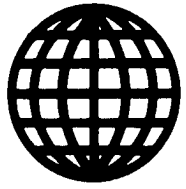


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No 10, 16 May 1988

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18 July 1988

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No 10, 16 May 1988

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Comrade Li Ruihuan's Conversations with Philosophers (26 January 1988)

HK1406152088 Beijing HONGQI [RED FLAG] in Chinese No 10, 16 May 88 pp 2-7

[Text] Viewed from the accounts given by comrades just now, the current philosophy symposium (the philosophy symposium was sponsored by the Philosophy Faculty of Nankai University and jointly held by the Philosophy Faculties of the Chinese People's University and Beijing University and societies of doctors of Marxist philosophy of other universities and colleges in China) has been a success. You are all experts in philosophy. As I have only some superficial knowledge in this regard, I dare not display my incompetence before experts like you. During your stay here, you also visited some places and affirmed the achievements in Tianjin's construction over the years. Since you want me to say something, I would like to start with Tianjin's construction.

I. Reality Needs Philosophy

Regarding Tianjin's construction over the years, there are indeed many things different from the traditional practices. The different practices refer to the forms and methods universally adopted in urban construction rather than the individual character of things. Frankly speaking, the views on Tianjin's construction over the years and the methods adopted vary. This question is still to be answered in practice and by future philosophers. In my opinion, a city is a complicated, comprehensive organic body in which internal, inevitable, interrelated, and interactive relations independent of man's will exist between its component parts. To acquire a better understanding of a city, we should make a study of these relations, find out the uncoordinated and unstable factors between various parts, and conduct a great deal of work so that the city can advance steadily in harmony. For example, while making a study of industry and commerce, we cannot make a study of industry or commerce by itself. Instead of partially looking at a question, we should regard a city as a section in the operation of the national economy as a whole and an organic composite. The interrelated and interactive viewpoints, the viewpoint of unity of opposites, and the systematic and comprehensive viewpoints in philosophy are extremely important in studying a city.

In recent years Tianjin has done a great deal and achieved some successes in urban construction. However, some comrades hold that we have done too much.

With good intentions, some comrades expect our economy, industry in particular, to develop relatively faster. However, they have failed to acquire a clear understanding of the relations between urban and economic construction. They do not know that the urban construction projects, like other things, have their characteristics and significance. They often look at a question in an absolute, isolated manner. For instance, water, electricity, highway, traffic, gas, and so on constitute the indispensable conditions and basic facilities for urban construction as well as economic development and construction. Tianjin's situation characterized by coordinated and steady development is inseparable from the correct handling of relations between industry and other undertakings on the one hand, and the conditions and basic facilities on the other. Strategically and on the whole, I always insist that we should not be overanxious for quick results while handling China's affairs. China is a big country with a large population and a weak foundation. We should advance steadily and unceasingly in a step by step manner, and never be too impatient. In my opinion, many things done in the past had the characteristics of political movement and traces of the war years. In economic construction, the continuity and the whole in which various factors act on each other should not be ignored. In other words, we should stand on the high plane of overall urban development and regard the city as a whole as the target of our study. Industry, building trade, and commerce are the component parts of this whole which should be taken into consideration in an all-round way and develop in a step by step manner. This may look slow, but actually it is fast. We were criticized some time ago for developing "streets." As a matter of fact, how can we talk about urban planning without division and distribution of districts and streets? It is common knowledge that cities, ancient and modern, in China or elsewhere, all have distribution and division of districts and streets, such as Ginza in Japan; Wall Street in the United States; Tianqiao, Liubukou, and Puchengshi in Beijing; and Hepinglu, Nanshi, and Guyijie in Tianjin. Naturally, some people have deviated from practical needs and developed flashy, formalistic things under the excuse of developing "streets." This is another question. In a word, how should we acquire an understanding of a city? How should we develop a city? These theoretical questions demand prompt and further study. Recently I asked some scholars and experts to conduct a study of these questions. Over the past 30 years or so, the state has spent a lot of money in urban construction, yet you rarely find any satisfactory cities. In some cities, the large numbers of new buildings form a sharp contrast to the old ones. We should admit that problems exist in this regard.

There are also many problems in reform which require theoretical answers. Take price as an example, a XINHUA reporter's "Letter on Prices" issued recently in the newspapers evoked repercussions in society. In my opinion, it was a very good article. However, what is the reason for the price hikes? The article did not accurately pinpoint the reason nor did it propose any specific

measures. This is called placing the problem on the table without a solution. In another example, in the predominance of public ownership in the initial stage of socialism, what does the term "predominance" mean? The quantitative studies which outstripped qualitative studies resulting in the general rather than specific and accurate conclusions drawn on many problems was a grave mistake we made over the years. In yet another example, the rural areas are now assigning output quotas to each household and implementing the system of contracted responsibility with payment linked to output. What should they do next? Moreover, the readjustment and distribution of economic benefits and the relations between material benefits and ideological education in urban areas demand study and answers. The articles in newspapers talk a lot about material benefits nowadays as if ideological and political work no longer has any practical significance. If we merely stress material benefits, the system of factory director assuming sole responsibility, delegating powers to enterprises, market economy, opening up, and economic invigoration in spite of ideology, politics, spirit, and role of man, where are our advantages compared with capitalism? We should give theoretical answers to all these practical problems.

There are many reasons for theoretical study to lag behind the developing needs of actual life. First, viewed from leadership, we failed to earnestly organize scholars and experts to conduct studies in this regard; second, there are many problems in our practical work and it is no easy job to make a thorough study of them; and third, some scholars including cadres within the party still have a lingering fear and are afraid of offending the current policies and "authoritative" theories. To make a genuine study of theories and develop them, I told some theoretical workers on a certain occasion, it is necessary to have courage, stick to the ideological line of seeking truth from facts, respect practice, and insist on the viewpoint of practice first. We must have the courage to touch on the things mentioned in books, affirmed in documents, spoken by authoritative persons, proved by experience, and generally acknowledged by the majority. Unless we have the courage to touch on these problems, it will be impossible to conduct studies. Regarding scientific research, I also said that the biggest problem we face is philosophical social science rather than natural science. Naturally, there are also problems in natural scientific research which remain to be solved. Generally speaking, these problems are usually dominated by certain viewpoints in the field of philosophical social science. In my opinion, from a long-term point of view, the future problems in China will occur in the field of philosophical social science rather than natural science.

Generally speaking, our leading cadres have not raised their level of philosophical social science, the level of Marxist philosophy in particular. We carried out a test in the municipal party school and found that some people do not even have an elementary knowledge of Marxism. In my opinion, the obstacle to China's reform lies in rigid thinking rather than political conservatives. Rigid

thinking is closely related to the outmoded ideological methods and ways of thinking. This problem can only be solved through studying Marxism, particularly Marxist philosophy. Have we not repeatedly emphasized the development of Marxism? This is aimed at rigid thinking. As everyone knows Marx first said that socialist revolution will win victory in the main developed countries at the same time. Lenin developed the theory and believed that socialism could win victory first in the countries where imperialism was weakest. In light of China's reality, Comrade Mao Zedong said that revolution should start from the areas where domination of counterrevolutionary forces is weakest, take the road of encircling the cities from the countryside, and eventually seize nationwide victory. All this shows that Marxism has developed under the guidance of Marxist philosophy. Socialist system has been established in the countries where capitalism is weak and where the level of productive forces is relatively low as pointed out by Lenin and Mao Zedong. This is fundamentally different from Marx's tentative idea that socialism will win victory in the main developed countries. Hence, many specific conclusions drawn from the theories of Marxist political economy and scientific socialism should develop in the course of practice. In this regard, Marxist philosophy is relatively stable. Philosophy is also an outcome of the times, but the span of the "times" is relatively big. Philosophy, the fundamental principle with general and universal characteristics, refers to a scientific world outlook and methodology. Naturally, this does not mean that philosophy will not develop further. Marxist philosophy involves the viewpoint of materialism, development, and practice. Man's understanding is the reflection of the objective world. The movement of objective things will never end, nor will man's understanding of the objective world. Marxism never limited truth. Truth will never be limited. Marxism does not believe that there is anything in the world that will remain unchanged forever. Everything is in the course of constant movement. The world is constantly changing and so is mankind's understanding. Philosophy will also develop and undergo reforms. But we should admit that its fundamental principles are more stable than other spheres and scientific theories.

I made these remarks to prove one thing: There are many problems in real life that badly need explanations and answers from Marxist philosophy. Marxist philosophy is the most scientific, integrated world outlook and methodology in the history of mankind. It can provide reform and opening up with spiritual weapons. No matter how many schools of thought Western bourgeois philosophy has, which include many rational factors, the essential conditions for developing Marxist philosophy which we should critically assimilate, it cannot refute or replace Marxist philosophy. Our philosophical workers should have full confidence in Marxist philosophy.

II. Philosophy Requires Reform

Since liberation we have taken a tortuous road in studying theory, particularly in the study of Marxist philosophy. There were two main problems: First, we made a mystery of the study; and second, we oversimplified it.

As Marxist philosophy is a big branch of learning, we should seriously study it. Now people are talking about philosophical reform. Philosophical reform covers much ground. It may refer to reform of philosophy as well as reform of philosophical work such as reform of philosophical education and means of philosophical propaganda. The topic we are discussing today refers to reform of philosophical work, that is, we should turn philosophy from research by a handful of people to things for the majority of people to learn and turn the academic researches to weapons and tools for reform and opening up. Naturally, research by a small number of people and experts is absolutely necessary because philosophy is a science which should be developed through scientific research. To genuinely develop philosophy and let it have vitality, however, it should not remain in the hands of a small number of people in the academies. The people have created history. Philosophy is important simply because it has provided the people with the ideological weapon to understand and transform the world. For example, a car is an important means of transport in the world today. Although many people know how to drive, only a small number of people are engaged in the study of cars. We cannot let everyone do so. The role of a philosopher and scientist is to study the things that are not yet recognized by the majority of the people. The course of the research may be extremely arduous and complicated, but the conclusion is usually simple. We cannot allow everyone to undergo the arduous, complicated process. Instead, we should adopt the means of education to hand the simple scientific conclusion drawn by a small number of people through complicated research to the majority and turn it into intellectual wealth enjoyed by the majority. By doing so, theory can exert its role of guiding practice. In my opinion, we should judge the contribution of a scientist or technician by the application of his achievements in production and the social value created rather than the number of achievements exhibited in his showroom. The level of a fashion designer should be judged by the sales of his products in the market rather than the number of fashions he has designed. If a scientist cannot play a role in actual life or indicate his value in society although he has done a lot of research which sounds reasonable, his research would be questionable. People fond of philosophical research like the following remark: Philosophy is a branch of learning which studies the most general, universal laws of things and nothing can escape from its scope. Such being the case, all our activities should follow these universal laws, that is, we should apply theory to guide practice.

The principle of philosophy sounds abstract and simple, but once it is integrated with practice, it will exert a tremendous role and become vivid, enriched reality. For example, the viewpoint of unity of opposites, or one divides into two and the doctrine that everything has two aspects in simple words, believes that everything has its opposite aspect. When we study a problem with this viewpoint, we will consciously regard it as one of the two aspects and believe that it has its opposite aspect, even

though the aspect is not clear temporarily. When we are definitely sure of finding the opposite aspect, we can avoid blindness and one-sidedness. Take another example, we encounter many problems in everyday life. Most of them are unconsciously moving in light of certain laws. If we can turn "unconscious" to conscious, we will be able to avoid blindness. The question is some people engaged in the study of philosophy have not attached importance to integrating theory with practice or they do not know how to do so. They are always fond of following books. For instance, negation of negation is often mentioned in our classrooms. When wheat seeds are sown, they sprout, become stalk, and then bear new wheat. This phenomenon of negation of negation is the universal law governing all things (whether in natural world or society) in the universe. Since it is a universal law, why should it not be applied universally? Why is the growing of wheat always mentioned when we talk about negation of negation? It should be noted that there is nothing in the world that cannot be explained. If Marxist philosophy is applicable only to certain matters, but cannot explain many other things, it would not be worthy of the title of universally applicable scientific world outlook.

On a certain occasion, Comrade Mao Zedong said that philosophy should be freed from the books and classrooms of philosophers and become a powerful weapon of millions upon millions of people. Now it seems that this is a very important task and arduous work. Why do we say that it is arduous? In my opinion, there are difficulties in both studying and teaching. Regarding those engaged in studying philosophy, it is no easy job to enable them to understand the basic principle of philosophy through a complicated form; regarding those engaged in teaching philosophy, it is even more difficult for them to use easy-to-understand language and simple examples to explain abstruse philosophy. To write a book on philosophy which explains the profound in simple terms, the author should not only have theoretical background, but also understand reality and the masses. He should have profound theoretical knowledge as well as rich practical experience. He should be able to use a philosophical viewpoint to accurately explain real life in simple terms and use vivid, familiar examples to explain the principle of philosophy. In a word, it is indeed difficult to explain the profound in simple terms. Is the term "leap" not popular? It seems simple, but a leap would be impossible unless it is integrated with practice. Before the "Cultural Revolution," I delivered a lecture on "On Practice" at a university. At that time a student sent a note asking what was my opinion of "a shadow is cast as soon as a pole is raised" which was quite popular in those days. The subjective desire of this saying is to urge you to integrate theory with practice as quickly as possible, I explained. In my opinion, it is not correct to believe that instant results can be achieved by regarding theory as the "pole" and practical results as the "shadow." At that time it was inappropriate for me to say that it was a pragmatic viewpoint which eagerly sought quick success and instant benefit. But that was

actually what I thought. We all know that both from practice to theory and from theory to practice constitute a process. However, "a shadow is cast as soon as a pole is raised" negates this process and oversimplifies integrating theory with practice. To popularize theory and turn it into weapons in the hands of the masses, we need people with practical experience as well as profound theoretical knowledge. Philosophical workers should integrate themselves with practical workers and combine study of philosophy with popularization. Philosophical workers should regard providing reform and opening up with a powerful ideological weapon as an important task. I firmly believe that this weapon will be better than importing certain technologies. Unless we take this road, I think it would be impossible for philosophy to gain its proper position again in society as a whole.

Therefore, we should do the following in philosophical reform well: First, systematically study Marxist philosophy and develop Marxist philosophy in practice; and second, find a way to popularize Marxist philosophy so as to apply it in practice. Now there are several proposals on studying philosophy. Some insist on studying history of philosophy first, some propose reading original works, and some propose studying viewpoints from textbooks. So far as popularization is concerned, I think we should study according to viewpoints. Those interested in the subject may engage in advanced studies. Imposing uniformity in everything is one of our shortcomings. In the drive to study philosophy, it would be impractical to demand that everyone become a philosopher. However, it is possible to enable everyone to acquire an understanding of the basic philosophical principles and viewpoints.

I came from the basic levels and worked as an apprentice, carpenter, team leader of a construction site, party general branch secretary, party committee secretary, and bureau and municipal leader. I was also engaged in trade union and youth league work. In handling a matter, I have come to realize that whether you understand philosophy or not can produce varying results. At a critical moment in particular, philosophy will be more effective in the greater and complicated problems you have encountered. I have told you all this to prove the following: First, the broad ranks of cadres and the masses are capable of studying philosophy; and second, philosophy is very useful. For this reason, I wish you could do some work, including organizing people to write books and deliver reports, to popularize philosophy and turn it into a powerful weapon of the broad masses for carrying out reform and opening up.

III. Leading Cadres Should Study Philosophy

Leaders of the communist party, senior level leading cadres in particular, should assiduously study and enthusiastically propagate Marxist philosophy. They should regard philosophy as an obligatory course. While realizing the four requirements for cadres in recent years, marked results have been achieved in making the ranks

of cadres younger in average age, better educated, and professionally competent compared with the past. However, we have not paid due attention to philosophy and social science and there are very few philosophical and social science workers promoted to leading bodies. Because we did not respect natural science and did not pay due attention to science and technology in the past, we one-sidedly went in for ultra-leftist, empty political movements. For this reason, it is quite necessary to give prominence to natural science now. However, we should be aware that our negligence of natural science in the past was not because of natural science itself but because of the mistakes in philosophical and social science theories. A man's life and scope of practice are limited. Usually, a man is familiar with one aspect rather than all fields. An expert is a person who is proficient in a certain aspect or field. It would be impossible for him to have a comprehensive understanding of all fields in society. Take a mayor for example, he should be familiar with industry, agriculture, commerce, and urban construction so that he can make policy decisions. However, he cannot have a profound understanding of every particular field which is the job of experts and engineers. A leading cadre cannot undertake the jobs of experts, but he should understand philosophy. Without any philosophical knowledge, he cannot be a good leader. Because the essential tasks of leading cadres include having an intimate understanding of the situation, formulating and implementing policies, and analyzing and solving problems. Without any philosophical knowledge, how can we have an intimate understanding of the situation and formulate and implement the policies? How can we integrate policies with practice? How can we handle the contradictions and solve the problems? Marxist philosophy teaches us how to analyze and solve contradictions. Many of our comrades lack the ability in this regard which can only be acquired through theory and practice.

In the substitution of a new system for the old one and under the new situation of reform and opening up, there are many major, new, urgent, and tough problems difficult to handle. To readjust economic relations has been a popular topic in recent years. In my opinion, the primary, fundamental, and most difficult thing is to pacify popular feelings. The masses are most respected, lovable, pitiable, and terrible. The masses are most respected because they created history. The masses are most lovable and pitiable. The Chinese people never grumble or ask for more though they lead a plain life. Their simple, basic requirements include sending their children to a kindergarten, entering a university when they grow up, getting a job after graduation, and getting a house after they are married. As the ancient saying goes, "the waters can carry a boat and also overturn it." The masses are also terrible. If they are offended, the result could be disastrous. If they are not in a good mood, it would be impossible to accomplish anything. If we fail to consciously apply these historical materialist philosophical principles, problems may occur. Philosophy is a theory of wisdom and understanding. Without philosophical knowledge, even those with talent cannot be regarded as

intelligent people. People often pay great attention to writing articles. Young people who have assumed leading posts particularly wish that they could write good articles. What actually are articles? Articles reflect objective things. To write an article well, one must have a clear understanding of the objective things. How can we have a clear understanding of things without any philosophical knowledge and the tool to understand things. I had contacts with several smart comrades who worked hard. However, they were unwilling to make efforts in this regard so they suffered from being muddleheaded and often did foolish things. That is why I said that he who does not study philosophy cannot be a sober leader, no matter how smart he is and how hard he works. It is indeed an uninteresting thing to study philosophy which requires a lot of time. It sounds simple, but is rather troublesome to understand. Hence, it would be more difficult to turn it into one's own world outlook. However, one can be successful in studying philosophy so long as he has great determination.

