Number of %		Number of %	
		Women Deputies		Women Standing	
Committee Members					
1954	First	147	11.9	4	5
1959	Second	150	12.3	5	6.3
1964	Third	542	17.8	20	17.4
1975	Fourth	653	22.6	42	25.1
1978	Fifth	742	21.2	33	21
1983	Sixth	632	21.2	14	9

Source: Beijing Review, March 7-13, 1988, p. 25

In 1987, the CCP removed all women from its Political Bureau. Despite opposition from some women comrades, the CCP abolished the quota for women on the Political Bureau. Among other reasons, the CCP cited increased democracy that allowed for the competitive election of Political Bureau members. Beijing Review also dutifully trotted out some statistics that show women are slightly more passive than men in political matters. One third of men would reportedly make their disagreement with a municipal government known in issues that affect everyday life, whereas only 26.8 percent of women would. Rather than point to the statistics as symptomatic, Beijing Review seemed to imply that political passivity is inherent to women and hence causative in the decline of women in the Political Bureau once quotas were abolished. This argument is not only theoretically dubious, but also the difference in political passivity is not big enough to explain why there are no women on the Political Bureau. If anything, the survey draws into sharper relief the decline of women in leading political roles. Footnote

In conclusion, much of the impetus for the liberation of women was lost in the Chinese Thermidor. Specifically, women are being relegated to the home once again. The ruling class has been able to take advantage of traditional divisions in the working class by using women in temporary work and the reserve army of unemployed. Also, the new emphasis on technology and the end of political mass-mobilization means a smaller role for women in the workplace and stagnation if not retrogression in their social position. Footnote Andors concludes her chapter on post-Mao developments: "The present attempts to identify women with home and family and certain kinds of jobs, in what must be considered a retreat from the goals of female emancipation, are likely to create new tensions within Chinese society." Footnote

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The Political Economy of Counterrevolution in China: 1976-1988  
The Implications of the Counterrevolution in China's Economy

## EXACERBATION OF THE DIVISION OF LABOR

The division of labor under state capitalism results in conflict between individuals and groups with parochial interests. One of these great conflicts is between the urban areas and the rural areas.

Recently, workers in the cities have expanded their absolute income advantage over workers in the country. Furthermore, the state capitalists with interests in the cities and the Four Modernizations have chafed against Maoist restrictions which served to eradicate the difference between city and country. As seen already, firms have already gained the right to keep their profits. This benefits the large and strong enterprises of the city. In the fine style of trickle down economy the cities are told to go off and build their own economies.

Bringing into play the role of central cities

means "using economically more developed cities as centers to spur on the surrounding countryside, and carry out unified organization of production and circulation, thereby gradually forming economic regions of different scales and types, supported by the central cities." Footnote

This is the thrust of one of the so-called three major reforms of recent years.

In his *China's Economy and the Maoist Strategy*, John Gurley derides this kind of strategy as "building on the best." Neoclassical economists justify this sort of development with two arguments concerning the division of labor.

One is so-called comparative advantage. Comparative advantage is an iron-clad conservative economic doctrine of neoclassical economics stating that people or societies should only produce what they produce most efficiently relative to other societies and trade for the rest of their needs. For Third World countries this means importing manufactured goods and exporting raw materials. Economically speaking, there is no argument against comparative advantage at any given instant of time. Only historically speaking does it make sense for a producing unit to protect its fledgling industries against outside competition. Also, the political concerns that one has for the power one unit could exert over another economically is not a concern of neoclassical market theories which presume free and equal exchange.

A second argument concerning where one invests is that of external economies of scale. Simply put, production should be located where inputs can be obtained most cheaply and easily. Also, there is something to be said for being able to sell to the firm next door. Practically speaking, Gurley points to the classic pattern of Third World development where there is an enclave of relatively modern capitalism surrounded by the poorer countryside. Looking at such places, the Maoists have a political critique of the division between cities and countryside. This division of labor is one of the very roots of classes. Only once the implications of class polarization in terms of imperialism, war, unemployment and the general anarchy of production have been assessed economically should the neoclassicals tout comparative advantage in the real world.

Throughout the writings of recent Chinese economists one finds the conservative side of Marxist and neoclassical economic laws stressed. Xue Muqiao uses Maoist jargon to cover up what he sees as a static division between city and countryside.

In the past, some of our comrades harbored the

illusion that by that time, every department and every

sector of our economy would have reached the world's advanced levels of production. This is impossible, for China has a large population and an underdeveloped economy. Peasants account for 80 percent of the population, and the levels of development between the sectors of the economy are exceedingly uneven. . . . and the situation is even worse with respect to agriculture. . . . China's problem lies in that between 70 and 80 percent of its population is peasantry, whose income is low. To raise peasants' income takes time. We hope that when the urban people become prosperous, their prosperity will gradually proliferate to the countryside. Footnote

Xue's colors also come out when he explains how the West escaped China's problems of conflicts among local interests: "Why are they [capitalist countries] free from these problems? Because their enterprises are privately owned and the state has no right to interfere." Footnote Xue goes on to point out that China's national needs are "not the business" of local administrative units. Footnote A final example of how the Chinese government has come to look at the question of the division of labor is in a Beijing Review article that states that Shanghai should be developed like the Northeast in the United States! The article notes that the wealth of the Northeast took all of U.S. history until the last 10 or 20 years to spread to the South! Footnote The emulation of the capitalist countries on the question of development can leave no doubt about the CCP's intention to oversee the economic breakaway of the cities from the countryside and developed regions from underdeveloped regions.

Reforms concerning the central role of cities also apply to administration. By February 1984, one-quarter or 541 of China's rural counties were administered by 121 out of China's 286 cities in accordance with the reform. Footnote Classical tributary-style rural administration by rentier cities seems to be in the making.

Xue makes other arguments concerning "objective laws of [capitalist] development." Xue seems to have discovered the neoclassical's external economies of scale to justify concentrated development.

To meet the requirements of large-scale socialized production and the resultant specialization and coordination, many enterprises in capitalist countries have merged with one another to form specialized or joint corporations, which extend their

operations beyond the limits of their respective industries, regions, or nations. Although our country has a different economic system, we are confronted with the same objective requirements arising from large-scale socialized production. Footnote

Xue then discusses vertical integration as in the case of mining, coking, iron-smelting, steel-making, steel-rolling, chemicals and building-materials. This conglomerate would also have agencies for procurement of raw materials, sales, research and design. Furthermore, all the newly vertically integrated monopoly "establishments" are placed under "unified management." Footnote Once again efficiency concerns go hand in hand with increased supervision of labor. The process of vertical integration or concentration of capital involves the breaking of worker class power and the extraction of labor from labor-power.

More blatantly enshrining the division of labor, He Jianzhang upholds the "new policy of 'developing comparative advantage.'" Footnote "The new policy is to promote competition and improve coordination. As a rule, every region has its comparative advantages as well as its comparative disadvantages." Footnote "Thus, competition would compel large and small self-sufficient enterprises to practice division of labor and better coordination." Footnote Basically, this means that the new policy is to increase trade; encourage specialization and the class polarization that goes along with the variation in the profitability of the different trades. Trade feeds the division of labor and the division of labor necessitates trade.