To carry out socialist modernization, we must have large numbers of cadres who are proficient in Marxist philosophy. In other words, without large numbers of leading cadres who are proficient in Marxist philosophy, it will be difficult for China's socialist modernization to be a success. It may mean that we have grasped one aspect, while neglecting another; or grasped the general things instead of the focus; or grasped the focus but neglected the whole which resulted in isolating the focus; or seeing the part, but not the whole. We often say that concrete analysis of concrete conditions constitutes the soul and essence of Marxism and that everything changes on the basis of time, place, and condition. Why have we raised concrete analysis to such a high plane? Because concrete means comprehensiveness, a process, and qualitative diversification. In other words, a qualitative change may be effected in any thing because of its different position. Take a piece of wood for example, when it is used to make a desk, it is called raw material; when it is used to burn, it is called fuel; when it is used to fight the enemy, it is a weapon; when it is used to carry water, it is a tool; when used in looting and robbery, it is a lethal weapon; and it is regarded as evidence at a court. Although it is the same piece of wood, its quality changes when it is connected with another thing. How can leading cadres do a good job if they do not even know how to make a concrete analysis of concrete conditions? Consequently, they either stick to conventions or go astray in creative work. Creativity can only make people suffer if it is divorced from the principles and basic tenets. Hence, while carrying out the four modernizations, we should regard studying philosophy as a major task and the leading cadres' philosophical study as a strategic task. Leading cadres should study philosophy, understand it, and encourage philosophical workers to study and popularize philosophy. During the period of the new democratic revolution, China could not have won the victory of the revolution without the Yanan rectification and philosophy mastered by all in the course of the rectification. Today we still cherish the memory of Comrade Ai

Siqi's "Mass Philosophy." Comrade Xiaoping has repeatedly urged us to study philosophy. He said that some comrades made mistakes of one kind or another because of their weak foundation of practice and theory. Comrade Chen Yun said: Learn some philosophy and it will benefit you throughout your life. Comrades Xiaoping and Chen Yun encouraged leading cadres to seriously study philosophy and support philosophical work. Hence, we should start studying philosophy from senior level cadres. For this reason, the Tianjian municipal party committee has decided to regard the study and popularization of philosophy as a major task and focus of its work this year.

A Basic Train of Thought in Revitalizing the Machine-Building Industry
40050309b Beijing HONGQI [RED FLAG] in Chinese
No 10, 16 May 88 pp 8-11, 35

[Article by Zou Jiahua [6760 1367 5478]]

[Text] In his report to the 13th CPC Congress, Comrade Zhao Ziyang pointed out that it is necessary to "strive to revitalize the machine-building and electronics industries, so as to provide an increasing amount of advanced technological equipment for modernization." This is an extremely glorious but very arduous task. In order to realize this demand, we have, in accordance with the theory of the initial stage of socialism and the actual situation in the machine-building industry, put forward a basic train of thought for revitalizing the machine-building industry.

The Present Situation of the Machine-Building Industry and Indicators of Revitalization

Through over 30 years of construction, our country's machine-building industry has become an industrial sector which is complete in its departments, developed in its layout and which has a reasonable scale and technological level. At present, the number of enterprises in the machine-building sector, their gross output value, number of staff and workers, fixed assets and amount of profits and taxes handed over constitute about one-quarter of the respective national figures for all industry. Also, 80 percent of the current technological equipment used by the various sectors of the national economy was produced domestically. Thus, the revitalizing of the machine-building industry involves not the reproduction of ordinary production capacity, but the resolving of the problems in the following four areas: 1) Seen from the angle of satisfying the demands of domestic users, we must resolve the problems of product quality being poor, varieties few, the level of performance and coordination being low and service work being unable to keep up. 2) Seen from the angle of developing international markets, we must resolve the problems of our competitiveness not being strong, it being difficult to export and thus difficult to earn foreign exchange through exports. 3) Seen from the machine-building industry itself, we must resolve the problem of equipment being outdated and backward, the

quality of personnel being low, the setup being irrational, labor productivity being low and economic results being poor. 4) Seen in terms of organizational management, we must resolve the problem of strengths being dispersed, and of there being duplicate construction, duplicate import and duplicate production.

In respect of this situation, the indicators of revitalization in the machine-building industry should be: active understanding of and according with users' needs, so that the users are satisfied with the quality, varieties, level, compatibility, and time for delivery of machine-building industry products as well as the service work, and, on this basis, wherever it is economically rational to produce technological equipment domestically, to have the production completely based within the country; major products should have the capacity to compete with those of the important players in the world market, so as to clearly increase the proportion of machine product exports in national exports and the proportion of China's exports in total world machine exports, and to realize a situation where exports constitute over one-third of the gross output value of the machine-building industry; the organizational structure, product structure and technological structure of the machine-building industry should be basically rational, so as to achieve the specialization, socialization and modernization of production, and so that the use efficiency of funds and labor reaches the level of medium developed countries.

As our country is still in the initial stage of socialism and judging by the existing base of the machine-building industry, the revitalization of the machine-building industry will require a quite long period of arduous efforts and will need to be carried out in stages. It is proposed that the first stage will extend until the year 2000. The specific targets for the machine-building industry during this stage will be: First, in accordance with the strategic development key points put forward in the report to the 13th CPC Congress, it will provide, in a coordinated way, the major technological equipment for all the industrial sectors of the national economy. This includes: In order to develop agriculture, the provision of new types of highly effective cultivation methods, sowing methods, harvesting equipment, animal husbandry, fishing and forestry equipment, as well as equipment for the thorough processing of agricultural and sideline products, medium- and large-horsepower tractors, sets of equipment which will be able to annually produce 300,000-500,000 tons of synthetic ammonia, and large-scale sets of equipment for producing compound fertilizers; in order to develop the consumer products industry, the provision of sets of equipment for making paper, packaging, tanning, and for making daily-use glass and daily-use porcelain, as well as commercial sets of equipment for making chemical fibers, cotton-spinning, knitting, silk manufacture, printing and dyeing, and making food products and packaging; in order to develop the electricity generating industry, it will need to annually provide electricity generating equipment with a capacity of 20 million kilowatts and batches of 500,000

volt output substation line equipment; in order to develop the coal industry, it will have to provide large-scale open-cut mining equipment with a capacity of 20 million tons and pit mining equipment with a capacity of 4 million tons; in order to develop the oil industry, it will have to provide drilling equipment for sea drilling in 8,000 to 10,000 meters of water; in order to develop the communications and transport industries, it will have to annually supply 1.5-1.7 million vehicles of various types (of which 650,000 will be medium-size or small vehicles), 4 million tons of ships, 900 internal combustion and electric locomotives, 37,400 passenger and freight carriages, as well as sets of construction and road-building equipment; in order to develop the metallurgical and construction material industries, it will have to supply large-scale sets of equipment for iron and steel factories with a capacity of 6 million tons, similar in scale to the Baogang Iron and Steel Works and provide large-scale cement factory equipment with a daily capacity of 2,000-4,000 tons; in order to develop the petrochemical industry, it will have to provide refinery equipment capable of handling an annual volume of 5 million ton of crude oil, as well as 300,000- and 450,000-ton ethylene equipment; in order to develop the machine-building industry, it will have to provide machining equipment and digital control machine tools which are precise, highly efficient and flexible. The number of types of electromechanical instruments and meters should reach 5,400, with intelligent instruments constituting 15 to 20 percent of the total.

Second, it will be necessary to further improve the quality and level of the machine-building products. The reliability and overall lifetime of products will have to be improved by one-third to one-half and there should be specialized production of universal parts and basic components. Thus, the quality, precision, reliability and use-life of major products will reach the level seen at the end of the 1980's and the beginning of the 1990's. The number of machine types will grow from the present figure of 53,000 to 80,000 and rate of product type satisfaction will grow from the present 85 percent to 95 percent. The types of electromechanical products will grow from the present 1.2 percent to 10-20 percent. In terms of the performance of mechanical products, 40 percent of major products will reach the international level of the end of the 1980's and the beginning of the 1990's. A batch of new military equipment of the level at the end of the 1970's and beginning of the 1980's will have been researched and developed which will enable our Army's conventional weapons to advance by one or even two generations, and this will fill in many of the blanks which exist today.

Further, in the area of the quality of the machine-building industry itself, the existing equipment will have to be renewed, so that the majority of the equipment will not have been in use for more than 20 years. It will also be necessary to improve the quality of the skilled personnel, so that skilled, specialized scientists, technicians and managers will comprise 16 percent of the total

number of staff and workers. The product design and production technology in the key backbone enterprises will reach the general level of that in developed countries in the 1980's. Also, a number of advanced level scientific and technological research bases will be established, while enterprise groups and large-scale enterprises will have their own development centers. The modernization of management will be generally promoted. Further, there will be basically rational organizational setups, whereby operations of scale and specialized production will be realized.

After the targets of the first stage of revitalization are achieved, progress will be continued and thereby the overall revitalization of the machine-building industry will be achieved.

Doing Three Items of Work Well

The revitalization of the machine-building industry requires that work in three respects be done well: 1) We need to formulate a correct development strategy; 2) we need to formulate a set of correct industrial policies which are tightly linked with user technological equipment policies; 3) we must establish a scientific, effective management system.

The machine-building industry supplies production tools for all sectors of our national economy. That is to say, the level of technological equipment and the degree of progress of the machine-building industry is directly related to the degree of modernization of the national economy. Thus, we should consider it a strategic industry and it should see appropriate lead development. The determining of the order of development priority on the basis of short-term balance viewpoints or whether profits are high or low, does not reflect the internal relationships between the various industrial sectors. It is thus not beneficial to the correct defining of the strategic position of the machine-building industry.

In developing our country's machine-building industry, we should get clear the following guiding ideology: We should have according with demand as our goal and serving the users as our aim, and in the satisfying of social demand, seek development. We should set down the main strategic direction in accordance with this guiding ideology and on the basis of the major problems which exist at present in the machine-building industry. That is, we must orient ourselves to both the domestic and the international market and centralize and utilize the limited personnel, material and financial resources to realize the "four increases and the two improvements" (that is, increased quality, increased varieties, increased level and increased compatibility, together with improved economic results and improved quality of service).

The existing base of our country's machine-building industry has four prominent characteristics: There are many enterprises but the organizational structure is not

rational; the contingents are large but their quality is not high; there is much equipment but it is outdated and backward; there is much production capacity but the ability to exploit it is not strong. Thus, in future we must place stress on raising the quality of production factors. We must select a development road by which we tap existing potential, engage in intensive operations and have intensive expanded reproduction as the main aspect. This requires that we switch the development of the machine-building industry to the track of reliance on scientific and technological progress and the improvement of the quality of labor. We should readjust the investment structure, change the focal points and orientation of investment and use more investment in raising the level of technology, in improving measuring and testing methods, in building development potential and in the fostering of talented people.

The machine-building industry must realize the improvement of the strategic arrangements so that each product is produced in the place most suited to its production. That is, it is necessary to achieve the "optimum positioning" of products. To this end, as far as localities are concerned, it is necessary for them to break down their own systems, and as far as enterprises are concerned, it is necessary to break down the situation of them being "large and complete" or "small but complete." Each region should stipulate a regional machine-building industry development strategy in accordance with the following principles: It must be positioned at a high level in the general layout, have overall improvement as its goal, have the bringing into play of superiorities as its center and proceed from the actual situation of the region. In this, the bringing into play of superiorities is the "center." Each region must strongly develop its own superior products, and transport them to other regions. They should also give up the production of those of their products which are inferior and bring them in from other regions. The result of doing things in this way will be that, on the basis of specialization and socialization of production, a national "superior aggregate" will be formed and the goal of overall improvement will be achieved.

The major role of the development strategy is "guidance in terms of orientation." In order to facilitate specific operations during actual work there is a need, on the basis of the development strategy, to stipulate rational industrial policies for the machine-building industry, mainly involving the interlinking and organic combination of three parts.

The first is the policy of promoting structural improvement. The initial idea includes: research into and the stipulation of the appropriate proportion which the machine-building industry should constitute in the overall national economy, as well as the appropriate proportions to be constituted by the various industries within the machine-building industry; on the basis of their influence on the overall situation, stipulating the priority

development order of the various industries; in accordance with the technological equipment demands of the newly-emerged industry groups, stipulating policies for readjusting the product structure; in accordance with the demands of bringing superiorities into play, and of specialized production and operations of scale, readjusting the organizational structure.

The second is the policy of promoting technological progress. The initial idea is that this should include the concept that the development of technology must adopt stepped policies and that stress should be placed on supporting some particular enterprises so that they become a "state team" capable of competing with the major players in the world markets. Also, some particular products should be stressed so that they become key products which have competitiveness in the world markets; we should combine the satisfaction of user demands with the raising of the technological level of machine-building products, with the key task being the promoting of the technological level; we should also speed the commoditization of technology and organically combine skilled personnel, technology and the flow of knowledge; we must improve product quality, place wide stability and reliability in first place and on the basis of general stability and reliability, seek improvement; the import of technology must serve the improvement of our own capacity for development and have the improvement of development capabilities as its key point; in the fostering of skilled persons and the exploitation of knowledge, we must adopt the policy of having diverse forms of study, whereby there is both education within schools and education on the job.

The third is the policy of promoting economic and technological interflow with places abroad. The contents of this include: Improving the export structure for electromechanical products and increasing the proportion of those products which earn large amounts of foreign exchange and which have high added value; on the basis of the policy of "use of structural strong points and making up weaknesses" we should set down export focal points and develop international markets; we should readjust the structure of enterprises which produce export products and push the key backbone enterprises to the export frontline; in drawing in technology, we must adhere to the policy of combining technology and trade and mainly import software; in drawing in skilled people, we should pay particular attention to drawing in entrepreneurs; we should adopt diverse forms by which to draw in funds.

The realization of the development strategy and the bringing into play of the regulatory role of industrial policies both have the reform of the economic structure as a precondition.

Revitalizing the machine-building requires that enterprises have a self-development motivational mechanism and self-restraining mechanism and that macroeconomic management is made more scientific. This requires

structural reform in accordance with the state's unified arrangements. Seen from the special characteristics of the machine-building industry we must research how we are to gradually make the change from management by departments to management by industry. According to the experiences over the last few years, the basic framework of management by industry will be as follows:

Management by industry refers to the state's management of the macroeconomic activities of industries. All those products which have common uses, common technology, common raw materials and common service targets should come under the same industry, while an enterprise which produces different types of products can be concurrently subject to the management of different industries.

The contents of management by industry are mainly the setting down of orientations, general volumes, structures, layouts, and scales so as to truly achieve a situation in which "major aspects are subject to management and are managed well, while the minor aspects are free and lively."

The major measures for management by industry are economic measures, legal measures and information measures as well as necessary administrative measures, with the emphasis being on indirect management. Related with the specific situation of the machine-building industry, there are two matters which require study and the implementation of measures: The first is that, in terms of the sets of equipment needed by key state projects, necessary direct control must be maintained, but there is a need to improve the control modes. The general idea is that there should be overall planning and consideration as regards the three areas of technological design, the forming of complete sets of equipment and production/circulation. Then, through engineering contracts, we can combine planning and the market, manufacture and use and scientific-technical research and production. The second is improving direct regulation and control [tiao kong 6148 2235] of the fixed assets of the machine-building industry. The general idea is that the reform of the investment structure, the reform of the financial structure and the changes in the functions of government departments should be considered as a whole. The machine-building industry department will then, in accordance with the industry's development plans, stipulate the investment orientation, investment policies and the scale of investment to be used in the various areas. These will then be implemented in the projects by investment companies through the means of inviting tenders and having bids entered. Planning and the market will be combined through this link of the investment companies.

The guiding ideology of management by industry is the bringing into play of the overall functions of the various management departments of the government and improving the effects and efficiency of management. This includes: coordination with various comprehensive

departments, participation in the formulation of and the use of various types of economic regulatory measures, and carrying out effective regulation of the development of the machine-building industry; bringing into play the role of the machine-building industry management organs of the various industrial functional bureaus and user departments, so that they become the "specialized headquarters" for management by industry; bringing into play the role of machine-building industry management departments in the various areas so that they become the "regional headquarters" for management by industry.

The route and method by which the change from departmental management to management by industry will be achieved is: "single goal, double functions and smooth transition." The final goal is the exercise of indirect management of the microeconomic activities of the entire nation's machine-building industry. However, in the stage of transfer from the old to the new system, it will be necessary to shoulder two functions—departmental management and management by industry. This is necessary so that we can complete a smooth transition from departmental management to management by industry.

We must develop industrial associations to act as bridges and links between enterprise and the government. However, these will be nongovernmental organizations and the principles of voluntary participation, free withdrawal and independent activities should be adhered to.

Breakthroughs in Five Areas

On the basis of the above-noted ideas and in respect of the prominent problems at present in the machine-building industry, the revitalization of the machine-building industry should realize breakthroughs in the following several respects.

Getting organized and fixing the orientation of service. At present, the machine-building industry has four front armies: 1) The machine-building manufacturing strengths of the various regions; 2) the machine-building manufacturing strengths of the various user departments; 3) the machine-building manufacturing strengths of the defense industry departments; 4) the machine-building manufacturing strengths of township and small town enterprises. At present all of these do things in their own ways, strengths are dispersed and there is duplication and waste. We should organically organize the strengths in these four areas in accordance with the demands made on the machine-building industry by the development of the various user departments. The major avenue will be, through doing well in overall planning for the entire industry and putting efforts into developing lateral economic alliances, gradually forming specialized contingents with fixed service orientation and universal contingents which can serve all areas, and thereby realize specialized and socialized large-scale production.

Linking things up and achieving common development. A prominent problem in the development of the machine-building industry at present is that the manufacture of equipment and user technology are divorced from one another. We should develop engineering contracting companies which combine technological design and the forming of equipment into sets, and implement general contracts for the major state construction projects. Thereby, we will ensure that the development of equipment accords with the changes in user technology. We should link together production and scientific-technological research, production departments and user departments, military and civilian aspects, machine-building and electronics, production and circulation, production and financing, and production and export, so as to seek common development.

Guaranteeing the key projects and providing overall guidance. At present the management by industry of the machine-building industry on the one hand must face over 100,000 enterprises and on the other hand must guarantee the completion of the state's key tasks. In accordance with this situation and seen from the conditions over the last year, we must grasp things with each hand: With one hand we should strengthen overall guidance and the work of making experiences more widely known and mainly rely on planning, principles, policies, laws, information and other indirect measures in carrying out guidance. On the other hand we must guarantee key projects and in respect of the technological equipment required by the state's major construction projects, we should organize its production, supply that which is required to form it into complete sets and provide on-the-spot service. We should organize the strengths of the whole industry to satisfy the needs of the state's key construction projects.

Closely coordinating with relevant departments and effectively using the investment by the whole society in the machine-building industry. In 1986, the total investment in whole-people owned machine-building enterprises was 13.39 billion yuan. However, the amount for which the state fixed the direction of investment was only 5.04 billion yuan, 37.6 percent of the total. In this way, the funds for enterprises which required stressed development were difficult to guarantee and on the other hand there was duplicate construction in many low-quality enterprises, which increased many unnecessary strengths. Thus, how we are to guarantee the effective use of investment is a major problem which the machine-building industry faces at present. The basic avenue for resolving this problem is through indirect regulation to guide the direction of investment of funds and to strive, in a situation whereby the investment principals are scattered, to achieve the quite centralized use of investment. To this end, we need to establish with banks, taxation, pricing and customs departments a system of regular policy dialogues. We might initially consider one meeting a year at which time the situations which it is necessary to understand can be circularized

and there can be consultation on the economic regulatory policies which should be adopted for the machine-building industry. Further we should consider establishing a machine-building industry bank and through combination between the financial departments and the production departments, more effectively utilize funds and support the development of the machine-building industry.

Concretely implementing the principle of reliance on technological progress. At a quite early date, the state clearly set down the principle that economic construction must rely on technological progress. The task at present is to find how to concretely implement this. As far as the machine-building industry is concerned, special policies need to be adopted to support the raising of the technological level of some enterprises, so that they can become a "state team" capable of competing with the strong players in the world markets. The task of these enterprises is to develop high-technology products, funds-intensive products, and to produce the large-scale sets of equipment needed by key state construction projects and the basic machines and basic components which determine the level of the machine-building industry. In these enterprises, there should be both a main factory and an auxiliary factory. These could be either whole-people enterprises or be collective or township enterprises and they should be given selective assistance in accordance with the existing base. Those enterprises which are selected for the "state team" should be given priority in technical transformation and technical imports, while in respect of contracting conditions and bank credit, they should be able to obtain preferential terms.

Properly Run 'Inside-Factory Banks,' Improve Enterprise Management

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[Article by Zhao Xiu [6392 0208]]

[Text]

I

The system of "inside-factory banks" is a kind of a new and effective organizational form of the business accounting system generated in response to the demands of the contract system. Since the implementation of the contracted management responsibility system, the enterprises, in order to ensure that there are funds for upward delivery and striving to achieve surplus income and more profit retentions, have found it necessary to follow the principle of being in accord with the corresponding shares of responsibility, power and interest to apportion the basic amount of upward delivery of profits and funds extensively between their sections, offices, workshops,

teams, stations and individual staff members and workers. This forms, vertically, a pagoda-shape of top-to-bottom liaisons and, laterally, a chained and reciprocally-protective structure of contracting, protecting or insuring and checking. Such a type of an enterprise's internal operational structure has posed high demands on the business accounting system. The demands are that business accounting covers each and every sector of supply, production and marketing internally in the enterprise, that supervision and control of all the stages of operation and management be carried out in value terms and that accounting should follow wherever contracting is made. The business accounting system formerly in practice is no longer suited to these demands but must be made to extend in depth and in width on the foundation already built. Moreover, in the control of both input and output new measures must be adopted. "Inside-factory banks" have developed in response to this kind of condition.

Mentioning the term "inside-factory banks" easily leads people to think that they are banks' branch organs established inside the factories. In reality, "inside-factory banks" have no connection whatsoever with the branch organs of banks. Why then should this new organizational form of business accounting be called "inside-factory banks"? This is because it introduces the functions of settlement, feedback, supervision and control practiced by banks. In comparison with the past system of business accounting, enforcement of the "inside-factory banks" effects two important changes in the enterprise's internal operational mechanism: One is to change the production workshops and business sections and offices inside the plant into relatively independent accounting units and to carry out in these units the system of "independent accounting, self-computation of profits and losses and implementing award or punishment based on the profits or losses"; the other is to transform all the labor cooperation relations inside the plant, from the original form of supply of materials and allocation and manpower to a form of buying and selling based on the principle of exchange at equal value with the buying side making payment and the selling side receiving payment all transacted through the "inside-factory banks." As a result of the implementation of these two important reforms, the "inside-factory banks," in extending the functions of the financial and accounting organs inside the plant have become the bookkeeping center and settlement center of all the economic activities inside the plant and from the functions of being the settlement center, the functions of the feedback of information, supervision and control have also been generated.

Based on the practices of some 200 enterprises in Jilin Province which since 1982 have implemented fairly successfully the system of "inside-factory banks," we can make a comparison of the changes in business accounting work both before and after the institution of the system of "inside-factory banks." Before the implementation of the "inside-factory banks" system, the production workshops procured their needed raw materials by

presenting a materials procurement invoice at the storeroom of the supplies section. As for semifinished products needed they were procured from the enterprise's central storehouse. Some enterprises not properly managed did not have any fixed amounts determined beforehand while some other enterprises relatively better managed did have such amounts fixed beforehand but with the hundreds and thousands of materials on hand, it would be difficult to effect a strict control over the fixed amounts of the goods in kind. Very frequently whatever amount needed was so procured and by the end of the month (or end of a production period) an accounting was made when even an excess of the fixed amount, if any, would be accepted. The salaries and wages of the workers in the workshops were released in accordance with the fixed schedule of salaries and wages while bonuses were paid out based on the top limits of bonuses fixed by the labor wages department. Due to the difficulties of grasping a fixed standard, evaluating in granting bonuses frequently became a matter of form. After institution of the system of "inside-factory banks," great changes have occurred the most important of which was the full utilization of the law of value, forming a system which restricts and stimulates interests from the workshops to the workers.

The principal method of enforcing the "inside-factory banks" system is: The relevant departments of a plant (planning section, production section, technological section, financial section, capital and labor section), based on the planned output volume of a workshop's production period and also based on a unit product's fixed consumption volume of raw materials, other materials and subsidiary materials, compute the gross consumption volume of the various kinds of raw materials, other materials and subsidiary materials needed by a workshop over a production period, and then, based on the plant's internal planned prices of the various kinds of raw materials, other materials and subsidiary materials, work out the amount of funds needed for input. As for the consumption of live labor, then based on the fixed amount of labor, compute the gross number of labor work hours required for the planned output and follow up with transforming the gross number of labor work hours into a gross amount of salary and wage funds needed for payout by the workshop (if the piece-wage system can be employed, the transformation should be made according to the unit piece wage). In the case of the workshop, based on the fixed salary schedules it computes the amount of salaries and wages needed for the personnel not engaged in actual production; as for the amount of office expenses, based on the depreciation rate of the fixtures and equipment and the demands for large-scale repairs and overhauling, it finds out the amount of depreciation funds needed and the amount of funds required for repairs and overhauling, and then finally works out the gross amount of expense funds needed by the workshop. Putting together the raw materials funds needed, the salary and wage funds needed and the workshop expense funds needed we can find out the total amount of planned input of funds needed for a

production period and the finance section will then allocate this amount to the credit of the workshop, that is, credited to the deposit account of the workshop in the "inside-factory bank." All items of consumption by the workshop will have to go through the "inside-factory bank" and be expended from among the amount of funds so allocated and deposited or credited. That is tantamount to "advanced control" of the production process. In the event that in the course of production in the workshop the consumption of raw materials, consumption of work hours and expenditures of the workshop and up to exceed the planned amount, then red figures will appear in the deposit account the workshop has with the "inside-factory bank," and the workshop is dutybound to negotiate for a loan from the "inside-factory bank" so as to be able to continue paying for the various consumptions in the production process. At this juncture, it will be up to the plant itself and the "inside-factory bank" to investigate and examine the causes leading to the excess spending. In the case of subjective causes, payment of the interest rate on the loan will offset or reduce the amount of funds available for the bonuses or even the salaries and wages. This is tantamount to the "inside-factory bank" exercising the functions of "intermediate control" of the production process. If the workshop's various kinds of actual input amounts tally with the planned input amounts under the fixed regulations and if the actual output volume also corresponds to the output volume fixed by the plan, then after the workshop has sold its products (spare parts, parts, semifinished products and finished products) at the plan's internally planned prices to the next work process or to the plant's central warehouse, then the income earned can compensate its input and the funds in its account with the "inside-factory bank" will reach a balance. Conversely, if the actual output volume is below the planned output volume, then the receipts from the sales at the plant's internal planned prices cannot fully compensate its input and losses will be shown in its account. On the other hand, if the actual output volume, as a result of savings effected in the consumption of raw materials and labor time, exceeds the planned output volume, then profits will be shown in its account with the "inside-factory bank." In each of the above-mentioned cases, the plant will, according to the method determined in advance, accordingly reward or punish the workshop. By so doing and through settlement made by the "inside-factory bank," a sort of interest restrictive mechanism is formed for the various production workshops.

In order to suit this type of supervision and control exercised by the "inside-factory bank," inside the various workshops a self-restricting and self-stimulating mechanism has been correspondingly formed for the purposes of reducing wherever possible the actual input volume and doing the utmost to increase the actual output volume. This is principally shown as follows: When forwarding separately downward to the work teams and units the planned input volume and planned output volume fixed by the plant departments, the workshops usually cut back or retain an appropriate

amount of the planned input volume to serve as the workshop's input reserve funds and for use in compensation of any excess outlay incurred by the work team or unit because of unexpected causes. Similarly, when the work team or unit redistributes the target assigned by the workshop to the machines or individuals a suitable portion should be retained or deducted from the planned input volume forwarded by the workshop to serve as reserve funds for the input of the work team or unit and so as to meet any unexpected happenings on the part of the machine or the particular individual worker concerned. In the event that no excess outlay is incurred, this portion of the reserve funds will be employed to increase the extra-plan output. When the workshop's target of planned input and planned output is assigned through the work team or unit to the individual worker, its transparent character is already very high and every worker knows during the time when he is on duty what the amount of the planned output is, what the consumption amount of the raw materials and of the materialized labor of tools and so forth is and what the planned consumption amount of labor time is; he also knows how much income he will receive upon fulfillment of his assigned targets in accordance with these planned and fixed amounts and how much less income he will receive in the event of failure to make an all-round fulfillment of his assigned targets. Using the vernacular words of the workers, formerly it was accounting after completion but now it is accounting first before working and simultaneously accounting while working. In business accounting formerly, principally the finance and accounts personnel of the plant department did the accounting and computation work, but after the formation of the "inside-factory bank," an accounting network has been formed comprising accountants in the plant department, accounting personnel in the workshops, and the team's or unit's personnel serving concurrently as accounting personnel. Formerly, only the plant head did the calculation work, now this work is being done all the way from the plant head, those in charge of the workshops, heads of the work teams or units and down to each and every worker. In fact, everybody is concerned. Everybody is doing the computation work and comparing between the input volume and the output volume, seeking to use the minimum input in exchange for the maximum output. Target control calling for increasing receipts and reducing outlay has thus become a conscientious practice among the plant's entire staff.

As for the supply section and the marketing section engaged in business operations, they should also adopt a scientific method, determine a fixed amount of purchase funds and a fixed amount of products marketing funds, same to be deposited in their respective accounts in the "inside-factory bank," with the "inside-factory bank" exercising the functions of "advanced control" and "intermediate control" over the operational activities reflected by their withdrawals or deposits. As for those sections and offices without engaging in any business activities, fixed expenditure amounts should be determined on the basis of standard of office expenses,

traveling expenses, and so forth and the same should be deposited into their respective accounts in the "inside-factory bank." The latter will exercise the functions of controlling their expenses within the fixed limits.

II

Since the "inside-factory bank's" functions of supervision and control cover all the input and output activities of the enterprise, it means that performing a good job in running an "inside-factory bank" constitutes the main link in improving and perfecting the internal management of an enterprise.

First, running an "inside-factory bank" well can lead to and put in motion the management of the assets and of the products in the course of manufacture internally inside an enterprise. For many years, the unclear state of the assets, inconsistencies between the actual state of the goods and what was stated in the accounts and confusion in the management of products in the process of manufacture have been huge defects causing headaches to those managing the enterprises. However, the institution of an "inside-factory bank" can effectively remove these headaches. Since the actual amount of funds which the various relatively independent accounting units which have established accounts in the "inside-factory bank" can withdraw from the amount of their deposits is equivalent to the difference between the amount of funds of a fixed and appraised nature and the amount of funds already utilized by the unit and consisting now of goods in kind, in establishing the "inside-factory bank," it is necessary to make a clear accounting of the goods still in the stature of manufacture in the workshops and also of the goods in storage in the materials storages and the finished goods storages. Excess raw materials in storage, stockpiled finished products and the over-accumulated goods still in the process of manufacture due to imbalanced production should also be suitably handled. As for such cases left over in the past as goods recorded in the accounts but now no longer in existence, losses recorded in the accounts and so forth they should likewise be attended to and settled in accordance with the actual circumstances. By so doing, it will be possible to eliminate the above-mentioned defects of falsely reporting losses for profits and at the same time to create the prerequisite conditions for enforcing the system of "inside-factory banks."

Second, performing a good job in "inside-factory banking" can set to motion and strengthen planned management. In the past, in an enterprise's planned management a big and important difficult problem was the imbalanced character in production, being lax early in the month but becoming tense toward the end of the month and lax early in the season but busy and tense near the end of the season. During the lax period, manpower and equipment laid idle but at time of stringency there was a rush for manpower and for equipment resulting in much waste in manpower and material resources. Following implementation of the system of

"inside-factory bank," the production workshops deposit the amounts of their planned input of funds into their accounts in the bank, to be drawn upon for payment by the finance section according to the production period and the planned production program. The workshops also deposit into their accounts in the bank the income received from the sale of the products. Viewed on the basis of a whole production period, the funds in the workshops' accounts in the "inside-factory bank" must be balanced. To accomplish this, the production workshop's production steps must progress in a balanced manner strictly in accordance with the planned production program. In the event that due to an imbalance in production, a workshop in the first month of a season is unable to fulfill the output plan for that month and its output volume is lower than the planned output volume, thereby leading to the flow of funds back to its account in the bank becoming less than plan, then when the workshop pays the workers' monthly wages the funds will not be sufficient for the purpose. This obviously urges the workshop that it must carry out production in a balanced manner. In short, the various links in production in a plant proceeding in a balanced manner forms a material foundation for the circulation in a benign character of the funds in the accounts of the "inside-factory bank," while, for the part of the "inside-factory bank," through the formulation of a balanced schedule for the funds of the various units and the whole plant, it performs the task of persuading and supervising, in regard to the use of funds, the production process to progress in a balanced manner according to the plan.

Third, running the "inside-factory bank" well can set to motion and strengthen management of the equipment. When the plant department determines the plant's internal planned prices of its products, it has already incorporated the workshop's depreciation expenses and overhauling expenses into the unit price of the gross volume of output. After the workshop has sold its products according to the plant's internal planned prices, it must refund to the plant department this depreciation expense and the overhauling expense. Even in case due to subjective causes the workshop cannot fulfill the output plan, the amount of the refund cannot be reduced and this means that compensation must be made from the workshop's funds for payment of salaries and wages. By so doing, the equipment depreciation fund and the overhauling expense fund will have a stable source of income. With these expense funds in hand, the plant department can carry out the maintenance of the plant's equipment according to the actual conditions and give due preference to which should come first and which next. At the same time, it can band the funds together for use with the production development funds in the plant's self-retained portion of the profit funds and carry out the major equipment renovation work. This will ensure that the plant's equipment is in good repair and perfect condition and is fit for normal operation.

Fourth, running an "inside-factory bank" well can lead to and strengthen the enterprise's management and control of the quality of its products. When specifying the

workshop's planned output volume, the plant department has already pressed down the rate of the substandard products or rejects to a reasonable limit and if this limit is surpassed then the workshop's actual output volume will be lower than the planned output volume. In such a case when its products are turned to the next production procedure or to the central storehouse, the income amount will not be sufficient to cover the input volume and the workshop's funds in its bank account will not be balanced, a deficit will be incurred and under the regulations prescribed in advance it will be subjected to economic punishment. At the same time, when the plant department fixes the plant's internal planned prices, it also fixes the price differentials between first-grade products, second-grade products and standard products. With the same volume of products, if the rate of first-grade products is high, then the workshop can obtain a larger income. Conversely, the income will be less. This interest control mechanism in effect pushes the workshop to increase the rate of first-grade products. Due to the differences in the production conditions of the various workshops and to the existing measures in inspection and estimation not being perfect, and that sampling inspection work can only be carried out with the products of certain workshops, it is entirely possible that in the use of products turned over from the preceding procedure, the workshop attending to the next or subsequent production procedure may find some of the products not being exactly up to standard. Under such conditions, the workshop handling the preceding production procedure should be responsible for making the necessary repairs and changes and bear the burden of the labor time and materials consumed in the repairing and maintaining work. In order to avoid economic losses, production workers have all been imbued with the concept of forever improving the quality of the products while the workshops themselves have all actively stepped up their quality control.