## THE ANARCHY OF PRODUCTION

### "COMPETITIVE SOCIALISM"

Many foreign observers found it difficult to interpret subtle economic policy shifts in the first few years after Mao's death, but a definitive set of economic reforms was initiated in 1979. In a book called China's Economic Reforms several Chinese economists and officials give a candid and unofficial analysis of the new economic reforms. At several points in the book, it is noted that the book is written to explain to foreigners, especially those worried about apparent capitalist liberalization, why China is still socialist and why the reforms are good for the Chinese people.

In explaining the new emphasis on the profitability of the enterprise and agricultural unit and the long-range view for giving all economic units financial responsibility for staying afloat, Wang Haibo claims that a socialist profit-run enterprise is different from a capitalist enterprise in five ways. First, there is public ownership and no capitalist class to enjoy the fruits of appropriation. Secondly, there is no capitalist expansion based on profits and for the benefit of capital. Thirdly, there are no capitalist deceptions, just a socialist plan. Fourthly anarchy of production is not aggravated and fifthly, there is no unemployment. Footnote Indeed, these are differences between socialist and capitalist economies. However, points two through five are easily belied in the case of China. In particular, the anarchy of production in China is a major root cause of unemployment, poor planning for what planning there is and expansion by capitalist methods.

Indeed, the Chinese economists suggest that the market is the answer to the anarchy of production. Footnote The market supposedly provides information about various products and demands, faster than planning does. One big point of the 1979 reform was the commoditization of the means of production and consumer goods, including housing. Footnote The argument for this is that there must be "competitive socialism." While there is commodity production, there must be

competition and since commodity production must continue until at least communism, there is bound to be confusion unless competition is allowed. Stalin and in an oblique way, Mao were wrong according to the new Chinese economists. Footnote

However, by acknowledging the supposed competition under socialism, the Chinese have acknowledged the anarchy of production. The CCP plan is to allow commoditization and competition on the basis of the search for profit. Commoditization, competition and profit are three words that by themselves indicate a reversal of the Cultural Revolution and establishment of state capitalism. Obviously each of these things existed before 1976. Nonetheless, they were not pursued in their own right.

The Cultural Revolutionaries had a sophisticated understanding of how commoditization, competition and profit could get out of hand and run the economy beyond the conscious dictates of capitalists or consumers. Fundamentally, there exists a tension between exchange-value and use-value. The working class has an interest in the creation of use-value for consumption, leisure-time and favorable work organization. None of these things has necessary counterparts in exchange dictated by survival of the fittest.

In contrast, Weberian sociologists and neoclassical economists alike criticize socialism as inherently bureaucratic. The case against this popular Western truism is elegantly demonstrated by some statistics on how China has changed as it has become capitalist. First, the information that the market supposedly provides better than planning is not free or spontaneously generated. In 1979 in China there were only 10 advertising enterprises. By 1987, that figure was almost 7,000. "Between 1979 and 1985 domestic Chinese advertising revenues more than doubled each year, reaching \$220 million in 1986, of which \$14.9 million were revenues from foreign advertisers." Footnote In 1987, 81,000 ad industry employees helped the invisible hand reach 68 percent of China's population through newspapers, magazines, radios and televisions. Footnote "Progress" for China on this score includes the use of lotteries aimed at attracting bank depositors. Footnote Perhaps some would argue the superiority of the advertising executive over the planning bureaucrat.

Secondly, another colorful group of people on the rise that did not exist in Cultural Revolution China is notaries. With the rise of contracts and inheritance of property, notaries are sure to do well as people learn to distrust each other in important business matters.

Thirdly, China's 400 million newly created economic contracts generated 7 million disputes in 1983. Thus in one year, the invisible hand hired 10,000 judges to handle the new work. Footnote Then, every year for four years from 1983 to 1987, economic disputes doubled. Footnote

Fourthly, The People's Insurance Company of China increased its income in 1983 by 36% to take in over 1 billion yuan. Here the invisible hand hired 13,000 more employees to add to the previously existing 20,000. Apparently some enterprises have learned that absolute safety is no longer essential now that insurance policies cover accidents. Arson and accidental fire are on the rise. Footnote

Finally, a side-effect of replacing state control of business with taxation is an increase in a beloved institution—the tax-collecting bureaucracy. At least 270 assaults on tax-collectors have been reported as perpetrated by people labelled criminals. Footnote

Hence, it seems a ridiculous propaganda statement to say that socialism is top-heavy with bureaucrats compared with capitalism. What capitalism lacks in economic planners it makes up for in lawyers, judges, notaries, advertising agencies, insurance employees, tax-collectors and a host of other non-productive workers. This is not to mention managers, bankers, speculators or the hottest profession today in the United States—"mergers and acquisitions."

Unfortunately, atheoretical provincialism is common not only among the U.S. public but also comparative economists. Typically, national and personal incomes are compared between countries as if the speculator's "goods and services" were comparable through the medium of money with the public health professional's. At the same time, the contributions of socialist bureaucrats are seen as totally negative. Commodity fetishism has so permeated Western thinking, that academics usually are incapable of even considering how socialist bureaucrats might have functionally equivalent Western

counterparts and what this means for comparative analysis.

While it is often possible to accomplish the same ends under both capitalism and socialism, it is not possible to use the same means. Given the choice between bureaucratic/political alienation of socialism and market alienation of capitalism, Footnote there are a number of good reasons to choose bureaucratic alienation. Above all, bureaucratic alienation is at least as overt as market alienation and can be fought as Mao demonstrated. The social cost of using the invisible hand is that it punishes individuals who are likely to blame themselves for problems that are really systemic. Divorce, violent crimes of passion and mental illness exist in the West to degrees unknown in China even now. If socialist bureaucrats are ready political targets, the free market successfully insulates the capitalist class from blame for economic problems. Failures are more likely experienced as individual matters: workers blame themselves when they become unemployed and capitalists who go broke attribute failure to incorrect investments or the like. In free market societies, anger and frustration is more likely turned inward to result in mental illness, divorce, suicide and homicide of one's closest associates. Footnote

It is the accomplishment of labelling theory to show that blame the victim ideology can cause crime and mental illness without the existence of systemic causes. The mere fact that the individual is told s/he is wrong becomes self-fulfilling.

In addition to the incidental social costs of capitalism, capitalism has the problem that it cannot create exchange for participation or self-actualization in work. It is impossible to buy a revolutionary committee by taking a cut in wages. The price of removing a capitalist from his position of power is too great, especially for those who by definition own no large blocks of stock. If it were not, the capitalist would not be a capitalist. A revolutionary committee can be established to insure favorable work conditions through political struggle—revolution.

Workers have no interest in being squeezed indefinitely in the workplace by the capitalist and state that backs him. The worker does have an interest in the use of existing techniques of production. Unfortunately, whether the capitalist be a competitive capitalist or a state capitalist or an entire country competing against other countries, the capitalist must find the cheapest technique or go out of business. Perfectly useful capital equipment that is "out-of-date" is not useful to the capitalist who would have to hire at below subsistence wages to make a profit and stay afloat with obsolete equipment. Developing countries however, have an especial interest in utilizing unemployed labor and indigenous and other available techniques of production.