Fifth, "inside-factory banks" can greatly strengthen their control over the cost of production. A plant's internal planned prices are formed from the planned cost of production comprising the various kinds of consumption norms. If the workshop's actual cost of production is lower than the planned cost of production, when the workshop sells its products at the plant's internal planned prices, then it can obtain profits; conversely, losses will be incurred. The plant department will then do the rewarding and punishing work according to the prescribed rules. Thus, in the settlement work of the "inside-factory bank," the "plant's internal planned prices," acting as the value yardstick, play the role of regulating the workshop's profits or losses, and make use of the interest mechanism to provide the workshop with the motive force and force of pressure to lower the cost of production. Some enterprises have even forwarded to the workshops the target amount of the reduction in the cost of production as the amount of "internal profit" which must be realized by the workshops. For example, let us say that a workshop's planned cost of production

has the index 100 and the targeted extent of the reduction is 20. This index of 20 is the "internal profit" which the workshop must realize. In the event the workshop cannot accomplish this target of "internal profit," then its salaries and wages funds will be offset or reduced according to the prescribed ratio. On the other hand, if the extent of the "internal profit" is exceeded, then the excess portion will be divided between the plant department and the workshop according to the prescribed proportion. The force of pressure brought by this method on reducing the cost of production is thus an enormous one. Since the plant's internal planned prices prescribed by the plant department are in effect the planned production cost, the difference between market prices and the plant's internal planned prices constitutes the plant's planned profits. Generally speaking, an enterprise's planned profits are larger than the base amounts of deliveries to the upper levels. By so doing, the enterprise not only can definitely ensure having the needed amount for upward delivery but also can acquire a surplus income and a greater retention. If the workshop's actual production cost can come down to below the plant's internal planned prices, then the enterprise's profits in excess of the base figure of profits will be even larger.

Sixth, running an "inside-factory bank" well helps in strengthening and perfecting quota control. In other words, a perfect system of quota control is also the foundation of running an "inside factory bank" well. This is because in the case of the various production workshops, in their capacity as relatively independent accounting units, the planned input funds which they deposit into their accounts with the "inside-factory bank" are computed according to the various quotas; and the various production workshops' planned and generated amount of funds is determined by the plant's internal planned prices, formed on the basis of the various consumption norms, multiplying the gross volume of goods in kind produced by the workshops. If a full and complete set of norms is lacking, it is impossible to run an "inside factory bank," while in the absence of norms that are advanced on the average, it is also impossible to run an "inside-factory bank" well. Actual practices have shown that industries which have run "inside-factory banks" well have all formulated their quotas or norms in adherence to the principle of people making their utmost efforts, putting materials to the best use and taking the best advantage of the time element, plus the need of constantly readjusting the norms in accordance with the degree of the workers' quality improvement and progress in technology. This is also basic work in pushing the "full-load" working method. Running an "inside-factory bank" well can produce economic benefits, foster and train business management personnel, and improve the quality of the workers. Following the large-scale enforcement and gradual perfection of the system of contracted management responsibility, "inside-factory banks" will be gradually increased in number and be continuously perfected in actual practice. The most obvious function in running an "inside-factory bank" well is that it can overcome the

vast wastages in manpower, material power and financial power caused by poor management and thereby increase the economic benefits. Having completed this step, we should further proceed to put the major points of work on pushing technological progress, improving the processes of arts and crafts, and, following the further improvement in technological progress, making the various norms which form the basis of the "inside-factory banks" become more advanced and thereby realizing larger and better economic effects. In those industries possessing the necessary conditions, electronic computers should be installed. The "inside-factory bank's" accounts settlement should be handled by the computers. All the input and output activities involved in each and every stage in the whole plant should be converted into monetary terms to become figures of the "inside-factory bank's" circulating funds for input or insertion into the computers as software. Leadership people of the enterprises will thus be able to push a button in the computer and have before them a picture of a balance statement of the funds of the whole plant. They can thus grasp the stature and development of the entire plant's production process and be able to give more timely, more practicable, and more effective orders over the plant's production and operation activities.

III

So far as the conditions of the great majority of enterprises are concerned, the enterprise's contracted management responsibility system in reality embodies two aspects. One aspect is to use the contractual form to establish the responsibility, power and interest relations between the state and the enterprise, so as to enable the enterprise to become a relatively independent producer and handler of commodities. The other aspect is that inside the enterprise a contractual and protective structure should also be installed according to the principle of being corresponding or relevant to responsibility, power and interest. Without the enterprise's contracting to the state, there will be no precondition and target for the contractual and protective structure inside the enterprise; while without the contractual and protective structure internally in the plant, then the responsibility target in the enterprise's contracting from the state will lose its basis and assurance. At present, the State Council has already promulgated the "provisional regulations governing the contracted management responsibility system of industrial enterprises under the system of ownership by the whole people." The regulations specify the basic provisions for fixing the base figures for the delivery of profits to upper levels. This, in accompaniment with introduction of the competitive mechanism in inviting tenders and submitting tenders, the rational formation of base figures for upward deliveries of profits has become an easy matter. Hence, regarding the contracting enterprises, aside from the necessity of constantly watching market changes and producing and developing marketable products, we must do really down-to-earth work on improving and perfecting the enterprise's internal operational mechanism. We must, through establishing

the enterprise's internal contractual and protective structure, earnestly strengthen enterprise management and link together technical progress with improved management. We must, making use of the role of the "inside-factory bank," put into the best state the organization and combination of the production factors such as man, money and materials. Only by so doing can there be a definite ensurance of fulfilling the targets of delivery of profits to the upper levels, receiving a larger income and making a larger retention of profits.

The contracted management of enterprises is now in universal operation. Many of the departments, industries and trades possessing the necessary conditions (such as metallurgy, railroading, post and telecommunications, crude oil, petrochemistry, coal and nonferrous metals) have been enforcing the contracting of input and output in varying forms. Certain provinces and cities which originally had adhered to the practice of proportionally dividing the earnings or profits with central finance have now changed over to contracted operation with delivery of profits or earnings on a fixed quota basis. It seems that between the central government and the provinces and cities' enforcement of the contracted operation system in varying forms (such as delivery on quota basis, delivery on a fixed progressively rising scale, quota subsidy and other forms) will be further developed and envisage further good prospects.

Since the 3d Plenary Session of the 11th CPC Central Committee, the reform of our economic structure has carried out probings in various directions. The contract system is precisely the reform road sifted out and selected from the actual practices of the extensive masses. First, it was the assigning of responsibilities on the household basis in the rural villages with remuneration linked to output; subsequently "contracting" entered the cities and towns and the road trodden by enterprise contracting, industry and trade contracting, localities contracting and contracting in general form has become wider and longer. The contract system is conditioned on realizing the owners' interests through ensuring the performance of the fixed tasks of delivery of profits or earnings to upper levels and of other necessary responsibility targets. This makes possible separation of the management power and gives the management personnel independent and autonomous management power and the corresponding distribution power of a portion of the benefits. In turn, this solves the problem of the motive power and vitality of the commodity producers in the pattern of a planned commodity economy on the basis of the public ownership system. As a result, it is possible on the basis of increased production to suitably deal with the interest distribution relationships between the state, the localities, enterprises and the individual workers. At the same time, it prepares the conditions for providing the motive force for pushing the reform in other directions.

Strive for New Development in China's Tourism
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[Article by Sun Gang [1327 6921]]

[Text] Since the 3d Plenary Session of the 11th CPC Central Committee, under the guidance of the guideline of reform and opening to the outside world, tourism has developed rapidly in our country. In 1987, the total number of people entering the country as tourists was 26.902 million man-times, being 1490 percent of 1978. Of them, the number of overseas tourists under organized reception by tourist departments and relevant department units was 3.75 million man-times, or 490 percent of 1978. Of them tourists of foreign nationalities numbered 1.728 man-times, or 750 percent of 1978. Foreign exchange earnings from tourism amounted to \$1.84 billion, or 700 percent of 1978. In 1978, China's foreign exchange earnings from tourism ranked in 41st place in the world but rose to 20th place in 1986 and to 17th in 1987. The development tendency of tourism inside the country has also attracted people's attention. In 1987, the number of tourists internally in the country was over 290 million man-times. The returned flow of money to the treasury from internal tourism amounted to 14 billion yuan. The high rate of development in tourism in China over the past 9 years is seldom seen in the world.

It is quite natural that the tourism trade has enjoyed an abrupt and rapid rise in China and that currently its development is manifesting extensive and good prospects. The reasons are:

First, China possesses extremely rich tourism resources. As an old country with a history of over 5,000 years of civilization, China's abundance in cultural relics ranks first in the world. Being a country with a vast territory, the country possesses various kinds of much-splendored topography and landforms; the temperature ranges from the frigid zone to the temperate and tropical zones. Its landscape, sceneries, mountains and rivers are famous throughout the world. As a large family constituted by some 56 brotherly nationalities, the characteristics, people's customs and usages in various localities have a special attractive power. As a country manifesting a fast-changing countenance on account of the reform and opening to the outside, a picture of bristling vitality and new life can be seen everywhere in the country. To those people in the world anxious to know more of the Chinese people, all these possess great attraction. Many people in the international tourist circles have ventured the opinion that China is most destined to become a large country of tourism.

Second, the development of the tourist trade in China is intimately related to the basic national policy of opening to the outside world. The large environment of opening to the outside world pushes and leads the development of the tourist trade while conversely the development of

tourism facilitates and leads to the further development in depth and in width of the work of opening to the outside. Within this century and in the next century, China will continuously expand the scale of its opening to the outside world. This provides the condition for the sustained and stable development of the tourist trade in the country. As an industry or trade possessing special functions in promoting contact and communication between people in modern society and facilitating economic, technical and cultural exchange and redistribution of the national income, tourism will surely play an increasingly large role in promoting China's expanding its opening to the outside world.

Third, the great tendency of the sustained and stable development of international tourism is also advantageous to pushing the development of tourism in China. In 1987, the total number of people recorded in the world's international tourism was 355 million man-times and the expenses incurred in international tourism amounted to \$150 billion. Following the current development in the world's economy and technology, the growth in people's income, the increase in spare time available for people's free disposal and improvement in international communications and transportation conditions, international tourism from now on will continue to maintain a tendency of prosperity and growth. According to an estimate made by the "World's Tourist Organization," by the end of this century, tourism will become the world's largest industrial department surpassing in scale the petroleum industry and the motor vehicle industry. Our current reception of international tourists occupies only a share of 0.5 percent of the total number of international tourists. This proportion is indeed very small and there is every possibility of striving for a much larger share.

Tourism in China not only enhances the mutual understanding and friendship between the Chinese people and people of various countries of the world but also increases the non-trade foreign exchange earnings of the country and also brings along comprehensive benefits on many sides to China's program of the four modernizations. In recent years, the various localities have paid great attention to closely linking together tourism development with development of the economy of the localities so that they can play an active role on various sides such as opening to the outside, internal invigoration and expanding employment of the labor force. At the same time, development of the domestic tourist trade produces active effects on various sides such as meeting the masses' daily growing demands in spiritual and cultural life, improving the quality of the culture of the race, promoting economic and cultural cooperation between the localities, as well as guiding consumption and making accumulations for the state. Actual practices have shown that it is entirely correct for the state to take the development of tourism as a major item for support, to regard the development and utilization of tourist resources as a concrete guideline for the priority disposition of resources and raising the effects of utilization of

resources, and to treat the increase of tourism's foreign exchange earnings as an important channel for expanding China's non-trade foreign exchange earnings.

To actively develop tourism requires further solving, and solving well, certain problems of ideology and understanding: 1) On the one hand, it is necessary to fully understand the position and role of tourism in the development of the national economy, to make a full estimation of the direct benefits and comprehensive benefits of tourism development, so as to make whole society show greater regard and give greater support to the development of tourism. On the other hand, it is necessary to overcome the tendencies of departing from local realities, blindly exaggerating the role of tourism and confusedly offering or adding to the items in tourism, thus to enable tourism to gradually step on the track of planned and proportionate development and in an even healthier manner. 2) It is necessary to note and understand the active significance in developing tourism and at the same time strive to avoid and overcome the problems that will be brought along in developing tourism and to endeavor to uphold the strong points and downgrade the defects so that the development of tourism can play a greater and more active role in China's social life and economic development and so that an even better repute can be established in the world. 3) It is necessary to note and understand that while the basic facilities for promoting tourism in China have already been built to a certain extent, macroeconomic control must still be strengthened and active efforts must still be devoted to tapping the hidden potentials, and also that tourism in the country is still in the first stage of development, that be it in respect of the building of tourist facilities, planning of commodities related thereto, or the quality of the personnel as well as of the services rendered there is still a great disparity between us and countries wherein the tourist trade has greatly developed that construction work must continue to be strengthened and that all the relevant departments must continue to give their support and cooperation. 4) It is necessary to note that while utilization of foreign capital has played an active role during the past several years of development of tourism in China in making up for the insufficiency in the country's capital construction funds and in absorbing and introducing talented personnel and management experiences from abroad, certain problems can still be found in the use of foreign capital in the building of facilities for the tourist trade; this should facilitate us in summing up the experiences and in more effectively performing this category of work. 5) It is necessary to note not only that tourism in China has already achieved certain successes and progress but also that the successes achieved are still far from the level that should have been acquired, that in the current stage many contradictions and problems are still existent and require solution, that attention should be paid to overcoming the tendency to laxity and the sentiments of arrogance and self-satisfaction, and so on and so forth. If these problems of understanding can be further solved and solved well, then development of tourism in the

country will acquire an even better ideological foundation and social environment.

To greatly develop the tourist trade, it is necessary to put in order the relations on the various related sides. At present, tourism in the country faces the problem of an unsmoothed or disorderly structure in respect of such matters or stages as administration and management, control of tourist agencies, control of tourist hotels, management of production and marketing of commodities related to the trade, control and management of scenic spots for tourists and so forth. At the same time, the relevant concrete policies and statutes on tourism are not in a healthy state and in fact management and control of the trade have not yet been truly grasped. Regarding the tourist agency units, macroeconomic control and microeconomic invigoration are both extremely insufficient. In some cases, unified control of the units cannot be enforced. In some localities, the departments and units are found inclined to such tendencies as developing blindly and engaging in unhealthy competition in varying degrees in such stages as production, supply and marketing in the tourist trade. The policy of delegating power and invigorating cannot be said to have been enforced well and, as a result, certain tourist agency units have become the appendices of the upper-level administrative departments in charge, unable to operate or manage autonomously, or to achieve self-perfection and self-development, and generally lacking in vitality. This will require, simultaneously with performing the job of reforming the tourism structure well and building up a healthy management and control system of the tourist trade, firmly grasping, and grasping well, the reform of the tourist management structure and enforcing the policies of separating government from enterprise functions, making functional changes and delegating power to lower levels. It will also require firmly grasping reform of the tourist enterprises, promoting and pushing the manager's responsibility system, the manager's target responsibility system and the various forms of contracted management responsibility system; the market mechanism sorely needed for developing the productive forces in tourism must be fostered and put in gear.

Regarding the staff members and workers in the tourist trade in the country, there is need to further implement the concept of quality being first. In China, tourism has made a belated start and just as it begins to open wide its step and proceed in the world's direction it has come face to face with severe international competition. Under such conditions, we must set foot on an unconquerable position and endlessly seek for new development. Aside from devoting utmost efforts to improving propaganda and solicitation work, and engaging in the constantly opening up work abroad, it is most important that we improve the work inside the country, strive to improve the quality of our products or offerings and services in the tourist trade, and endeavor to seek success from quality improvement so as to achieve even better economic results. Products or offerings in tourism are constituted by a series of tourist scenic points and

include such items of tourist activities as itinerary, meals, abode, recreation, purchasing of souvenirs, and so forth. To improve the quality of the products or offerings of tourism, we must try hard to improve the characteristics and the attractive power of the various scenic points and various kinds of tourist activities. At present, we have not done enough work in this regard. We are deeply lacking in such aspects as making comprehensive and all-round arrangements, ability to aim at special targets or objects, racial and local characteristics, capability of working out activities with contents that are fresh, new and acceptable to all. Great improvements are therefore needed in this regard so as to further augment our competitive power in the international tourist market. Greatly developing the production and sales of tourist merchandise and commodities is an important link to enhancing foreign exchange earnings and is an important guarantee to enhancing the economic benefits of tourism. Our work in this direction has indeed been very weak. From now on, definite efforts must be devoted to setting up a network of scientific research, production and marketing of commodities and merchandise for tourism and further increase the relative weight of foreign exchange earnings from the marketing of tourist commodities in the aggregate foreign exchange earnings from the tourist trade so that the volume of foreign exchange earnings from the tourist trade in the country can maintain a sustained growth over and above the extent of increase in the number of tourist visitors received during the corresponding period and so that as a whole the quality of our tourist trade can be elevated.

In order to further develop the tourist business in our country, we still need to study, learn from, and absorb the advanced management experiences from abroad. The rise and growth of modern tourism has taken a period of nearly half a century. Following the incessant probings and actual practices made by several generations of people in the international tourist field, rich experiences and methods have been accumulated. As latecomers, we should modestly study, learn from, scrupulously sift and select, and absorb the successful experiences and methods in this regard. In the past few years, our successes and progress made on the side of work in connection with hotel management and rendering of services in tourism were inseparable from studying and learning from foreign advanced experiences. Currently our hotel enterprises engaged in the tourist trade are working on the proposition of devising a system of classifying the hotels into fixed grades and a proposition is under way to form a hotel management association of our own. This is a conscious development following the learning of foreign experiences and international usages. With international tourist trade serving in the forefront of opening the country to the outside world, it is all the more necessary to absorb the fruits of world civilization so as to gradually reduce the disparity between us and those countries wherein tourism has enjoyed a flourishing development.

Beginning from now and up to 1990 is a crucial period for our tourist trade to follow past precedents and open

up the road for the future and indeed to succeed the past and prepare for the future. During these 3 years, reform of our tourist structure will continuously deepen and a new pattern and new mechanism of development of tourism will be gradually formed. A number of construction projects on new and basic facilities for tourism will be successively completed and put into operation, thus preparing the ground for the flourishing of our tourist trade in the 1990's. Stamina will be stored up for this purpose. In these 3 years, there will be grand opportunities for greatly pushing our propaganda, soliciting and sales work to the outside—this year is the so-called "dragon year" of our country and in many of the major cities of the tourist trade in the whole country, a campaign has started on prosecuting the "dragon year's tourism activities." This has attracted the attention of the international tourism circles. Next year will be the 40th anniversary of the founding of the PRC while in the year after next, the "All-Asia Athletic Meet" will be held in China. All these are of great advantage to the propaganda and sales or solicitation work related to our tourist trade and will further widen the effects on the world of the offerings and products of our tourist trade. We must definitely and tightly grasp the opportunities offered in these 3 years, earnestly and well grasp reform of the structure of tourism, continue to augment construction of the "hardwares" and "softwares" for tourism, strive hard to improve the products and offerings in tourism, earnestly improve the quality of the services rendered, greatly strengthen our external propaganda and sales work, so that the development level of our country's tourist trade will rise at least one story higher over and above the existing foundation.

Deepen the Reform of the Cadre Personnel System, Create a Favorable Environment for the Growth of Capable Personnel

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[Article by Lu Chuanzan (0712 0278 6363)]

[Text] At present, some major targets of deepening reform of the personnel system relating to cadres are: To establish a scientific classified management structure, to introduce the mechanism of competition in a rational and positive manner, to promote the building of democracy and the legal system, and to gradually establish a socialist cadre personnel system that is characterized by diverse forms of management and perfect democracy and legal system and that is full of vigor and vitality. Only when we attain these targets can we create a favorable environment for the growth and rational use of all kinds of outstanding and capable personnel and can we provide a powerful organizational guarantee for China's modernization drive and long-term tranquility. Therefore, we must attach great importance to deepening reform of the personnel system relating to cadres and make everyone aware of it.

The Key Link of Deepening Reform of the Personnel System Relating to Cadres Is To Establish a Scientific and Classified Management System

The greatest defect of China's current cadre personnel management system is that the power of management is over-centralized and it lacks scientific classification. The concept of "state cadre" includes almost all personnel other than workers and peasants, and they are all under the management of the party committees at various levels and their organizational departments or the personnel departments of the government in the same way the party and government cadres are managed. In the years of revolutionary war, since our party was still not in power and since the internal composition of the revolutionary ranks was rather simple and division of work was rough, it was not suitable to adopt complicated methods of management at that time, and classified management of cadres was not so important. In the period immediately after liberation, since it was our pressing task to straighten things out in the political and economic fields and both the party and the state had to adopt a highly centralized leadership structure to consolidate the new revolutionary power, it was also necessary that a centralized and unified structure and method was adopted in the cadre personnel management. Originally, after the basic completion of the socialist transformation, under conditions where developing the social productive forces had become the main task of our party and state and our cadres' ranks were growing day by day with more and more meticulous division of work, we should have made a rational classification of various personnel and, in light of the different natures and characteristics of their work, worked out different management methods and established different management systems for them. However, over the past more than 30 years, due to the highly centralized economic and political structures, the old cadre personnel management methods, which were created in the years of war, have been preserved and constantly strengthened, instead of being made more and more scientific. It seems that the unitary and highly centralized method of management is simpler and easier, but in fact, it obliterates and covers up the different characteristics of various kinds of personnel and runs counter to the practical and scientific principle of social division of labor. It has simplified personnel management, which is actually very complicated. A direct result of this is disordered and ineffective personnel management. Since all kinds of personnel, including scientific and technological personnel, teachers, doctors, athletes, policemen, and actors, come under the unitary management for party and government cadres, they are also identified according to the posts and grades of party and government cadres. Thus, many irrational phenomena have appeared, such as monks at the section-chief level and professors at the bureau-chief level, which is really ridiculous. This has, on the one hand, enhanced and encouraged the feudalist concept of "official standard [guan ben wei 1351 2609 0143]," which should have been eliminated long ago, and on the other, encouraged all kinds of personnel to flow into

party and government organs, resulting in the burgeoning ranks of office personnel and having more hands than needed. Moreover, since the unitary management method is unsuited to the complexity of cadre personnel management, it is difficult to work out appropriate laws and regulations for unified management. Thus, when appointing cadres, it is impossible to take the different characteristics of various personnel into consideration, which affects the emergence and rational use of talented people as well as their healthy growth. It is thus clear that this unscientific cadre personnel system should be reformed.

The system of classified management is obviously superior to the current cadre personnel management method. It suits the characteristics of modern mass production, in which division of work is becoming more and more meticulous and personnel management is becoming more and more complicated with each passing day. It reflects the principle of separating party from government, separating party from mass work, separating government from enterprise administration, and separating political work from routine matters. It accords with the demands of all kinds of personnel for developing normally in accordance with various objective laws. To carry out classified management means to make a rational classification among various personnel in light of their different work natures and carry out a scientific management which makes the management of people and the management of things closely related with and restrain each other on the basis of standardization, so that the excellent makeup of working personnel and the rational use of all kinds of talented people by the party and government organizations and various social organizations can be guaranteed.

To establish the system of classified management, it is necessary to start with changing the current over-centralized and unitary management method. First, we must make a rational classification in accordance with the different natures and social functions of various social organizations. For example, the governments at all levels are administrative leading organs exercising the power of the state, which play important functions of organizing economic construction and administering public social affairs. The people's congresses at all levels and their permanent organizations, the courts, and the people's procuratorates, are all power organs of the state, which are responsible for legislative affairs and the enforcement of laws. The party organizations are political organizations which carry out political leadership over state affairs but do not directly participate in the management of concrete administrative affairs of the state. The mass organizations are the self-managed organizations of the masses playing the role of a bridge or a link between the party and the government and the masses of people in various social strata. The enterprises are engaged in material production and circulation, while the institutions are generally engaged in the production of spiritual products and public activities. The cadres in these different departments or units which have different

natures and functions, should be rationally divided and put into their respective categories and, to suit their characteristics and specific demands, they should have their own management systems and independent management structures. Second, the working personnel at different posts and in different departments and categories are also different from one another in respect of duties, functions, and work methods. For example, in government organizations, there are public servants handling political affairs and those doing professional work. Public servants in the professional work category can also be divided into several categories. In other departments, there are also differences between the leading personnel, the ordinary working personnel, and professional and technological personnel. It is necessary to classify all these personnel at different posts and different levels and, on the basis of clarifying their posts and functions, work out different standards for their appointment, examination, promotion, training, and payment as well as for their awards and punishments, so that a scientific method can be adopted in management. Moreover, classified management may help harmonize the relationships between various social organizations as well as their internal relationships regarding cadre personnel work and may avoid disconnection of management of men and management of things. Apart from working out the relevant line, policies, and principles for cadre personnel work, which is the duty of a party in power, according to the demands of the 13th CPC National Congress, the party committees at all levels should also recommend through legal procedures major cadres to the people's congresses at various levels. However, the independent functional departments and units should also have the authority in personnel management that conforms to their specific natures and characteristics and suits their social functions and tasks. All personnel other than the main leaders in state organs, courts, and procuratorates are respectively under the management of the people's congresses, governments, courts, and procuratorates according to relevant state regulations; those of enterprises and institutions, except for the main responsible persons who are under the management of the party committees, are under the management of their respective units according to the relevant regulations of the party and the state; and most mass organizations and their personnel, except for some important organizations such as the trade unions, the CYL organizations, and the women's federations whose main responsible persons are under the management of the party committees, are under the management of the mass organizations themselves. Thus, by rationally classifying the "state cadres" into appropriate categories, by harmonizing various relationships and carrying out classified management at various levels through rational division of work, we will be able to break with the over-centralized management structure and the unitary management pattern and carry out scientific management.

Adopting the system of public service is a breakthrough in carrying out classified management. The report of the

13th CPC National Congress pointed out: "The emphasis of the current reform of the personnel system relating to cadres is on establishing a system of public service." Working personnel of the state administrative organs at various levels (including both personnel handling political affairs and those doing professional work) are entrusted with important functions of exercising state power and performing public duties. To separate them from the cadres' ranks and scientifically manage them in accordance with the laws and regulations suitable for public servants of the state is of great importance to overcoming bureaucratism in the state administrative organs, building an energetic and highly efficient administrative commanding system, rectifying unhealthy tendencies in the use of people, and improving the political and professional quality of all personnel. The successful application of the system of public service will provide experiences for improving personnel management in other departments and trades. Therefore, it is necessary to do a good job in experimenting with the public service system. It is necessary to make a conscientious investigation and classification of the positions and ranks of various personnel and define the limits of their functions and powers at various levels and on different posts, so that we can find some scientific bases for their appointment, examination, training, and promotion, as well as for their wages, welfare, and reward and punishment.

Introducing the Mechanism of Competition in a Positive Manner and a Reasonable Way Is an Important Aspect in Promoting the Deep-Going Development of Reform of the Cadre Personnel System

In the past we had a chronic misunderstanding about competition, thinking that it was a special outcome of the capitalist political and economic systems, which only belonged to the capitalist system. Actually, competition has existed throughout human society. It is an important motive force for the progress of human society and mankind and the development of social productive forces. It not only exists in the capitalist system but also in the socialist system. It suits the demand of developing various undertakings under the socialist system. In the past, although in theory we opposed and negated competition, in reality, it existed everywhere, including our social life and the growth and promotion of cadres, except this kind of competition was not clearly defined by various systems and was not openly encouraged. For this reason, it was irregular and incomplete and was mixed with and distorted by certain unhealthy factors such as power, background, and relations with leaders. In recent years, along with the deepening of people's understanding of the characteristics of socialism and the deepening of reform of the economic structure, the mechanism of competition has been introduced into enterprise management. The implementation of the contract and bidding systems, the leasing system, and various forms of the contracted management responsibility system and reform of the systems concerning the selection and appointment process for enterprise managers have brought about a series of profound changes in the

personnel system of enterprises. In Hebei Province, these changes are mainly reflected in the following: 1) Talented people have been selected through open competition, unlike in the past; 2) cadres have been selected and appointed through diverse channels rather than being selected and appointed merely by the higher authorities; 3) the management of cadres has been changed from the past passive and static management into an active and dynamic management; and 4) the lifelong tenure of office for cadres has been changed into limited tenure of office, which encourages people to keep forging ahead. Owing to these changes, a good environment has been created for the growth and emergence of talented people. A number of socialist entrepreneurs like Zhang Xingrang, Lang Baoxiang, and Ma Shengli have thus emerged. Practice shows that competition can bring vitality, high economic returns, high-quality products, and high-quality personnel to enterprises and can create good experiences for promoting reforms. Reform of the personnel system of enterprises is of universal significance to reform of the personnel system relating to cadres in various other fields. At present, it is necessary to sum up the experiences of reform of the personnel system of enterprises and use them for reference in introducing competition into the cadre personnel management of other departments. We must openly encourage competition and promote the healthy growth and emergence of talented people. This has become an inevitable demand of reform.

While introducing competition into cadre personnel management, it is necessary to pay attention to the following three things:

First, it is necessary to establish the guiding ideology of competition in the departments in charge of cadre personnel affairs. Frankly, for many years in the past, due to the irrational structures and outmoded concepts, in our personnel work relating to cadres, more attention was paid to selecting and appointing those who "were of good class origin," who "had good family background," and who "were honest and obedient." More attention was paid to personal archives and seniority. Cadres were usually selected and appointed according to the will and power of the leaders. This is fundamentally antagonistic to the principle of competition. Therefore, to bring cadre personnel work into line with the surging situation of reform and the market system, including the labor market, which has been established in the course of economic structural reform, we must change our past practice and have the selection of cadres geared to the whole society. We must change from selecting cadres according to the influence of leaders to selection through open competition on an equal basis. The value of each person is not necessarily to be realized through the form of being discovered by "Bo Le." It should be decided by social practice and by what the person has really done. In a race, for instance, everyone starts from the same line, and whoever gets to the front is the winner. He should be recognized and encouraged by society. Thus, when

selecting and appointing cadres, we should mainly consider their real ability and achievements rather than their power, seniority, and personal relationships. Only thus can we create a new situation of open competition on the basis of equality, in which people are vying with one another to make greater achievements, can outstandingly talented people emerge one after another, and can we really "appoint people on their merits" and be fair and honest in using people. The organization and personnel departments are entrusted with the sacred mission of selecting outstanding personnel for the four modernizations. They must be the first to make a change in their styles of thinking and work in light of the realities of reform. At the same time, they must further strengthen the propaganda on competition and, by combining theory with the practice of reform, help people gain a correct understanding of competition so that people can take a correct attitude toward it and break with all old concepts that are harmful to competition, such as giving priority only to seniority, being jealous of able and worthy persons, sticking to old ways, and being content with mediocrity, while acquiring the new ideas of respecting able and worthy persons and encouraging competition, and so that a good ideological foundation can be laid for competition.

Second, whichever system is applied, it is necessary to stress work results and encourage competition. There has been a good beginning in reform of enterprise personnel systems. However we must also realize that in some places, competition has still not been really carried out in enterprise management. In other places where it has been carried out, this mechanism is still not perfect. Being a relatively independent operation unit, the enterprise should adapt itself to the new situation of commodity competition, popularize advanced management techniques, and carry out more direct competition in personnel matters. It should also make efforts to perfect and improve the system of competition. At present, compared with the enterprises, the institutions have lagged behind in personnel management. In many institutions, people are still bound up by the old habit of giving priority only to seniority. As a result, the flow and the use of people and the social benefits of these units have been greatly affected. It is necessary to fully apply and extend the role of competition mechanism in institutions, break with the backward habit of giving priority only to seniority, and implement the "principle of judging people by their real ability and actual work results" in various fields, including the use of people, tackling difficult scientific problems, and contracting technological projects. It is necessary to encourage and support promising young people to vie with one another to perform meritorious deeds. The party and government organs are different from enterprises and institutions in respect of their nature and characteristics. Their method of competition should also be somewhat different. When selecting and appointing cadres, the candidates should pass statutory examinations so that those who are really capable will be selected. The cadres' promotion and demotion will also be based mainly on their work results

so that those who are capable can be promoted while those who are incompetent and dishonest and who are unable to meet the requirements of their posts can be demoted or dismissed. All other departments and units should also adopt methods reflecting competition in personnel management.

Third, we should look to the future and start right away to change those methods of personnel management that are out of keeping with the times. The introduction of competition mechanism will enable all kinds of talented people to give full play to their strong points in the vast field provided by various new economic relationships. They no longer need to worship the pyramid of an official career, nor to remain in a certain place and certain enterprise or at a certain post throughout their lives. Therefore, it is necessary to change the method of transferring all kinds of personnel in a uniform way fixed by state planning and make positive efforts to create favorable social conditions under which people are enabled to move rationally and have a choice of jobs. For example, in the enterprises and institutions which have adopted the system of inviting applications for jobs, not only should the employer units have the right to advertise for employees and the right to dismiss them, but also the employees should have the right to apply for job vacancies and resign from their posts. Party and government organs should also establish necessary systems of dismissal and resignation. Thus, in order to ensure the rational flow of people, it is necessary to change the system of talented people being owned by the units or departments in which they are working and abolish the restrictions set by the separated departmental and regional management. Except for a few special cases, all rational flows of people, which are in conformity with the state regulations and which enable people to give free play to their talents, should be allowed and encouraged. To suit this situation, it is necessary to establish a social organization for redistributing all kinds of personnel; it is necessary to further strengthen the functions of various organizational, personnel, and personnel exchange departments, so that there can be an organizational guarantee for talented people to enter into competition and to give free play to their roles.

Having Cadres' Personnel Work Governed by Democratic Means and Law Is an Important Part of Building Socialist Democracy

Making effective efforts to have our cadres' personnel work governed by democratic means and law is vitally important to mobilizing the whole people to participate in the management of personnel affairs of cadres and to eradicating the major defects of the current cadre personnel system.

The defects, such as over-concentration of power and bureaucratism, have been existing in the political structure of our country for a long time. Influenced by this political structure, the cadres' personnel system has long been closed and mysterious. There has been a rather low

degree of democracy and almost no laws. An inevitable result is that the personnel departments, which have a narrow field of vision, can only select and appoint people in a small range and the cadres' ranks have thus been devitalized. All work can be carried out only by transmitting "circulars" and "temporary provisions" level by level, and only symptoms rather than diseases have been treated when applying policies. As the documents do not have an effective legal binding force, their implementation is often affected by the will of the leaders. When judging whether a cadre has both ability and political integrity and meets the "four requirements," it often happens that whoever is in the higher position has the say. Unhealthy tendencies such as appointing people by favoritism, drawing in one faction and hitting out at another, taking advantage of power to seek private gains, and bureaucratism, widely exist among some leading cadres. They have not been effectively checked and punished. Some cadres have been going against the will of the people and cannot continue to remain at their leading posts since people have many complaints, but there have been no effective methods to dismiss and replace them. All this has, in varying degrees, affected the enthusiasm and creativity of the broad masses of cadres and people. In recent years, some areas have adopted certain measures and methods to improve this situation, such as holding elections in which there are more seats than candidates, appraising and recommending leading cadres in a democratic way, examining leading cadres based on their actual work results, and preparing cadres to work at a higher or a lower post. Undoubtedly, they have played a positive role in promoting democratization of cadre personnel work. However, there is still much to do in order to attain the goal of having the work governed by democratic means and laws. We still have to make further explorations and reforms.

Having the cadre personnel work governed by democratic means and laws means that the main aspects of personnel affairs concerning cadres should reflect the will of the people and that participation in the management of cadres' personnel work by the broad party members and masses of people should be guaranteed.

First, to attain this fundamental target, we must be determined and must put in a lot of effort to eliminate the existing feudalistic influences, such as the concepts of social estate and faction, the idea of personal attachment, and the phenomena of bureaucratism, appointing people by favoritism, lifelong tenure of office, and patriarchal system on the question of using people. If these feudalistic influences are not eliminated, many reform measures cannot be correctly and smoothly implemented. Therefore, apart from encouraging the broad masses of party members and people to acquire the ideas of democracy and legal system, it is necessary to further strengthen the principle of democratic centralism in the party and government leading bodies at various levels, resolutely abandon the practice of making personal and arbitrary decisions on the selection and appointment of

cadres, and eradicate the outmoded idea of giving priority only to seniority. It is also necessary to actively and rationally introduce the mechanism of competition into the cadres' personnel management so that outstanding cadres can be promoted through competition on an equal basis. Positive efforts should be made to create conditions to enable more and more people to participate in the work concerning personnel affairs of cadres and to put the work under the democratic supervision of the general public.