By itself, the market will subordinate efficiency issues of employment of resources to its obsession for obtaining the cheapest technique of production. Since there is nothing inherently socialist about planning, as evidenced by Hitler Germany or Nasser's Egypt or the Pentagon's direction of military production, what planning China still does to offset market blindness must be examined empirically.

## PROBLEMS IN INVESTMENT

Officially the Chinese have called investment "out of control." Footnote In fact, the CCP has on occasion stepped in to stop the rampant projects outside of the state plan that have been responsible for a run away accumulation rate of 35% of GNP. That rate compares to that of the Great Leap—a grave error according to current Chinese leaders. Footnote Many if not most of the cut projects are to go unfinished. Even the state's Baoshan steel complex was postponed.

In fact, while Mao admitted some error in 1958-59, the current leaders will never regain the control of investment that existed before the state capitalist revolution. Mao sanctioned single year binges in investment like 1958, largely to give the masses a chance to mobilize and learn economic skills and to forge major breakthroughs in social relations such as those obtained by women in the Great Leap. According to British economists Hahn and Matthews Mao's view of economics has justification. "Investment benefits productivity largely because it provides opportunities for learning

new methods"" and ""learning theories show economies of scale from learning, quite different from the indivisibilities etc. of traditional economic theory."" Footnote Not only are mass-mobilization investment binges justified, but also, as long as the interests of the proletariat are kept in mind, it will always be possible to recentralize and curtail investment at a national level. "In the post-Leap period the Central government was able to quickly reassert control over the economy, but in recent years it has been powerless to do so." Footnote Calls for 20% cuts in investment and cancellation of projects like Baoshan only result in investment growth.

1982 figures show that the problem of investment worsened despite proclaimed desires to reduce the accumulation rate to 25% Footnote and reputed parallels "to the ten years of turmoil." "In our efforts to develop the economy there has existed an outstanding problem of excessive increases in the investments in capital construction. The investments in capital construction across the country last year totaled 55.5 billion yuan, 11.2 billion yuan higher than the previous year, an increase of 25.4 percent." Footnote Furthermore, this is an increase on top of already high levels. 1958 and 1970 are considered two poor years by the current Chinese CP, but

the third setback came in 1978 when the investment in capital construction increased by 12.1 billion yuan over the preceding year, and the appropriation for capital construction accounted for 40.7% of the national spending. The accumulation rate was 32.2 percent and remained at 31.6-36.5 percent in the next 3 years. Footnote

In the first eleven months of 1983, capital construction increased 10.8% annually over 1982. Footnote China's economy is dominated by the capitalist law "Thou Shalt Accumulate."

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Year	Accumulation as % of national income
1952	21.4
1957	24.9
1978	36.5
1980	31.5
1984	31.2
1985	33.7

Statistical Yearbook of China 1986, p. 20.

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According to Zhong Jingtai, the accumulation rate dropped from 36.5% in 1978 to 30% in 1983. Footnote The evidence here stands in contradiction to this figure. Nicholas Lardy says that the Chinese arrive at their investment figures by taking reform investment rates in current price terms

which cover up the inflation of consumer goods relative to producer goods.

Indeed, it would appear that properly measured the investment rate has actually risen during the period of reform compared to the average of several years prior to reform, differentiating 1979-82 from a seemingly similar period of readjustment (1961-1965) when the investment rate fell by more than half compared to the years of the Great Leap Forward (1958-1960). Footnote

In 1984, the Chinese economists estimate that capital construction in state enterprises increased over 20% to top 73 billion yuan. In comparison, in Shezhen, Zhuhai, Shantou and Xiamen, where capitalism has its freest rein in so-called "special economic zones" investment increased 120% to 1.25 billion yuan. Footnote

The Chinese leaders are quite conscious of the reasons why investment has gone berserk.

In 1982, however, because of the all-round improvement

in the national economy, there was again a sharp

increase in extra-budgetary investments. Many localities and units had acquired increased decision-

making power. With more funds at their disposal, they

were able to embark on many construction projects not included in the plan. Footnote

The source of these funds was the profit-retention reform which every state enterprise had completed by the end of 1981. Footnote

Extrabudgetary investment surpassed planned investment in 1982. Never surpassing 23% of total investment before 1978, extrabudgetary investment climbed with the reforms from 16.7% in 1978 to 50.2% in 1982. Footnote This has resulted in "a situation . . . in which the projects that are included in the planning are squeezed by the projects that are excluded from the planning, and key projects have been squeezed by ordinary projects. There is no guarantee for the investments in state key projects." Footnote

For this reason, in 1983 ministerial, regional and local government heads were made responsible for cutting back investment in their areas and insure funds for key projects. Local projects also faced a new requirement that they start with a 30% downpayment from local funds. Then, "the centre imposed a 10 percent levy on all non-budgetary funds, receiving in 1984 from source Y12 billion, an amount equal to 16 percent of all capital construction investment." Footnote With these measures, the central government regained a portion of lost control, but still did not allocate a majority of investment funds.

In 1984, the banking system started its easy money policy of loaning enterprises large sums for construction. This boom in bank lending started another expansionary centrifugal phase that

CESRRI economists and others are currently criticizing. Footnote

Indeed, by 1987 individual investment as opposed to collective or state investment had become significant. At 17.1% in 1982, individual investment reached 22.1% of total investment in 1987. Footnote

To meet the demands of the market, some enterprises run behind schedule in meeting state quotas for production, quotas which run at least as low as 40% of production in one pilot project in 1980. Footnote As a result of this sort of profiteering at the expense of the state's supposed plan, in 1981 the state had to purchase 10% of its coal allocations—30 million tons—at market price. Footnote Furthermore, the state itself has been lax recently in setting state plans for production. Footnote

Without state regulation the collective sector tends to develop blindly, leading to waste and anarchy in the economy. Such problems exist now. For example, because plastic goods sell fast at a profit, plastics factories have been established in many places and in many industries far beyond the available supply of raw materials and market demand. Likewise, because cigarette-making is profitable, the opening of many cigarette factories under collective ownership has consumed raw materials intended for large, modern factories, which in

turn operate under capacity. Footnote

Yet, despite various disasters engendered by investment allocation driven by the market, the government plunges ahead. Footnote "One of the most important achievements of our reform program in recent years," according to the CESRRI economists is the response of investment to price signals. While investment is not correlated with the growth rate of output value as of 1984, it is "correlated with the rate of growth of the profits/fixed assets ratio. (For 244 sample cases,  $r=0.1939$ .)" Footnote Saddled with a price structure irrational in capitalist terms and realistically a price structure that will never adhere to conditions even close to the free market ideal, the CESRRI economists would do better to say that the allocation of investment by the invisible hand is one of the most important aspects of capitalist production and its attendant anarchy of production.