Second, all concrete links of the personnel work relating to cadres should reflect the demand of democratization. We must adhere to the mass line, respect the will of the masses, and implement the principle of open and democratic supervision in all cases, from making macroscopic policy decisions to carrying out concrete management, and from working out policies to selecting, supervising, promoting, or dismissing cadres. The emphasis of open and democratic supervision is on the leading cadres at various levels. It is necessary to adopt the electoral system for the party and government leading cadres at all levels, further reduce the range of the old appointment system, establish a perfect supervisory system, and improve the system of democratic appraisal. Over the past year or so, we have made continuous efforts to increase the degree of democracy in our elections. However, our electoral system is still not perfect, and the existing system has still not yet been fully and effectively implemented. In view of China's current situation, the 13th CPC National Congress clearly pointed out that we must continue the practice of holding elections with more candidates than posts, as prescribed by law. This is aimed at enhancing democracy so that our electoral work can better reflect the will of the voters. Provided we gradually and conscientiously improve and implement the electoral system, we will surely be able to avoid mistakes in cadre personnel work. The leading cadres at various levels, who are not only held responsible to the higher level authorities but also responsible to the masses of people, will certainly enjoy the faithful support of the masses. Thus, the mistakes such as taking advantage of one's power to seek private gains, appointing people by favoritism, bureaucratism, and the interests of the people being infringed upon by their leaders will be reduced, and the cadres' ranks will be able to grow healthily. Democratic appraisal of the leading cadres is a good form of democracy adopted by the masses in the past year or so to participate in the management of personnel affairs relating to cadres and the supervision of cadres. It is superior to other methods and can play a greater role in many fields. It can bring into fuller play the roles of the masses in supervising and conditioning cadres and ensure that the organizations really understand the cadres well so that they do not use the wrong persons. It can encourage the cadres to establish closer links with the masses, work more, and achieve greater results. However, judging from the practice of various localities, greater efforts have yet to be made to make the criteria for checking on cadres more scientific. The result of democratic appraisal should be organically

combined with the reward and punishment of cadres so that this method can be further improved and can fully play its roles.

Third, it is necessary to speed up the institutionalization of personnel work relating to cadres and gradually legalize it. Comrade Deng Xiaoping pointed out: "To ensure democracy of the people, it is necessary to strengthen the legal system. It is necessary to institutionalize and legalize democracy." The legalization of the personnel system relating to cadres reflects the will and interests of the people. It is a legal basis for the broad masses of people to participate in cadres' personnel work. All democratic rights of the broad masses of people regarding cadres' personnel affairs, either their rights to recommend, elect, appraise, supervise, and dismiss leading cadres or their rights to compete with others and to choose jobs, should be definitely prescribed by law. Only when there are laws with definite terms to abide by can we realize scientific management of cadres' personnel affairs, can we overcome subjectivism on the question of using people, can we eliminate the phenomenon of rule by man when promoting or demoting cadres and handling matters concerning personal future, and can we greatly increase the work efficiency of all kinds of talented people and boost their morale and enthusiasm. Neither the management of things nor management of persons can be carried out successfully under the rule by man. Only when the legal system is strengthened and both aspects are managed according to law can we carry out successful management. By standardizing and legalizing the contents of democracy and various principles regarding personnel work of cadres with definite laws, decrees, and regulations, the broad masses of people will have laws to abide by and will be aware of their democratic rights and know how to make full use of these rights to participate in the personnel management of cadres and to supervise and manage their leaders. By doing so, the party and state cadres at various levels will also be able to further establish the concept of democracy and conscientiously respect and accept supervision by the masses. They will be able to rely on the masses of people and act in accordance with the principle of democratic centralism in performing their duties and serving the people better. In China, legal construction in cadre personnel work has been a weak link. Therefore, to suit the development of socialist democracy, it is necessary to speed up the pace of enacting relevant laws, decrees, and regulations. As is demanded by classified management, it is necessary to formulate corresponding regulations and laws for all kinds of personnel, including working personnel of state organs, working personnel of party organs, and the staff of state power organs and judicial and procuratorial organs, as well as working personnel of various mass organizations, enterprises, and scientific research institutes and journalists. In places where conditions are ripe, legalization should be realized as soon as possible; while in those where conditions are not yet ripe, institutionalization can be promoted before attaining legalization. Since the working personnel of state organs are in important posts exercising state power, it is right for the

13th CPC National Congress to decide that priority should be given to the formulation of regulations on public service.

Reform of the personnel system relating to cadres will inevitably bring about a readjustment of interests of various quarters. It will be a very complicated and systematic project and a considerably long process of gradual development and advance. Generally speaking, reform should be carried out firmly and resolutely and the pace of reform should be accelerated. However, we must also do it cautiously, steadily, step by step, and in an organized manner. We must proceed from China's realities and the realities of various localities and must prevent imposing uniformity on everything. We must make positive efforts to explore various reform measures, accumulate experiences through experiment, and gradually popularize them in light of the concrete situations of various areas. We must take into consideration the social conditions of various areas and the people's ability to support reform and must conduct thoroughgoing and painstaking ideological and political work. We must correctly handle the relationships between reform of the personnel system relating to cadres and reforms and work in other fields and correctly understand and deal with various problems and contradictions that emerge in the course of reform so that stability and unity can be maintained in our society. Only thus can we ensure the continuous deepening of reform of the personnel system relating to cadres and promote the smooth progress of reform of both the economic and political structures.

Socialist Democratic Politics and the Commodity Economy

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[Text]

I

In the long history of development of human society, there is a fairly important historical phenomenon, which has not attracted people's sufficient attention in the past, namely, democratic politics often emerges in those countries and regions where the commodity economy is fairly developed: The Athenian city-state democratic system in ancient Greece and the republics of Florence, Genoa, and Venice in the Middle Ages—all of them sprouted and developed in regions where industry and commerce were fairly developed. In recent times, this historical phenomenon has become a common trend of development: With the start of the modernization process, the development of the commodity economy, and the rising economic modernization level, the democratic system has replaced the autocratic regime in a larger number of countries; in recent years, while reforming the economic

structure and vigorously developing the commodity economy, some socialist states have also started considering the question of building democratic politics in their own countries. This shows that the emergence of democratic politics and the development of the commodity economy are not an accidental, homologous historical phenomenon and that there is an internal link between them which should not be overlooked. Bringing this link to light can help us explore the law governing the building of democratic politics in economically undeveloped socialist states and guide us in consciously pushing forward socialist democracy along with the development of the planned commodity economy. This is a theoretical question, which the ever-deepening reform has posed to us and which cannot and should not be dodged.

As a form of government, democratic politics emerged in the city-states of ancient Greece for the first time in the 5th century B.C. It was the well-known Athenian democratic system. The modern democratic politics, which began with Britain's bourgeois revolution in the middle of the 17th century and which has gradually taken shape and developed since then, has a history of more than 3 centuries. In this long process, due to various factors, such as the different social systems, economic conditions, cultural development levels, historical traditions, and national mentality, the contents and forms of democratic government have been varied, colorful, and complicated. However, from the democratic government in different ages and countries and of different types and forms, we can still find some common features of democratic politics, which are different from those of autocracy. For example, citizens have the right to participate in and manage the state and society and this right is guaranteed by the law; the organs of state power are elected by voters and the supreme power of legislation is exercised by a representative institution elected by voters; a political party system is established, namely, certain classes or strata lead and manage the state and society through political parties; citizens have extensive democratic consciousness, and so on. What is the basis of these common features, then? The timing of the emergence of democratic politics has turned our eyes toward the commodity economy, which is an important socioeconomic phenomenon. The trend of democratic politics gradually developing with the commodity economy shows that the commodity economy is one of the decisive factors affecting democratic politics.

II

In terms of its objective material basis, the basic way of its development, and its corresponding socialist ideology, democratic politics has an inseparable internal link with the development of the commodity economy.

First, the development of the commodity economy has raised the level of socialized production and changed the ways people carry out economic exchanges. This is an objective material basis for the formation and development of democratic politics.

The value of a commodity, as a product to be exchanged, must be realized through exchange. This characteristic determines that commodities are socialized products as soon as they are produced. Although exchange is conducted in silence, it has unconsciously become a link to raise the level of socialized production so that the individual, scattered methods of small production are gradually replaced by socialized mass production, which has extensive links. Socialized production has led to changes in people's social contact. Under the natural economy, economic exchanges were chiefly evidenced by vertical association among people. For example, the peasants relied on cultivating landlords' land to earn a living. They also paid land rent to the landlords, who delivered a portion of their income to the government to obtain its protection. This method of vertical economic association was bound to generate a relationship of personal attachment. The feudal autocratic regime precisely took this as a basis for its existence. The commodity economy has enabled people's social links to develop laterally and to form classes, social strata, and groups with common economic interests. In the early days of capitalist development, it was precisely the common economic interests that enabled the new emerging bourgeoisie to develop into a powerful class, put forward a common political stand and, through the bourgeois revolution, overthrow the feudal autocratic rule and set up bourgeois democratic states.

The democratic politics of capitalist society has guaranteed the development of the commodity economy. This finds expression in the following two aspects: First, as the political superstructure, it is a concentrated reflection of the bourgeois economic interests. The constitutions of all bourgeois states explicitly declare that private property is inviolable. Second, it regulates the economic disparities and contradictions among social groups of different interests, which are bound to exist within the bourgeoisie under the commodity economy. Of these two aspects, the latter constitutes an important aspect of the democratic system of capitalist countries. In the past we often neglected this function; in the future we should attach importance to and study it.

The establishment of socialist public ownership and the elimination of the exploiting classes have opened up broad prospects for the development of democratic politics in our country. Socialist democracy also needs, as its objective material basis, socialized mass production and the economic lateral association formed on such a basis. However, after undergoing a very brief period of the new democratic society, China has directly entered the socialist society from the semifeudal and semicolonial society. It did not undergo a historical stage of the full development of the commodity economy. This particularity determines that, although China's democratic system has been instituted, the objective material basis for its development is still very weak. This finds chief expression in the fact that the natural economy still accounts for a considerable proportion, that the level of socialized production is very low, and that the economic

lateral association has not fully developed. For a long time, in particular, we have thought that we can bypass the stage of the full development of the commodity economy and directly practice the product economy. For this reason, we have established an economic management structure from top to bottom, with barriers between different departments and regions, by exclusively relying on administrative orders, regarding it as the only socialist pattern. As a result, some of the original vertical associations of the natural economy have not disintegrated. On the contrary, they have been strengthened under the new historical conditions. And this structure has weakened the status of the workers as masters of the enterprises. Because the enterprises do not have decision-making power, the enterprises have to completely obey the state's mandatory planning in their production and operations and the distribution is basically divorced from the enterprise economic results, making it difficult for the workers to consciously have the demand to manage enterprises. If the workers cannot demonstrate their status as masters in the grass-roots units in which they directly engage in production, naturally it is difficult to realize the right to administer the state and society.

The rigid economic management structure has also obliterated the disparities and contradictions of economic interests that are bound to exist among the masses of the people in the initial stage of socialism. True, the fundamental interests of the people coincide under the socialist conditions and this is a precondition for the implementation of socialist democracy. But this does not mean that the disparities and contradictions in people's interests have disappeared. For a long time in the past, we have one-sidedly stressed the coincidence of the interests between the state, the collectives, and the individuals but have not attached adequate importance to studying the disparities and contradictions in the people's internal interests. A socialist state is the representative of the people's interests but this does not mean that the collectives and individuals should not have their own interests, still less does it mean that people should not strive to get and protect their own interests and that if they do, they manifest individualism and negate the socialist principle. This concept is not only out of keeping with the reality in the initial stage of China's socialism but also very detrimental to the building of democratic politics. This is because the important mechanism of the democratic system is to regulate the disparities and contradictions in people's interests. If we see only the coincidence of people's interest but negate the disparities and contradictions, democracy will only become an abstract, vague, and general form without any practical contents.

The development of the planned commodity economy has stimulated people's lateral economic association; it has also sharpened the disparities and contradictions of economic interests between different social classes and groups. This is an inevitable trend in the development of the commodity economy. If we only notice the negative

role of these disparities and contradictions, take a sceptical attitude toward developing the commodity economy, and try to use administrative means to restrict the development of the contradictions, it will only result in taking the beaten track of restricting commodity production and bogging down the economy. In truth, the disparities and contradictions in people's interests brought about by the development of the commodity economy have a dual effect: On the one hand, it is a motive force propelling economic development and social progress; on the other hand, failure to rationally regulate such contradictions will probably become a factor of social instability. Contradictions cannot be eliminated but they can be regulated. Through regulation, we should bring into full play the positive role of contradictions and restrict their negative role. The socialist democracy is precisely the only effective means to give scope to this positive regulatory role.

How is the regulatory role of socialist democracy brought into play? How is this role developed and perfected in the process of giving scope to it? This is the second aspect of the internal link between democratic politics and the commodity economy—

The development of the commodity economy is an economic factor promoting the institutionalization and codification of socialist democracy.

Regulating the disparities and contradictions of economic interests that are sure to emerge in developing the commodity economy is a basic function of democratic politics and a basic motive force developing democratic politics. This regulatory role of the democratic politics is achieved primarily through the institutionalization and codification of socialist democracy.

The people's congress is a basic system of China's democratic politics. Improving the system of people's congresses is a primary aspect in developing democratic politics. For a long time, the people's congress, which is the highest organ of power in our country, has not been able to satisfactorily give scope to its role. An important reason for this is that it cannot satisfactorily regulate the contradictions among the people in economic interests. This is the inevitable result of restricting the commodity economy. The development of the planned commodity economy has made it possible to overcome this important defect. This is because in commodity production and operations we should proceed from the practical conditions in various localities and the contradictions which have come to light in various localities and departments in the course of developing the economy are also different. The previous method of adopting standardized administrative method from top to bottom to resolve contradictions is no longer effective. It is necessary for various localities and departments to adopt the method of democratic consultation to solve the problem. Major issues involving the economic interests of various localities and social groups, however, should be solved through legislation by the people's congresses at various

levels. When discussing the question of improving the electoral system, the political report to the 13th Party Congress pointed out that we shall introduce the practice of electing deputies not only from geographical areas, as is done at present, but also from different walks of life. By electing deputies from different walks of life the specific interests and demands of a certain stratum or social group can be reflected in a more concentrated and explicit way, making it possible for deputies to give better scope to the role of people's congresses.

The development of the commodity economy will also play a positive, promoting role in improving the electoral system. Whether or not the electoral system is perfect depends primarily on whether or not it can provide voters with the opportunity to choose candidates on a selective basis. Here, first of all, it involves the question of whether or not people have a strong desire for election. Given the conditions of rejected commodity production, highly centralized economic and political structures cannot provide voters with the opportunity to make a choice. Moreover, because election is not related to the immediate interests of voters, it is very difficult for them to have a desire or demand to choose candidates on a selective basis. This often turns elections into a mere formality. Under the impact of reforms, things have begun to change. Take an enterprise as an example. Given the development of the commodity economy, the choice of a plant director has a direct bearing on the rise and fall of the enterprise and the immediate interests of workers and staff members. With the expansion of the enterprise decisionmaking power, the workers and staff members in some units have the initiative and consciousness of electing or running for the plant directors or other leaders. The development of this grass-roots electoral system indicates that China's electoral system will further improve under the commodity economy.

The development of the commodity economy will also considerably quicken the pace of building the legal system in our country. We can prove this from a marked increase in the number of legislation in our country in recent years and the more scientific and concrete contents of the legal clauses. The commodity economy calls for the legal recognition of the status of commodity producers and operations as legal persons. As a result, the concept of "legal person," which has almost been forgotten for many years, has increasingly frequently emerged in newspapers, magazines, television, radio broadcast, and people's daily conversation. This shows that the masses of the people have enhanced their sense of legal persons and concept of the legal system. In particular, the frequent economic disputes, in which the various legitimate rights and interests of commodity producers and operators have been infringed upon, have made more and more people understand the importance of using legal means to protect their economic and political rights and interests. This is of incalculable significance to the building of democratic politics. This is because, in administering the state by law, not only are

the citizens required to observe discipline and law but, what is more important, they should learn how to apply the law to exercise their democratic rights.

In short, improving and perfecting the various systems of socialist democracy has direct or indirect links with the development of the commodity economy and reflects the objective demand to develop the commodity economy; the institutionalization and codification of democratic politics, however, can gradually advance with the development of the commodity economy in our country.

Lastly, the development of the commodity economy has raised people's concepts of freedom and equality to a new level. This is favorable to enhancing democratic consciousness and lay an ideological foundation for socialist democracy.

It is necessary for the commodity economy to observe the principle of exchange at equal value. As Marx put it, commodities are "born egalitarians." When reflected in the political field, this concept of economic equality serves as an ideological basis for the emergence of democratic politics. However, this excessively generalized understanding of equality still fails to explain the difference between the two kinds of equality that have come into being under the conditions of the natural economy and the commodity economy and, therefore, cannot explain that only the commodity economy is the basis for the emergence of modern democratic ideas.

The concept of equality has not come into being in modern times. It can be said that, ever since the emergence of the private system and inequality in human society, people have pursued equality. Given the natural economy, the scattered, closed method of small production determines that people spontaneously adopt a repellent attitude toward competition and cherish a selfish, narrow, and conservative mentality toward competition. At that time, more often than not people merely pursued the equality of result, which inevitably led to absolute egalitarianism in distribution. This concept of equality did not place people on the "starting line" but reduced people to the same level. It harmed rather than benefited the development of the productive forces. Based on such a concept of equality, it is impossible to generate a modern concept of freedom, still less a modern democratic consciousness.

The commodity economy has negated such a narrow, backward concept of equality. In the course of developing the commodity economy, what people first pursue is equality at the starting point and equal opportunity. Only under such a precondition is it possible for people to achieve their economic interests through free competition. However, to have equal starting point and free competition, it is necessary for society to provide a guarantee. Just as people have been discussing over the years: Personal freedom cannot depart from society. Hence, the democratic consciousness of being concerned

for the political conditions of the state and society and calling for participation in the management of the state and society sprouts and develops.

Through the pursuance of equal opportunity and other free competitions, the bourgeoisie, as the founder of the concepts of equality and freedom, has thoroughly negated the outdated concept of absolute egalitarianism. However, due to the existence of capital and exploitation, the capitalist society has not achieved genuine equality and cannot possibly achieve genuine freedom. An equal starting point has led to tremendous inequality of results and freedom has led to the sharp conflict between the individuals and the society.