## PRODUCTION OF THE WRONG GOODS

Various market forces make it difficult to produce the right things even if there is a correct plan. Recently, energy production has been one of the most important if not most important problems in China's modernization. Beijing Review refers to it as the "great challenge." Footnote However, while the editors of CER brag about the improvements of the current economy over that of Cultural Revolution China, their own figures show that 1977-80 production in oil grew one quarter the speed it did during the period 1966-1976. Furthermore, growth in coal production was lower in the same period. Coal is responsible for 73.8% of China's energy consumption. Footnote Thus, it is very serious that both oil, natural gas and coal production dropped during 1980 and 1981: Footnote "as late as

1983, no less than one-fifth of industrial capacity was idle for lack of electric power.” Footnote Despite this problem and official policy, the proportion of state investment in energy declined in 1982 before rebounding in 1983 and after.

The lack of a socialist plan extends to the question of what kinds of production take place in China. For example, while rolled steel has been overproduced for years, steel as a whole has been underproduced. “Since the second half of last year, the supply of the means of production such as steel, timber and cement has become tight.” Footnote The CCP would like to blame the steel situation and problems like Baoshan on Mao’s lingering influence, but its arguments are weak. First, this was a problem occurring seven years after Mao’s death. When does the new leadership start taking blame for China’s problems? Secondly, to blame problems on Cultural Revolution holdovers in the bureaucracy is to simply assert that class struggle exists and has been underestimated in its importance by the current government! If these holdovers from Lin Biao and the Gang of Four are not just serving as scapegoats or stand-ins for the current government that can be more safely attacked, then the CCP should recognize the obdurate nature of classes under socialism and re-elevate class struggle to its former position in China. Finally, and substantively, Mao took “steel as the key link.” Can steel shortages seven years later be blamed on Mao?

While steel was in tight supply, the Dengists supposedly want agriculture and light industry to predominate. However, thanks to the anarchy of production, the planners can not even guarantee this.

A tendency has emerged in which light industry is being squeezed by heavy industry. Light industry grew by 14.1% in 1981, but last year the growth dropped to 5.7%. This situation continued to slow down in the first 5 months of this year, with a growth rate of only 4.8 percent as compared with same period last year and this figure is much lower than the growth of 11.7 percent of heavy industry. Footnote

In 1983, light industry increased production 8.4% and heavy industry went up 12.1%. Footnote Moreover, despite repeated assertions that current China will finally put into practice the priorities of agriculture, light industry and then heavy industry described by Mao in 1958, the state has presided over an actual decrease in the proportion of investment in agriculture. Agriculture’s share of state investment sank to 6.1% in 1982—the lowest share since figures started being collected in 1953. Higher figures in 1979 and 1980 were still over 6 points below the planned 18%. Footnote As Susan Shirk says, China’s priorities in practice are now determined by the struggles of ministers in the capital. “Each minister, sitting in Beijing, is able to articulate the interests of the industry he represents.” Footnote These ministers specify what needs will be satisfied according to their individual interests. As of 1988 the centrifugal phase of reform continues to demonstrate incredible resilience and popularity. The state capitalist class is largely unified around “every man for himself” and “do your own thing” in the market. In this form of the anarchy of production, the Chinese can not even determine priorities among the general areas of agriculture, light industry and heavy industry. Growth in light industry and agriculture in particular occur in spite of supposed planning.

The author must admit that the Chinese have recently scored a breakthrough in directing investment proportions. The percentage of investment devoted to energy, transport and communications—the major bottlenecks in the economy—increased from 28.7% in 1982 to 34.6% in 1983 to 36.9% in 1984 before falling again to 35.0 in 1985. This was after a period of decline in these sectors in 1981 and 1982. Footnote However, because of non-government investment and the

increasing role of consumption or the demand-side of the economy, the growth of the energy industry still fell behind that of the processing industry and this has aggravated the shortage of energy and raw materials that appeared in 1982. The contradiction between economic development and insufficient transport facilities became more acute. With regards to railways, more and more goods were piled up and waiting to be transported. Because of an insufficient handling capacity at the country's ports, more and more ships could not be unloaded in time. Consumption funds increased too rapidly. . . . This has had an adverse effect on state finance. Footnote

Whereas economists complained in the early eighties about excessive investment, now they view consumption demand, sometimes sparked non-productive investment such as housing, as the problem. Even effective rearrangement of government priorities can not set the economy in the right direction in regard to what goods should be produced.

## OVERPRODUCTION

Overproduction is nothing but a lack of efficient demand in economic jargon, but the problem of weak demand is never permanently resolved by a shift from profits to wages or savings to consumption because of the forces at work on the production side. In other words, China is attempting to build a middle class by increasing wages and material incentives, but the problem of overproduction just takes new forms. Demand can be jacked up with deficit spending, as China is discovering for the first time since 1949. Still, there are simultaneously three problems given new impetus by the so-called reforms—inflation, overproduction and shortages.

The Chinese have acknowledged the existence of the anarchy of production as manifested in overproduction. "The overproduction of goods already in excessive supply remains a serious problem. Year after year the government has called for the use of rolled steel in stock, but the inventory keeps increasing." Footnote In 1983, rolled steel production increased 5.7%. Footnote Fox Butterfield also describes overproduction:

A friend who was employed in a state corporation that handles electrical machinery estimated it had the equivalent of \$400 million in stock in warehouses around China. But the government budget for 1981 to buy electrical machinery was only \$200 million. So it

would take two full years of purchases just to sell off their inventory, without any further production, he said. An official of the State Economic Commission, which oversees the economy, told delegates to the National People's Congress in 1980 that the total value of goods in warehouses in China is equal to a full year's income for all Chinese wage earners. Footnote

Again, for the benefit of the bourgeois economists and vulgar Marxists, to ask the question of who is doing the consumption in China is to look at the warehouses and the swamps at Baoshan. Footnote

Capital must compete and expand or die. As already seen in the cigarette and plastic examples, anarchy of production can result in redundancy of production. In such a situation, one of the competitors must go under. Thus, even if a free market without bureaucratic distortions in China became the next phase in the class struggle, eventually a renewed concentration of economic and political power would destroy the possibility of perfect competition again. Capital becomes concentrated in fewer and fewer hands thanks to centripetal forces in the economy that are the necessary complement to the centrifugal forces of the market.

In 1980 the government closed down or suspended the operations of industrial enterprises which had turned out high-cost and low-quality goods unsuited to actual needs or which had long operated at a loss, but they were outnumbered by newly commissioned enterprises.

Statistics from Jiangsu, Hebei, and Jilin provinces and from the cities of Shanghai, Tianjin, Shenyang, Luda, Changchun, and Harbin showed that, while 932 enterprises closed down or suspended operation in the first ten months of the year, 5,724 new enterprises were commissioned. At the same time, some were merged or switched to new lines of products. Footnote

China's economy has had waves of expansion largely because of a trend towards enterprise autonomy. Nevertheless, an undertow of consolidation exists and the state capitalist class will not expand to coopt local bureaucrats and enterprise directors forever. "Although the administrative decentralization is not economically favorable to reform, politically, it brings provincial officials into the reform coalition" Footnote according to Susan Shirk. In opposition is the "communist coalition" of

heavy industry, inland provinces and central ministries, which she believes will come out on top unless there is political reform ensuring democracy. Footnote Shirk's reform coalition must be viewed as rare in recent capitalist history, which is monopoly capitalist history.

In China though, the reform coalition as described by Shirk has had great resilience, even in industry. Firms successfully fought for an ever greater share of profits and then got the taxation system. Next they were able to wrench a "soft-budget constraint" out of the banks. They also fought off repeated efforts to recentralize the enterprises and give the central government the lion's share of investment again. This relative strength of centrifugal forces has colored the capitalist anarchy of production in a certain way.

A decentralization/expansion political coalition is only viable when capitalism is still expanding overseas and exploiting new territories or when after a devastating war so many competing capitalists have been wiped out that the victors have a heyday of expansion—i.e. the post-WWII American hegemony; finally, when there are no new resources to discover and exploit in capitalist fashion we may see socialist territory carved up for capitalist exploitation. This is China's case. Deng has handed out pieces of the economy to domestic and foreign capitalists. With the political alliance he created, Deng can start to choose amongst the forms of crisis that the market offers.

In the current manifestation of the anarchy of production, overproduction in light industry is typical of overproduction in capitalist countries since light industry produces consumer goods.

Eight different products—namely, wrist watches, bicycles, sewing machines, TV sets, beer, terylene-cotton fabrics, woolen fabrics and cotton fabrics have already exceeded the state's plan of development up to 1985. Unless strict control is exercised, it is estimated that by 1985, more than 5 billion yuan will be wasted in investment. Cotton curtain fabrics and art (printing) paper have changed from short-supply to excessive-supply products. Sulphuric acid and plate glass are now in short supply; however, since all localities are making great efforts to increase their output, their production may also go out of control. Footnote

Another example is the profitability of electric fan production that led to the creation of 22 fan factories in Wuhan alone in two years. Footnote

This brings up the problem of waste and overcapacity.

In a 1980 survey, Liaoning Province reported that in nine industries including papermaking, printing, knitting, pharmaceuticals, household appliances and food processing, "duplicative factories" accounted for

65% of the total number of enterprises. The excess capacity for manufacturing television sets was estimated to be 50%, as a result of five additional plants built outside the plan. Footnote

In addition to the fact that television is probably as revolutionary as lung cancer and alcoholism, the overcapacity is the result of economism and the working class's loss of control in the economy. Overcapacity coexists with urban unemployment and a peasant economy striving for industrialization.

When there is waste and overcapacity, unemployment will result and the neoclassical economist says that the situation is less than "socially optimal."

Last year, of the 80 big and medium projects that, according to state planning, should be built and put into production, 33 are yet to be completed. Conversely, the number of general projects that should be controlled, increased from 60,000 in the previous year to 71,000 last year, and of this figure, 34,000 were new projects that began production in the same year and quite a number of these new projects are duplicated, thus showing serious blindness. Footnote

Another way of looking at the same wastage and scattering is to look at underutilization. "The proportion of large- and medium-size construction projects available for operation dropped to 5.8 percent in 1978, even lower than in 1958 and 1970." Footnote (Furthermore, of a total of 560 large and medium scale state projects 176 do "not operate normally," because of insufficient supplies, poor technology or insufficient sales. Footnote Thanks in part to tax exemptions and the shifting of tax authority to the local level, cigarettes and wine show a 40 to 60% after tax profit rate. Sugar earns about 150 percent. Footnote Again the Chinese CP shows awareness of the driving forces in this waste.

The problems of blindness and repetition in

construction are quite serious and this situation is strongly related with current system and policies such as the distribution of investments, distribution of products, price and tax policy and financial subsidy. For example, repetition in the building of

cigarette factories is closely related to the financial policy of "eating from different kitchens"; the building of cigarette factories will help localities open up tax resources; there are a number of wineries because they have to pay little tax and yet they are making big profits; localities are contending with each other in building textile mills because increases in the purchase of cotton price are subsidized by financial departments. Footnote

Part of the problem is that the localities are being asked to display initiative at the same time that struggle over national politics has been put on the backburner. Localities can not be expected to have the interest of China's peasants and workers in mind when they are run by members of the state capitalist class.

## UNEMPLOYMENT

China's weak employment situation Footnote is caused by overproduction. Once the market determines the prevailing techniques of production, the bourgeoisie fires unnecessary workers and puts a freeze on hiring. The competitive jungle also determines that accumulation is driven beyond the "rational" level arrived at by neoclassical economists. This can only occur at the expense of consumption.

Although China's economy is in an expansionary phase of the business cycle, "at present, an additional 7 million people are joining the waiting lists for jobs every year." Footnote In 1979, 10 to 25 million workers were unemployed in China's cities and towns. At 20 million, the non-agricultural unemployment rate would be 17 to 18%. In 1982, some cities reportedly had unemployment of 12%. Footnote Officially the overall urban unemployment rate in 1979 was 5.9% and 1.8% in 1985. Footnote

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Unemployment in cities and towns	(millions)	%
1952	3.766	13.2
1957	2.004	5.9
1978	5.300	5.3
1980	5.415	4.9
1981	4.395	3.8
1982	3.794	3.2
1983	2.714	2.3

1984	2.357	1.9
1985	2.385	1.8
1987	n.a.	2.0

Source: Statistical Yearbook of China 1986; China Daily.

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Since the xia-xiang movement's end, 20 million youth have returned to the cities to find jobs. Footnote In addition, there are youth just leaving school now who are looking for jobs. Together these sources of labor-power are more than the state can afford to hire under its compulsion to use the cheapest technology.

It is estimated that every million yuan worth of fixed assets in heavy industry can provide only 94 jobs, but the same sum in light industries or textiles can provide 257 jobs. If heavy industry were to absorb all the young people joining the labor force each year, the state would have to invest 77.78 billion yuan annually. Even if these young people all went into light industries and textiles, the investment would still run to 28 billion yuan a year. Under China's current economic conditions, the state is not in a position to provide jobs for all these new workers. However, individual businesses can be set up, making do with what is available without asking the state for investment or managerial personnel. Footnote

Such figures presume a prevailing level of technology.

One can also expect machinery and technology to dispose of more and more peasants in the countryside.