The socialist concept of equality vigorously develops what is useful or healthy and discards what is not in the capitalist concept of equality. On the one hand, through the establishment of public ownership and the elimination of the exploiting classes it has removed the root cause of inequality in capitalist society; on the other hand, it still recognizes the principle of equal starting point under the conditions of the commodity economy, recognizes the differences in the workers' individual endowments and capabilities, and implements the principle of "from each according to his work, to each according to his work." This is the difference between the socialist concept of equality and absolute egalitarianism. However, for a long time the narrow concept of the natural economy has restricted our fields of vision, with the result that our understanding of equality has been covered by the dense fog of absolute egalitarianism. The reform of the economic structure has pushed the working masses to the position of being direct or indirect commodity producers and operators and have created opportunities for them to display their talent to the full. Moreover, people's pursuit of equal starting point has increased their interest in the political conditions of the state and society and their consciousness to participate in government and political affairs.

The above-mentioned analysis of the objective material basis and ideological basis for socialist democracy, as well as the fundamental way to be followed in its development, show that the development of the planned commodity economy has provided an internal turning point for democratic politics and that socialist democracy has reflected an objective demand of the planned commodity economy. In practical life, to enable both of them to promote each other and develop simultaneously, we still have to proceed from the national conditions of our country and explore the special law governing the development of democratic politics in the initial stage of socialism.

III

Viewed from the spread of modern democratic concept to China toward the end of the 19th century, the Chinese people's struggle to achieve democratic politics has undergone an arduous, rough, and bumpy path. It can be

said that a red line of achieving democratic politics has consistently run through the Reform Movement of 1898, the Revolution of 1911, the May 4th Movement, the New Democratic Revolution, and the socialist revolution. The Revolution of 1911 put an end to the feudal autocratic rule in China lasting some 2,000 years. The Three People's Principles initiated by Dr. Sun Yat-sen brought the dawn of democracy to the vast land of China for the first time. However, the light was immediately drowned in the tangled fighting between warlords. It was not until the founding of the PRC in 1949 that a practical possibility was provided for the development of democratic politics. The basic completion of the transformation of the ownership of the means of production in China and the establishment of public ownership in the 1950's have laid a good foundation for the building of socialist democracy. We should have seized this favorable opportunity to build socialist democracy while vigorously engaging in economic construction. However, the "leftist" errors which started in the late 1950's has considerably delayed the course of China's democratic politics. It is not until today, when the socialist planned commodity economy has started to advance in China that it is possible for us to engage in the building of democratic politics on a correct path. But to make it make substantive headway along with the development of the commodity economy, it is necessary for us to proceed from China's national conditions and explore the particularity of building democratic politics in the initial stage of socialism. At present, this particularity finds major expression in the urgency, gradation, efficiency, and unbalanced character of building democratic politics.

At present, we must have a sense of urgency toward the long-term plan for democratic politics, which has a bearing on the future and destiny of the Chinese people. The reform of the economic structure strongly calls for political reform. Things have developed to such an extent that without strengthening the building of democratic politics, it will be difficult to deepen the reform of the economic reform. For example, the development of the commodity economy makes it necessary to place decisionmaking on a scientific basis; however, placing decisionmaking on a scientific basis can only be realized through the democratization of decisionmaking. Moreover, the reform calls for social stability and unity. This makes it necessary to strengthen the people's psychological capacity to withstand the strains of the reform. How should we strengthen it? Obviously, it is impossible to solve the problem by simply employing economic means, raising wages, and stabilizing commodity prices. Only by stepping up the building of democratic politics and enhancing the people's status as masters of the country while improving the people's material life is it possible for the people to regard the reform as their own undertaking, to assume, along with the party and government, the risks of the reform with an attitude of being masters of the country, and to withstand the pains of reform.

Gradation means that building democratic politics is a process of gradual accumulation with the development of the planned commodity economy. The reform of economic structure, the separation of two powers in enterprises, lateral economic association, and the formation and normal operations of macro-control mechanism, competition mechanism, and market mechanism undergo a process of gradual development. Correspondingly, the opening up of the whole society to the country and the outside world, the changes in people's methods of social contact, the formation of the interest groups, the improvement of the law and the system, the raising of the cultural level of the nation as a whole, and the changes in social psychology and value concept have likewise to undergo a process of gradual development. Therefore, it is unimaginable that an ideal society of socialist democracy can suddenly appear before people one morning. It needs our protracted and unswerving efforts and struggle.

The integration of gradation and urgency determines that, in building democratic politics in the initial stage of socialism, it is necessary to pay attention to practical results and to make the masses of the people conscientiously realize that they are the masters of the country and society. On this question, a practical measure is better than a dozen programs. Empty talk will only dampen the people's enthusiasm. In practice we should pay attention to closely coordinating the reforms from conducted from top to bottom with those carried from bottom to top. We should not only adopt major reform measures, such as separating party and government work and amplifying the people's congress system, but also set about perfecting the democratic system at the grass-roots level, gradually extend the scope of direct democracy, strengthen the people's sense of democracy, and cultivate their democratic habits. This is a basic project for building socialist democracy.

Due to the uneven development of the commodity economy in our country, the development of democratic politics at this stage is also uneven. It is impossible to simultaneously build democratic politics in areas where the commodity economy is developed, in areas where the commodity economy is backward, in political and cultural centers, and in outlying cities, towns, and villages. Generally speaking, those areas and units with fairly developed economy and fairly advanced culture can go ahead with the building of democratic politics in order to bring along the economically and culturally backward areas. All localities should proceed from reality and adopt appropriate methods to expand the people's democratic rights.

Proceeding from the above-mentioned particularity of the building of democratic politics in the initial stage of socialism, we hold that in our overall plan we should place the emphasis of building China's democratic politics in the cities. If the reform of the economic structure has begun in the rural areas, the reform of the political structure should begin in the cities. We should choose a

few cities, where the economy and culture are fairly developed, to experiment in the reform of the political structure. In developing democracy at the grass-roots level, we should choose some units with relatively good political and cultural quality as pilot units. As a general designer in building socialist democracy, the party should grasp the direction and steps for the development of democratic politics at the macro level, proceed from the reality of the planned commodity economy, and determine the specific objective to be achieved in building democratic politics in different periods and localities.

Just as the political report to the 13th Party Congress pointed out: "The process of developing the socialist commodity economy should be one of building socialist democracy." At present, the reforms and opening up have created an unprecedentedly favorable environment for the building of democratic politics. In the global tide of reform, parochial arrogance or a sense of inferiority can only make us miss the opportunity. We should never forget that, half a century ago, it was precisely the call for "democracy and science" that woke up the motherland which had been sunk in sleep for thousands of years. We should have this confidence: The Chinese people who have made important contributions to human civilization will certainly be able to establish an advanced system of socialist democracy while building a powerful, modern socialist state, and make the oriental civilization shine with resplendent glory!

Let Cultural Activities in the Rural Areas Be More Diverse and Colorful

*40050309g Beijing HONGQI [RED FLAG] in Chinese
No 10, 16 May 88 pp 32-35*

[Article by Lin Qingmin [2651 1987 3046], Standing Committee member and Propaganda Department head of the Dalian City CPC Committee]

[Text] At the beginning of spring in 1988, on the artistic stage in Beijing, the report-back performances of the Jinzhou District Peasant Performance Group from our city of Dalian received a warm welcome and encouragement. These programs which had such a fresh sense of the times, strong rural atmosphere and quite high artistic level were praised by party and state leaders, viewers from all circles in the capital and many foreign friends. Many leaders, experts and viewers warmly noted: "We should understand our peasants anew. Once they have mastered culture, their prospects for development are unlimited." They also pointed out: "This performance shows a brand-new face of China's peasants, and through them we can see that the improvement of the cultural quality of the entire Chinese nation has great prospects."

Sitting in the theater, listening to round after round of the audience's applause and watching the peasant performers who were intoxicated by happiness, I too was greatly excited. I thought of the many hardships over the

last few years in the area of mass culture in the rural areas, and I sincerely admired the efforts of the comrades who had worked arduously in cultivating this area.

A few years ago, as the rural areas centralized their energy in grasping the "contracts," the existing cultural work road was unable to accord with the demands of the new situation, and for a time mass culture work in the rural areas was clearly weak. Some peasants near the mountains did not see a movie for over 2 years and peasant recreation activities were dull and deficient. The firecrackers let off during the Spring Festival became the major form of entertainment. In one county, in the first month of the new year alone, 3 million yuan of firecrackers were set off. These phenomena made us think deeply about the fact that the vast number of peasants who had just shaken off the difficulties of their material lives, now faced serious cultural hunger. Also, if hunger in cultural life was not shaken off, the prosperity of material life could not be maintained. The Dalian City Committee and the city government paid much attention to and placed great stress on the problem of peasants' cultural life subsequent to the rural reforms, and saw this as a major issue in the strengthening of the building of socialist spiritual civilization and in fostering new "four-haves" people. In the last few years, the Dalian City Committee and Dalian Government have successively taken major decisions such as the "Dalian City 1987-88 Program for Carrying Out the Building of Socialist Spiritual Civilization" and "10 Stipulations for Bringing About a Thriving Situation in Literary and Artistic Creation" and made specific arrangements and set down concrete regulations in respect of greatly developing rich and diverse rural cultural activities and in guaranteeing and promoting the participation of peasants in spare-time literary and artistic activities. The various counties (cities) and districts in the rural areas have developed cultural activities in their overall plans for the building of the two civilizations, made unified arrangements and have coordinated in their development. In August last year, Dalian city organized the "China Arts Festival—Dalian Summer" and the city committee and the city government decided to make sure that the arts festival was truly a major festival for the broad masses of the whole city. This cultural activity not only involved performances by professional art troupes from both China and abroad and performances by people from all circles in the city, but also special performances by peasants. Not only were there activities on the stage but also activities in squares and open areas. There were all sorts and types of folk activities and the participants totaled 500,000. This meant that the people of the whole city truly felt the gaiety of the festival.

Where then is the best cut-in point for doing well in mass cultural activities in the rural areas? From our personal experience, it is folk art activities. Placing stress on inheritance of traditions and on blazing new trails is the best way to stimulate the participation of the broad masses and thereby achieve obvious results. Each district has a few folk art activities with local characteristics and

the peasant masses tend to pay more attention to these activities. The rural areas in the south of Liaodong have the custom of "creating a clamor during the first lunar month." In the last few years, as life has become easier, the desire for this clamor of seeking happiness and prospects has become more intense. Beginning in 1985, during the first lunar month, we arranged some "hundred-flower gatherings" which had very rich contents. To the squares and the main streets of the various counties (cities) and regions in the rural areas came performers from every township and small town, wearing their holiday best clothing, dragon dancing, lion dancing, doing yangge dances, beating waist drums, walking on stilts, carrying land-boats, and holding lanterns. All the various types of folk arts contended for attention and the scene was extremely exciting. The spectators numbered in the tens of thousands and filled the streets and an atmosphere of gaiety pervaded everywhere. Just inheriting folk art traditions without innovating is unable to satisfy the demands of the peasants among whom a sense of the times is very strong. At the time, some counties (cities) and districts held 20 to 30 types of activities including festive lantern displays, artistic photograph displays, races to welcome the spring, chess competitions and so on. We continually enriched and developed healthy folk art activities and used these to draw in the broad numbers of peasants. The peasants, who already have enough to eat and wear, were greatly interested and had great zeal, and they continuously gave the traditional festivals new guises. Dancing dragons have a history of more than 150 years in Jinzhou District. Now, performances are put on by the 10,000-yuan families (many of the dancing dragon performers who came to Beijing to perform were from 10,000-yuan households), and the power of momentum and the vigor of the expression are greater than in times gone by. They used ultraviolet lights on the stage, which gave the flying dragon a mystical effect. The fourth month of the lunar calendar is, for many areas around Dalian, a time for temple festivals. The temple festivals in the past involved making offerings and seeking blessings from the deities, but today the temple festivals are something new. For example, the cultural departments of Ganjingzi District and Xinjin County actively joined with other departments to organize various cultural and entertainment activities during the temple festival period. The customs have been changed and the temple festivals have become "cultural temple festivals." The majority of the folk culture activities are activities which are beneficial to physical and mental health and are entertaining. We can draw on the excellent aspects of these activities and provide guidance so that they are continually enriched and developed. Only in this way will it be possible to enrich the spiritual lives of the peasants, to control and even supplant gambling, superstition and other such benighted and backward activities, and guarantee that our mass culture work in the rural areas closely serves the building of socialist spiritual civilization and serves the changing of the spiritual mien of the peasants.

At the same time as inheriting and developing healthy folk activities, we have also discovered, supported and spread among the villages "new happenings on the cultural front" so as to facilitate the raising of the level of mass cultural activities in the rural areas. Some of the cultural activities which have been run by peasants subsequent to them becoming prosperous have only remained popular for a short time. They lacked both long-term plans and professional strengths. If these were not discovered and assisted in a timely way, it would be very likely that after a period of popularity they would die away. Thus, we should particularly protect and assist these activities and grasp them to the end so that they are consolidated and improved. Those "new happenings on the cultural front" which are of a model nature should be promoted and spread. In the last few years, some areas in the rural regions of our city have run "relaxing evening on a summer weekend" activities. Some grass-roots level cultural departments have used the opportunity of people going for evening strolls after dinner in the summer and, in some township centers or places where people are concentrated, have arranged all sorts of cultural activities, including operas, chess games, story-telling, telling of riddles, the showing of movies and videos and so on. These have made the broad number of peasants happy in body and mind and have educated them. The propaganda and cultural departments of the city feel that these activities are of great significance and have propagated them in a timely way. Over the last few years, close to 10 million people have participated in these activities in the rural areas of the city. The course of development taken by the peasants of Jinzhou with their painting was also like this. To begin with, some peasants did some painting for their own enjoyment during holidays and festivals. The comrades of the city and district cultural departments grasped the momentum and repeatedly went to the villages to provide guidance and arranged for the peasants over 20 training classes in painting. Now, the ranks of peasant artists of Jinzhou District have swelled to include 10 townships and over 250 persons, and the standard of painting has continually improved. These spare-time artists have created and exhibited over 500 works and dozens of these have been sent to Japan, Norway, Sweden and other countries for exhibition. Some others have been taken into the collection of the Art Gallery of China. A young singer from Wafangdian city won the first prize in the Dalian City Singing Competition the year before last and the deputy mayor responsible for culture personally went to the station to greet the singer. This created quite a stir in the area. The masses actively suggested that the city hold a major singing contest. As soon as the notices about the Wafangdian singing contest were distributed, over 500 people submitted their applications. There were even some people who tried to get others to "go through the back door" for them to register. The real life model for the excellent film "The Captivating Band"—the peasant brass band of Desheng township in Jinzhou District—has traveled an uneven road. Some people did not understand them, looked down on them and even accused them of "indulging in enjoyment while ignoring

other exigencies." The Jinzhou District committee and the district government showed great concern for them and whenever the band wavered, the committee and the government gave them support and pepped them up. The leading comrades of the city committee and the city government also came to the village to visit and encourage them. In their vocational training, they were modest and sought instruction and they obtained enthusiastic assistance from the teachers of the district cultural center, the city masses art center and the PLA military band regiment. The PLA military band regiment conductor Comrade Cheng Yiming [4453 5030 2494] went to Desheng township five times to assist this band. In this way, their level of performance rose markedly. A major part of the band's success has been the persistence in maintaining it as a spare-time band, but seeking guidance and assistance from professionals. Now, these peasant musicians not only can correctly and proficiently play over 60 Chinese tunes, but can also similarly play over 30 tunes from around the world. The latter include the overture to "Carmen," "Ladynsky's March" and the "Matador March." Over the last 7 years, they have given over 400 performances for free for the masses of different areas and have become a peasant brass band known all over the country.

Because the economic and cultural base is different in different rural areas, and the development of cultural work is unbalanced, leadership of cultural work in the rural areas cannot be carried out through ordinary arrangements and calls. It requires that we go deep into the rural areas to carry out research, provide appropriate differential guidance, discover problems in a timely way and resolve the problems so that few deviations are made and there is healthy development. Over the last 2 years, we discovered that there are some places which only stress large-scale spectacular activities and do not pay sufficient attention to regular cultural activities; some spare-time township and small town literature and art troupes are anxious to move in the direction of professionalization; and in some particular areas when arranging activities and building cultural facilities, the arrangements do not proceed from reality and there are blind attempts to do better than others. We corrected these deviation in a timely way and also paid attention to ensuring their enthusiasm and advised them that only by persisting with the principles of small scale, diverse forms, voluntary participation, spare-time nature, economy, suiting measures to local conditions and stressing real results, will it be possible to guarantee that mass cultural activities in the rural areas will see sustained development. For a time, the activities of folk artists in some areas were quite chaotic. Some instrument players went around to various areas playing for weddings and funerals and not only did they charge high prices, but also played some particularly improper tunes. In respect of such activities, the cultural departments of the various counties (cities) and districts took appropriate management measures. Lushunkou District also specially formulated "Rules for the Management of Folk Artists" and arranged for these folk artists to participate in all

sorts of healthy cultural activities, thereby guiding them on to the track of socialist culture.

We feel that in developing mass culture in the rural areas we should not just remain at the level of entertainment to satisfy the peasants' demands. Rather we must proceed to a deeper level of consciously guiding the activities so as to raise the ideological and cultural qualities of the broad masses of peasants. This will be beneficial to fostering a generation of new socialist peasants who "have ideals, have culture, have morality and have discipline." Over the last 2 years, in accordance with the active desires of the broad numbers of young peasants to participate in cultural activities and their courage to show their abilities, we have widely arranged in the cities and rural areas, singing contests, dancing contests, musical performances and various types of knowledge competitions and lectures. This has fostered their consciousness of participation and spirit of self-improvement, and enabled them to better accord with the production and living environments subsequent to reform and opening up. In order to satisfy the healthy needs of the middle-aged and old peasants, we have organized for them guidance in disco dancing and competitions and these activities have been greatly appreciated by the masses. Some counties (cities) and districts as well as townships and small towns have also regularly held courses and arranged exhibits in the fields of literary creation, calligraphy, aesthetics and photography. These have broadened the artistic vision of the peasants and fostered some quite influential peasant poets, peasant writers and peasant composers. Some other areas have held quite large-scale cultural festivals. Haimao village in Ganjingzi District set up a peasant culture and art night school. They employed teachers from outside and started classes in music, photography, dance, English, politics, cooking and family planning education. This school has remained in operation from 1983 when it was established until now. In respect of these activities, the cultural departments of the various districts have provided affirmation and support in a timely way and have assisted them in the summing up of experiences and in continued improvement and development.