One commune in Anhui, for example reported that before the system [quasi-private responsibility system] was adopted the labour engaged in farming accounted for 81.3% of its total labour force. After the change this

declined to 45.1% in 1980 and 37% in 1981. Footnote

Andrew Watson goes on to report that 42.3% of the original labor force in three communes in Henan is surplus labor and cites an estimate that one third of all rural laborers may be excess. Footnote Elisabeth Croll has found discussions of sending women back to the home for lack of jobs. In at least one county in Zhejiang province over 90% of female laborers had no regular assignments. Orville Schell cites Chinese figures that Zhejiang and other rural provinces have 50% of the workforce as surplus labor. Footnote In the rural areas of one city in the southeastern area of China, unemployment was 70% of a 2.3 million person workforce. As a result of the unemployment, the Chinese government has heralded the hiring of laborers by private employers. "There are 13,000 households employing 42,000 labourers, 2 percent of the rural workforce." Footnote Most of the workers in the area are engaged in handicrafts and small domestic item production. 27% of the employers are members of the Communist Party. As justification for the private hiring of labor, some official organs offered the theory that private hiring of labor was inevitable in an immature stage of socialism. Footnote

In industry, Beijing Review reports that as of 1988 there are 20 to 30 million surplus workers in state and collective enterprises. It reports that in one factory in Shijiazhuang in Hebei Province, workers averaged 50% of the work expected of them in an eight-hour day. In factories in Qingdao, Shandong Province and Zhuzhou, Hunan Province, a cut of one-third in the work force reportedly increased labor productivity. Footnote

The unemployment situation has led to various forms of political resistance. One thousand unemployed rallied in Shanghai on April 13th, 1981. Other so-called redundant workers in 1981 drove managers out of their offices and damaged equipment. Disgruntled workers have killed their factory directors. Strikes and slowdowns are also apparently on the rise. Footnote

Marxist theory would predict all these kinds of phenomena. Overproduction is caused by overinvestment. Overproduction causes unemployment. Unemployment causes a further drop in effective demand—a drop mitigated by welfare programs—and a rise in individual business. This is a powerful chain of events that entails great class struggle and a final result that tends to reinforce itself— competitive capitalism.

Overproduction is as new as the several year string of overinvestment and the recent duplication of projects caused by the newly found autonomy of enterprises driven by profit. Of course, there will be ups and downs within the general tendencies towards overinvestment and consolidation, but without control of investment, the state can only affect the form that the crisis of capitalism takes.

Deficit spending jacks up demand, but it puts China in the hands of foreign and domestic debtors who will struggle to suck out interest at the expense of peasants and workers. Deficit spending also introduces a complicated dynamic of fetishism into planner's calculations, just as it does in the credit card societies of the West.

## CRIME

The impact of the anarchy of production in terms of unemployment deserves further attention. Recently, China has abandoned previous attitudes favorable to a systemic analysis of crime. Facing rising crime, the state has called for stiffer punishment of criminals and greater codification. Deng has brought back public executions coordinated to be mass spectacles. According to visiting professor Liu Fong Da at Berkeley, city officials arrange shows that execute as many as one hundred people at one time. Footnote Diplomats originally estimated that China executed 1,000 or 2,000 people in the fall of 1983 with the revival of spectacle executions. Apparently, Chinese internal documents specified a quota of 5,000 executions and 50,000 arrests to be reached by the end of the year. Journalists believed, however, that Chinese officials energetically surpassed these quotas with 15,000 executions. Liu Fong Da said guesses included 80,000 and 150,000 executions. Footnote

Orville Schell, who also visited China during the supposedly horrific Cultural Revolution, said of the executions, "Never have I seen a busy street in China empty so quickly, or experienced the kind of eerie silence that hushed the crowd." Footnote

Despite the effort to bring an atmosphere of individual self-discipline, the CCP has admitted that 23% of criminal offenders are unemployed. Footnote A Beijing Review article recognizes that crime is a characteristic of class society but argues that in China class struggle "still exists in society to some extent." This is to say that crime can not be attributed to systemic forces in China and to sideswipe the Cultural Revolution, which supposedly encouraged crime in its zeal for class struggle. Footnote By imposing stiffer punishments, the ruling class hopes to blame the masses for "deviance" so as to better discipline them for labor. Footnote

This is all the more clear since the government admits that juvenile delinquency is on the increase. The deputy director of the Beijing Bureau of Public Security, Jiao Kun, in 1981 blamed the increase on the Cultural Revolution. Footnote

The government does admit that the overall rate of street crime has grown. In 1982, the rate was 7.5 compared with 6.5 in the years 1977-79, an average of 4.5 in the years 1950 to 1965 and 2.3 per 10,000 in 1953. Footnote Non-Marxist Lynn Pan, who also links crime and corruption to the profit motive and open door, notes that a foreigner may no longer leave belongings unattended in China. Thieves operate near hotels for foreigners. Footnote The author himself observed that currency speculators abound where there are foreigners.

Figures for the first half of 1988 show an annual increase of 36.4 percent "of serious offenses including murder, robbery, larceny and rape." Footnote The proportion of cases against people under age 25 rose from 30 to 50% "in recent years." Footnote The rise in juvenile delinquency experienced in 1988 makes it all the more remote that Jiao Kun's blaming of the Cultural Revolution is anything more than ideological formalism. These kinds of increases in crime at this late a date would be hard to pin on the Cultural Revolution, even if the Cultural Revolution established "a juvenile gang subculture." Footnote As Whyte and Parish explain, where there are legitimate opportunities to pursue non-criminal lives, the crime rate will be relatively low. Footnote

Whyte and Parish push this theory of legitimate opportunities to include the material incentives system established by the post-Mao regime. They support the idea that restoring "systems of incentives and career opportunities that were discarded during the Cultural Revolution . . . will solve the current juvenile delinquency problems." Footnote They cite a decrease in the crime rate in 1982 as evidence that the reforms could contribute to a decrease in crime.

On the other hand, the reader has already seen that the officially-induced craze for money contributes to such crimes as human-trading. Therefore, the author would argue that Parish and Whyte should discard the part of their theory concerning material incentives and stick to the issue of unemployment and career security. In addition, Parish and Whyte should note that with the end of the countryside movement and an increase in unemployment under the post-Mao regime, the expected result is an increase in crime, which is what China is experiencing under the reforms.

Unintentionally underscoring this point, the CCP has linked the rise of violent crime to economic crimes, finding that the two co-exist at high levels in some regions. Footnote Alcohol also appears to have a substantial role in crime. Footnote

Transients encouraged by relaxation of migration regulations and urban economic opportunities also accounted for more than 55,800 arrests in 1987. There are a total of 10 million transients now in China's 23 cities with over 1 million people. Some of these people "sleep outside railway stations or in parks." Footnote In addition, China Daily admits that "the numbers of migrant beggars have increased in recent years." Footnote In 1987, Shanghai authorities detained 10,000 beggars, at least 800 of which they believed were "real" beggars. Footnote Overall, the informants that Whyte and Parish interviewed agreed that those who returned to the cities illegally are the greatest crime threat in the cities. Footnote

The trend in economic crime belies the government's explanations for crime. In one article in the Beijing Review, China announced the closing down of all projects outside the state budget. The

apparent reason was that the economy was unstable. Footnote However, the same Beijing Review reported that economic crimes had reached an all-time high surpassing that of even any time during the Cultural Revolution! The article mentioned that 30,000 people had been arrested recently and that 8,500 people had been expelled from the party in one year and four months. Their crimes were mostly smuggling, embezzlement, tax evasion and large-scale speculation. Footnote "From January 1, 1982, until April 30, 1983, 192,000 cases of economic crime—involving, among others 71,000 Party members—had come to light." Footnote Serious economic crimes uncovered increased 54.4% in 1987 over the previous year and totalled 77, 386 cases. Footnote In the first half of 1988, the number of reported cases of financial crimes declined, but "major crimes involving large sums of money. . . [including] embezzlement, bribery, profiteering, swindling, speculation, smuggling of gold and antiques, the illegal felling of trees and tax evasion" Footnote increased over the same period in 1987. In August 1988, the CCP expelled 20,000 members for corruption and asked another 89,000 to resign. Footnote That this sort of thing is rampant in China is shown by the numbers which probably do not represent all the crimes committed by everybody since presumably every cadre does not get caught. Even more indicative is that the Beijing Review article calls for careful distinction between legal activities and economic crimes. In other words, since most of the cadres are good or comparatively good and because China gave local cadres some economic powers beyond supervision, what else could be expected from such a situation? Footnote

By 1988, the president of China's Supreme People's Court, Zheng Tianxiang, said that such distinctions had gone too far toward laxity. According to Zheng, government officials are taking an increasing role in economic crime and getting away with it because court decisions are often not enforced on state bodies and enterprises. 30 percent of verdicts are ignored and some provinces the rate surpasses 40 percent because of the intervention of local officials. Also, according to Zheng, many cases never get so far as prosecution: "Last year, only 16 of the more than 3,000 cases of gold profiteering and smuggling in the country's major gold-producing areas resulted in prosecutions." Footnote

What may seem to be immoral capitalistic activities have been sanctioned or overlooked by the state which is desperately decentralizing the economy in order to modernize at any expense and to recruit new members to the ruling class.

## MENTAL ILLNESS

According to Shanghai's Liberation Daily, "the number of the city's mental patients has exceeded 100,000 or 11.35 per 1,000 people. This constitutes a 55.9 percent increase over the figure in 1978." Footnote

In 1982, China averaged 1 mental patient per 100 people. However, there was only 1 bed for every 140 mental patients.

China's official papers cited experts to the effect that new competitive pressures to do well in exams and business caused the surge in schizophrenia and mental depression. For example, one school district in Shanghai alone had four suicide attempts by children in June, 1986 because of exam and homework pressure. In another case, in December of 1987, a mother beat her son to death for not scoring 90 points on an examination. Overall, one survey "found nearly 30 percent of the cases of abnormal behaviour involved children." Footnote

China Daily points out that psychiatry as a profession did not exist until recently in China. The phenomena of widespread mental illness is so new that Shanghai only has 5,500 beds for its mental patients; even though, Shanghai is China's largest city. Footnote

## PARTNERSHIP WITH IMPERIALISM

Earlier in the essay the Three Worlds Theory and China's foreign policy were examined in terms of a loss of power by the Chinese proletariat over the foreign policy of China. With the events of 1976, China accelerated its descent into the U.S. imperialist camp. During Reagan's 1984 visit to China, the Chinese used almost exactly Khrushchev's words: "The amicable coexistence of these two major nations is a very significant factor for maintaining world peace and stability." Footnote According to Beijing Review, Deng Xiaoping "lately pointed out unequivocally: In the past we said world war was inevitable. Now we have changed this viewpoint." Footnote Furthermore, "revolutionaries today should not use war to advance socialist revolution." To do so would mean "the common ruin of the contending classes" according to the CCP. Footnote

Other than to say that a vanguard party is unnecessary for revolution, there is no better way to abandon Lenin than to say that "peaceful coexistence" with imperialism is possible.

Comparative advantage and the "international division of labor" are two of the reasons the Chinese give for the partnership with imperialism. Footnote In foreign trade, the Chinese put the highest priority on energy production. Ji Chongwei explained that where China is weakest she will import. Footnote

In a shameless reference to the "open door policy" China hopes to especially attract the United States. Since 1979, China has taken in over \$8 billion in U.S. direct investment—two billion more than planned. Footnote This level of investment ranks beyond direct investment in South Africa, where U.S. financial assets combined total \$14.6 billion. Footnote The coup in China has rendered U.S. imperialism the services equivalent to a successful war for a very large market, a resource including hundreds of millions of laborers for the international reserve army of unemployed and an outlet for capital.

Often times Chinese economists sound like members of a Chinese chamber of commerce. One essay concludes: "The Chinese are trustworthy people. They will never forget or treat unfairly those friends who have lent their support to China in its endeavor toward modernization." Footnote Another ends "great and promising prospects for cooperating with China exist for our foreign friends in these areas." Footnote

The Chinese now speak of "free trade" and "voluntary trade." Footnote Self-reliance is replaced with phrases like "to maximize comparative advantages and minimize comparative disadvantages." Footnote Why all this hype for trade?

China's open door policy for investments in energy makes sense in terms of the setbacks in oil and coal production. The shortages in oil and coal in turn were at least partly caused by loss of control in state investments. Despite energy problems and the supposed emphasis on energy in current planning, the proportion of energy investment out of all investments dropped from 20.6% to 18.3% in 1982. Footnote Indeed, energy as a proportion of total investment was lower than it was in 1978. Footnote A cynical economist might think that China decided to let energy production go down the drain once the decision was made to play the comparative advantage game. A believer in conspiracies might see a deal between Deng and the United States that cut the United States a strategic piece of the Chinese economy. However, by this time the truth is that "the amount of the investments in capital construction has been out of control and it is now beyond the reach of the state financial and material power. What is more serious, is that the funds have been used in such a scattered manner." Footnote The Chinese leadership could not have planned the current economic partnership with imperialism. Rather the anarchy of production is responsible.

China has let it be known that there are tax benefits and possibilities of total foreign ownership of enterprises set up in high technology in China. Thirty-three oil companies bid for rights to drill in a 500 square mile area in offshore China. Occidental Petroleum led two groups in the bids and guaranteed half of the \$120 million to be invested in exploration. (Geoexploration consumed .5% from 1980-82. That is almost as low as the .4% low in all of post-liberation China history.) Footnote Should oil be found it will be split on terms that are not public knowledge.

Other energy projects include oil exploration started by five Western companies led by British Petroleum and a \$230 million coal mine of Occidental's in Shanxi province. Another oil drilling project was started by Atlantic Richfield Company and Santa Fe International Corporation. The New York

Times Footnote also mentioned a contract signed with American Motors Corporation to build jeeps in Peking. Transport has been China's second greatest bottleneck and priority in foreign trade. At 9.1% of total capital construction in 1981, investment in transportation hit an all-time low in the People's Republic. Comparative disadvantage for China seems to be the inability to invest in what it needs.

In the future, China may outgrow its very junior role in the U.S. bloc and emerge as a fully social-imperialist country itself. Export companies, joint trade companies and banking reforms all make possible the export of capital—the quintessence of imperialism by Lenin's definition. According to Beijing Review, "at present, China has set up 42 companies to undertake projects in more than 40 foreign countries and regions. They have signed contracts for the construction of power stations, highways, bridges and houses." Footnote

Overall, though, China looks more like a dependent country. Michel Chossudovsky's book has offered an especially harsh assessment of China's integration into the capitalist world economy. According to Chossudovsky, the current rulers in China include the state bourgeoisie with its origins prior to 1949 and its sympathies with the Guomindang, rich peasant allies of pre-collectivized China and the foreign imperialists. Footnote

By 1979, China had already borrowed over \$26 billion from Western governments. Footnote Direct foreign investment in China in 1985 alone totalled \$5.85 billion, which was 120% more than the year before. Footnote Haikou on Hainan Island, Shanghai and the Shenzhen Special Economic Zone have all legalized the sale of land-use rights to foreigners, who can purchase this ownership except in name for 20 to 50 years at a time and who can sell the buildings on the land so used. Footnote In 1979, China ran an internal deficit of 17 billion yuan. In 1980, it ran another of over 12 billion. Footnote

Prior to 1976, in contrast, there was no debt to foreign countries. Footnote From 1966 to 1975, total government revenue exceeded government expenditure by 1 billion yuan. In 1976, a year of civil war and natural disaster, government expenditures exceeded revenue by 3 billion yuan. If the past pattern of revenue and expenditure had persisted, that deficit could have been overcome in another two surplus years such as 1970 and 1971. Footnote Thus, China's debt situation is a new one that is not the result of an immediate colonial legacy. Indeed, by all accounts China isolated itself from the world capitalist system from 1949 to 1971. Even with Zhou's preeminence in foreign policy after 1971, a real acceleration in foreign projects in China started after 1976. Footnote Whether one marks the opening to the West with the fall of Lin Biao or the fall of the Gang of Four, it is clear that internal class struggles were decisive to the new dependence.

This book has avoided an extensive discussion of the Special Economic Zones and foreign trade because they are easy targets as bastions of outright capitalism within China. Footnote It has been important to show that even without free markets, private plots, private enterprise and the Special Economic Zones modelled on the "miracle" states of East Asia, China is a state capitalist country.

This train of argument started with the fact that investment in China has followed the capitalist law that "Thou Shalt Accumulate." Most of that accumulation occurs outside the state budget. Now the Chinese planning officials can not control what products or sectors—agriculture, light industry or heavy industry—they build; where they produce, the country or city; how much they produce. The terrible duplication of course is a source of unemployment. While every province rushes to have the capacity to produce cigarettes, not every province can get the tobacco. Empty plants face unemployed workers. The reserve army not only protects state capitalism, but also it serves to reinforce class polarization, income distribution and thus underconsumption. Another irony already exists in wrist watches—nobody to buy them. Finally, imperialism steps into build China where China can no longer build herself. Having capitulated to "the international division of labor" in a capitalist world, China will have to struggle to be more than a pool of unskilled labor.

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## The Political Economy of Counterrevolution in China: 1976-1988

### CONCLUSION

Cultural Revolution China stood out in the world as on a path to development clearly diverging from the capitalist path. We have seen that the struggles over whether or not to maintain that divergent course through experiment and arduous class struggle formed the context of a political, and after twelve years, a social revolution. The reaction against the Cultural Revolution has been most unfortunate for proletarian administration of government and the economy, women's liberation, youth and poorer sections of the peasantry.

Ironically, the revisionists claim that the Cultural Revolution was an economic disaster and that in 1976 the economy was on the "verge of collapse." However, from 1949 to 1970 the industrial working class expanded three and one half times. Footnote Furthermore, from 1952 to 1975 per capita income averaged at least 3% growth per annum. Footnote Even Zhou Enlai said that the gross value of agricultural output increased 51% between 1964 and 1974 and industrial output grew 190% in value. Footnote

The alliance of Western sociologists and neoclassical economists that says that China absolutely had to embark on economic reforms to overcome the so-called irrationality of the economy, can not back its argument empirically. According to the figures of the 1984 Chinese government, every sector of the economy grew substantially during the period from 1967 to 1976. National income grew an average of 4.9% annually. Output grew 6.8% annually. From 1966 to 1976, output increased 77% while population grew 26%. Even the most tumultuous part of the Cultural Revolution saw rapid growth. 1970's output was 24% above 1966's. Chinese economists as of 1984 have had to moderate their argument concerning the "chaos" and "collapse" of the Cultural Revolution economy. Footnote For ideological reasons, Western social scientists still cling to their view of the Chinese reforms as representing the triumph of reason—rationality—not just an historical choice to try out capitalism.

Deng and Hua like to paint themselves as the saviours of the economy, but what did they save it from? Whatever it was the state capitalists rescued—exploitation of class by class? —has it been worth a long list of reversals in policies guided by a new socialist vision in agriculture, industry, the coercion of labor, the division of labor and the anarchy of production?

### AGRICULTURE:

- State appropriation of agricultural surplus such that the urban/rural absolute income gap expands
- Cutting in half the rural population covered by collective medical insurance
- Expansion of private plots from 5% to 15%
- Breakdown of the collective ethic and the reinforcement of the family as the main economic unit
- Contracts in agriculture and independent, family-oriented remuneration
- Agricultural production that is over 60% for exchange, as opposed to planned use

### INDUSTRY

- "Profit in command" officially established in industry
- One man management and the abolition of mass-mobilization organizations and techniques of production, revived use of Stalin's dictum "cadres decide everything"
- Tax laws that legitimize property relations between the central government and locality
- A 55% corporate tax rate not unlike that in Western countries
- Price gouging by bureaucrats in certain goods

- Inflation of about 15%
- Discussion of future possibilities of taking welfare out of state enterprise budgets to be replaced by corporatist style unions
- Reforms since 1984 underway to remove most of state's role in appropriating inputs in production and to move to completely competitive and autonomous firms, "competitive capitalism"

#### COERCION OF LABOR

- Increasing regulation of labor discipline and use of law as mystification for exploitation
- Mergings and closings of tens of thousands of enterprises for the purpose of a crackdown on management and labor and as a mechanism to enforce survival of the most profitable enterprises and exploiters
- Removal of cadres from participation in production tasks
- Abolition of the right to strike
- Tens of millions of urban unemployed youth and women and seven million more each year left outside the state-run economy
- One-third to one-half "surplus labor" in the countryside
- Thousands of firings as part of "labor consolidation" and as a means to force the workers to work harder
- Temporary contracts in the works for all industrial workers
- Attempted relegation of women to the home and certain jobs in "logistics" and the end of political campaigns to smash sexism
- New life for pre-1949 customs of female infanticide, prostitution and large rural families for the sake of economic security

#### DIVISION OF LABOR

- Modernization centered in the cities and suburbs
- Reforms that hand over rural administration to cities
- Capitulation to an international division of labor
- Experts in command, "cadres decide everything"

#### ANARCHY OF PRODUCTION

- The longest sustained overinvestment in China's history at 30% of GNP per year and climbing
- Loss of control by the central government of over 50% of investment
- Inability to produce the right goods and finish projects despite market "reforms"
- Both overproduction and shortages
- Mass public capital punishment to establish an atmosphere of fear and to instill individuals with

blame for crime

- Record economic and white collar crime rates
- Skyrocketing mental illness and the rebirth of the psychiatry profession
- Imperialist control over strategic and declining sections of the Chinese economy—i.e. energy

China is more accurately characterized as state capitalist than socialist.

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