What should we rely on in order to ensure the stable and sustained development of cultural activities in the rural areas? It is necessary to mainly rely on the building of a contingent of cultural cadres and the establishment of cultural facilities. Establishing a contingent of cultural cadres which is firmly devoted to its cause and which has a down-to-earth work style is a major matter of great importance. That the mass culture work in the rural areas of our city has been able to reach the situation it has today is mainly due to the fact that we have cultural cadres who have long-term roots in in the countryside, work hard in their undertaking, do not shirk hardship and are loyal to their posts. Comrade Li Bensheng of the dance section of the Jinzhou District cultural center suffers from many illnesses but in order to tap the folk dancing knowledge and skills, he has for the last few years been going to the 10-plus townships and small

towns of the district visiting dozens of the veteran artists. Sometimes he even invites the veteran artists to his place to eat and sleep to facilitate his enquiry and investigation. His house is small and it is not possible to dance on the floor. Thus the veteran artists dance on top of the brick bed. The stone-plate top to the bed has collapsed four times due to such activities. With his great efforts, the folk dances of Jinzhou District, including the "dragon dance" and the "single drum dance" have now taken on a new appearance and show a new vigor. Tian Nong, the head of the cultural station of Xianrendong Township in Zhuanghe County, has, in an arduous work environment, devised all sorts of ways to invigorate the cultural lives of the peasants. He has organized some cultural activities, had people pool their money to run some small shops, and collected funds and arranged mass cultural activities in accordance with the local conditions. This has resulted in the hills and valleys which had been quiet for years being filled with vitality.

The leaders at various levels in our city have paid great attention to and protected these grass-roots level cultural cadres, done all possible to resolve the difficulties in their work, life and study and concerned themselves with the improvement of the cadres' professional levels. During the "China Arts Festival—Dalian Summer" last year some outstanding literature and art troupes from both China and abroad gathered together at Dalian and the city government specially invited all the heads of the cultural stations of the various townships and small towns throughout the city to come and watch the arts festival so that they would be able to emulate what they saw. At the end of last year, the city's literature and art federation and the cultural bureau jointly called a meeting to give awards to a few dozen cultural workers in the rural areas who had realized achievements. In order to continually discover and foster new writers and artists in the rural areas, and to replenish the ranks of the cultural cadres in the rural areas, we have allocated funds from the city's literature and art creativity funds to assist 10-plus young peasants who have prospects for development to go to the provincial literature and art institute to study and improve themselves. In order to welcome and encourage the literature and art workers from various areas to come to Dalian to guide work, the city committee and city government specially stipulated in the "10 Stipulations for Bringing About a Thriving Situation in Literary and Artistic Creation" that any literature and art worker who comes from another area and makes an outstanding contribution in guiding and assisting our city's literary and art talent will be given a special Dalian City Literature and Art Prize by the city government.

At the same time as grasping the building of a cultural contingent, we have also firmly grasped the construction of cultural facilities. In the last few years, the cultural centers and libraries of some counties (cities) and districts have been reconstructed or newly built. Throughout the rural areas of the city there are now over 80 theaters and recreation halls. At the same time, some prosperous townships have built new cultural facilities.

The peasants of Dalianwan township in Ganjingzi District have raised funds to build the "Blue Sea and Mountain Villa" comprehensive resort and entertainment facility, while Dongnihe village in Lushunkou District, Miaoling village in Ganjingzi District and Tangjia village in Jinzhou District have all built closed-circuit television systems. The continuous appearance of these new cultural facilities opens up much wider prospects for the mass culture activities of our city's rural areas.

In the last few years, under the correct guidance of a series of cultural principles and policies issued by the central authorities and relying on the fine environment and conditions given to us by the reforms and opening up, we have actively developed mass cultural activities in the rural areas. This has meant a quite major improvement in the level of the cultural activities of the broad masses of peasants. However, we have many weak links in our work and these links need to be strengthened. The triumphant return of the Jinzhou District peasants after performing in the capital further strengthened the enthusiasm of the peasants of the whole city for participation in cultural activities, and the situation in Dalian's rural cultural work is unprecedentedly vigorous and vibrant. We think it is necessary to strike while the iron is hot, push mass culture work in the rural areas to new heights and thereby make cultural activities in the rural areas more diverse and colorful.

This Book Has Not Just Expounded the Sanxia Project—Reviewing 'On the Macropolicy for the Sanxia Project'

40050309h Beijing HONGQI [RED FLAG] in Chinese
No 10, 16 May 88 pp 36-37

[Article by Zhou Suyuan [0719 3307 3293]]

[Text] Sanxia, the three gorges of the Changjiang, is a wonderful place. Since time immemorial, there have been fascinating myths and legends among the Chinese people about these gorges, as well as beautiful dreams to conquer and develop them. At the turn of the century, Dr Sun Yatsen put forward the idea of building dams across the three gorges for purposes of navigation and power generation in his "Outlines for Building the Nation." In 1932, Yun Zhen [1926 7201] and two other engineers conducted prospecting at Sanxia and submitted a report favoring the construction of a low dam. In the 1940's, an American expert by the name of Sa-fan-qi [5646 0416 1142] was invited to carry out feasibility study. After investigation, he proposed a plan for the construction of a tall dam. After liberation, Mao Zedong envisaged the Sanxia project in these poetic lines: "Walls of granite, too, shall rise on the west, turning back the Wushan Cloud-and-Rain to conjure up placid lakes on top of towering gorges." For many decades, the Sanxia project has been regarded as an immensely beneficial project and is the subject of both domestic and overseas concern. According to the design, it will be the world's largest water conservancy project, with flood control,

power generation, navigation, irrigation, aquiculture and tourism included in its many functions. Its great flood control capacity will minimize the threat of flooding in the middle and lower reaches of the Changjiang. The proposed hydropower station will have an installed capacity of 13 million to 18 million kilowatts and an annual generation capacity of between 65 billion and 89 billion kilowatt hours of electricity. It will be able to improve navigation along the upper and middle reaches of the Changjiang. In short, the project will contribute immensely toward the four modernizations once it is completed.

Because of the pressing need for flood control and for increasing power supply, there often appeared in various newspapers and magazines over several decades calls to begin work on the Sanxia project. In recent years, some people thought that preparation had almost been completed and strongly appealed for an immediate commencement of the project. However, over the years there were also people who thought very differently. These people were in favor of abandoning or putting off the project. Their views were not generally known because they were never made public. "On the Macropolicy for the Sanxia Project" edited by Comrades Tian Fang [3944 2455], Lin Fatang [2651 4099 2768] and others was the first book ever published which expounded these views.

"On the Macropolicy for the Sanxia Project" was published by the Hunan Science and Technology Publishing House in November 1987. Comrade Lin Hua [2651 5478], deputy chief of the Economic Construction Group of the CPPCC, was on the board of editorial advisers, and Professor Zhou Peiyuan [0719 1014 3293], noted scientist and vice chairman of the CPPCC, wrote the foreword. The book, which is a selection of over 50 papers by experts and scholars in different fields, is in three parts. Part One is a general discussion of the Sanxia project, Part Two deals with specific issues, and Part Three looks into China's energy policy. These papers tell the readers that the Sanxia project will be a mammoth project that tops the world. It will entail huge investments (in the region of several billion yuan or even hundreds of billion yuan), the resettlement of a large number of people (about 1 million), and a long period of construction (power generation in 12 to 13 years, completion in 18 to 19 years). It will not be able to contribute toward the goal of quadrupling the gross national product by the end of the 20th century, yet the coming decade happens to be a period in which a rapid growth of the energy and power industries is required in our country. It is beyond the present state of China's financial and material resources to build hydropower and thermal power stations to meet immediate needs and launch the Sanxia project at the same time. Besides, the Sanxia project has yet to find answers to a number of key problems. Take the question of silt for instance. No one has yet fully mastered the law governing the movement of silt and is quite sure that the problem of silting as seen in the Sanmenxia project across the Huanghe River will

not repeat itself. Landslides and mud slips are frequent in the proposed dam and reservoir areas of the Sanxia project, and the situation will be even more serious when water is stored there. Construction is also likely to induce earthquakes. Some of the key installations and equipment needed by the project are also difficult to get. Although the Sanxia project has power generation, flood control, navigation and other functions, as seen from the proposal for the construction of the Sanxia dam, all the targets can be achieved by other optimization proposals. Take power generation for instance. There are many optimization proposals at our disposal. Projects already under way or about to start include the Ertan power station on the Yalong River, the Geheyuan power station on the Qingjiang River, the Wuqiangxi power station on the Yuanjiang River, the terraced power station at the Wujiang River, and the Lijiaxia power station on the Huanghe. These projects have a total installed capacity of over 15 million kilowatts, equivalent to the total installed capacity of the Sanxia power station. The construction of these power stations from commencement to power generation normally takes between 4 and 8 years. They require relatively small investments, involve few risks, take a short time to construct and can yield quick results. In addition, they can promote economic development in the southwest, northwest, and central China and south China. As far as flood control is concerned, the Sanxia project alone cannot resolve the problem of flooding in the middle and lower reaches of the Changjiang. For example, the Sanxia project will not be of much help to flood control in Wuhan. Even if the Sanxia project was built, it would still be necessary to rely on other comprehensive control measures because the reservoir would only be able to retain a certain percentage of the flood water. In terms of navigation, while the Sanxia project will definitely bring about improvement in shipping within the reservoir area, it will also impose limitations to navigation along the whole Changjiang. It will also have an important effect, an effect that must be reckoned with, on the ecological conditions along the river basin. At the same time, we must take into account the needs of national defense and security, stability and unity, and the overall situation of reform. We must not consider the Sanxia project in isolation and attend to one thing while losing sight of another.

This being the case, should we start work on the Sanxia project, and if so, when? Professor Zhou Peiyuan answered this question in unequivocal terms in his foreword: "A more realistic approach which accords with the actual situation in China is to step-by-step build hydropower stations along all the tributaries of the Changjiang. In this way, we will be able to achieve the objective of quadrupling the output value of industrial and agricultural production while creating conditions for the launching of the Sanxia project in the future. In a few decades' time our country's economic strength would have greatly increased, our scientific and technological standards would have gone up substantially, and world peace would have been more effectively guaranteed. If

we are to start work on the Sanxia project then, the going will be a lot easier." This view is the representative view of the book. He also solemnly reminded us that "a lesson we have learned from the past is that we must not be overanxious for quick results." "If we start work hastily without repeatedly proving its feasibility and without ample scientific proofs, we are bound to run into serious consequences, by which time it would be too late to regret." His advice was both sound and sincere.

We are not concerned here with whether or not the arguments set forth in this book are scientific, or whether or not the views for or against the commencement of the project are correct and desirable. The very fact that these experts, scholars, party and nonparty persons, and overseas personages have shown so much concern for and conducted so much research in connection with the Sanxia project, and have the courage to voice their differing views is proof of their sense of responsibility and willingness to share their knowledge. Some of the authors said in their papers: "I have been engaged in the development of hydropower generation for more than 50 years. When I see something wrong, I dare not keep my worries all to myself." Some of them were in favor of the immediate commencement of the Sanxia project back in the 1950's. Through gradually deepening their knowledge and more careful deliberation in the past 30 years, they have now renounced their original assertions. Zhou Peiyuan and Hu Shensi [1870 1957 1835] are among them. Their factual treatises show their ardent love for their country and their ardent desire to serve their country.

The truth is, we should not reject differing opinions in academic or scientific research. We should not be afraid of having too many differing opinions, for it is through debate that truth will become more clear. The optimal program is invariably the result of choice through the comparison and demonstration of different programs. Opposing views will precipitate fuller investigations and more in-depth studies. Repeated efforts to weigh the pros and cons at the debate stage would help avoid or minimize loss in actual work. As the ancient saying goes: "Approval from a thousand persons is not as valuable as the dissenting view of one person."

The policy decisions of the leaders are one form of knowledge of the objective world. Debate will further this knowledge. Affirming the policy decisions of the leaders is one form of knowledge, revising these decisions is another form of knowledge, and negating them is also a form of knowledge, perhaps a deeper level of knowledge at that. Since our party, state and people share the same fundamental interests, when our scientific research personnel express agreement with the policy decisions of the party or government, naturally they are giving their support to the party and holding them-

selves responsible to the state and the people. When they correctly criticize, oppose or even negate certain policy decisions, they are also giving their support to the party and holding themselves responsible to the state and the people. The latter form of responsible is perhaps even more commendable. We advocate a more democratic and scientific approach to decisionmaking. To do so, we must first achieve democratization, for democratization is the prerequisite of any scientific approach. This is not merely because the people are now the masters. It is also because the cognitive power of the individual is limited and only by carrying forward democracy and listening to all sides of the story will we be able to come to a correct understanding.

The publication of this book also shows that the era we live in is a progressive one. It is a flower which has blossomed in the spring breeze of the line of the third plenary session. Without the policy of "emancipating the mind and seeking truth from facts," without reform and the open policy, and without the "two respects" (respect knowledge and respect talents), the publication of this book would have been impossible. In the course of modernization, there are plenty of issues which we, the scientific researchers (including social scientists) must expound and prove in great depth and with great accuracy rather than in a perfunctory manner. This applies to policy decisions already adopted, being formulated and under consideration. We hope to see more books like this in the future. We hope that this would become a general practice, and that policy decisions would be made in a truly democratic and scientific manner so that negligence, omissions and mistakes resulting from single-handed decisionmaking can be avoided. In this way, we can avoid making detours in our construction and achieve more substantial and better results. "On the Macropolicy for the Sanxia Project" is a good start. Its significance lies beyond merely proving the feasibility of the Sanxia project.

Although this book is an academic thesis on the Sanxia project, this writer thinks that not only experts in the fields of water conservancy and power but also experts in other fields, scientists in general and laymen will be able to learn from this book the spirit of seeking truth from facts and the methods of analyzing problems, such as the method of systematic analysis and the dialectical method.

Lastly, I must mention that because of its highly technical nature, not many copies of this book have been printed. The economic returns are low, but the Hunan Science and Technology Publishing House still went ahead with the publication. This spirit of taking concrete steps to show respect for science, support academic democracy, and promote a democratic and scientific approach in decisionmaking is just as commendable as the book itself. hnoshtampovochnoye proizvodstvo", 198812805

20th Lecture of Forum on Socialist Commodity Economy: Competition in the Socialist Economy
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[Article by Yan Ming [3601 2494]]

[Text]

I. Competition Inevitably Exists Provided That There Is Commodity Production

Commodity production is a kind of production carried out for the sake of exchange. In the process of commodity production, there are numerous producers of a particular commodity. Because of differences in their objective conditions, their labor time spent on the production of the commodity varies among themselves. The value of the commodity is, however, determined by the necessary labor time of society rather than the labor time spent by an individual. The price of the commodity also fluctuates in the wake of changes in the supply and demand relations on the market. Therefore, there will inevitably be competition among the commodity producers in order to cut their cost consumption, to obtain better production and sale conditions, and to get better economic results.

Over a long period in the past, we took competition as a special content of capitalism. It was mainly because we took commodity economy as an equivalent of capitalist economy, and took the socialist economy as the factual product economy. As a matter of fact, the capitalist economy is only a special stage at which the commodity economy develops. The capitalist competition is just a special form of competition. Proceeding from our past experience, competition existed amidst the petty commodity production, which grew and developed in the prevailing natural economy long before the emergence of capitalism under which the commodity economy highly develops. As there exist varied patterns of ownership other than public ownership under the conditions of socialist commodity economy, the public ownership economy itself consists of collective ownership, joint ownership by the whole people and collectives and so forth, in addition to the ownership by the whole people. Those publicly owned enterprises basically share the same interests, but they remain independent accounting commodity producers and dealers. Consequently, from the viewpoint of material interests, they are inevitably much concerned about their results of business operations. They ask for exchange at equal value so that their consumption on production and operations can be properly assessed by society. Therefore, at the present socialist stage, there should be competition within the public ownership in addition to the competition between publicly owned enterprises and private enterprises, as well as that among private enterprises. In order to protect and develop their own economic interests, the publicly owned enterprises should compete among themselves in the areas of procurement, production and sales of raw

materials; pricing, quality, variety and services of products; and so forth. Competition is closely related to the development of commodity economy, as well as the roles of the law of value. Though the goals, nature, scope and means of competition at different stages of the commodity economic development may be different, the existence of competition is inevitable.

China's experience in the past 30-odd years has also shown that to neglect the role of the law of value and that of the market, or even willfully hinder competition, at the present socialist stage will weaken both the internal drive and the external pressure for developing production and improving their operations. It will be difficult to improve the microeconomic results, and to a very large extent, the once lively socialist economy will lose its energy. It is just by drawing lessons from our past experience that we see the significance of a properly applied competition mechanism for further enlivening the economy and promoting the production development. The "Decision of the CPC Central Committee on Economic Structural Reform," adopted by the 3d Plenary Session of the 12th CPC Central Committee, pointed out: "The relationship among socialist enterprises should first be that of mutual cooperation and mutual support. But this kind of relationship does not banish competition." "There must be competition so long as there is commodity production." This is an important development of our party in terms of socialist economic theory, as well as an important guiding ideology for us to correctly understand the phenomenon of competition in the socialist economy.

The contemporary international economic competition is very keen in the wake of economic internationalization and the development of new technological revolution. In order to utilize and give full play to China's economic advantages, and to further refine our economic structure and establish a new and healthy circulation relationship in our national economy, we still have to spend great efforts on developing labor-intensive products, as well as labor- and technology-intensive export-oriented products; and further take part in the international exchange. This also requires us to make full use of the competition mechanism, to mobilize the initiative of enterprises and workers, to promptly enhance the technological and management levels of enterprises, and to boost the competitiveness of China's products in the international market, so as to expedite China's economic development.

II. Characteristics and Roles of Competition in Socialist Economy The socialist commodity economy is a planned commodity economy based on the public ownership. The nature and characteristics of its competition are thus different from the capitalist competition.

First, the major element of capitalist competition is capitalists whose basic interests are conflicting among each other. Their aim of competition is to grab more surplus value. In the socialist economy, however, the

major element of competition is mainly publicly owned enterprises which occupy a dominant position. The direct goal of competition among socialist enterprises is to form an external pressure on them through competition, and to urge them to improve their economic management and economic results, as well as coordinate the production and needs of society in a better way. Though they also go after the biggest possible economic results, they will eventually serve people better in their material and cultural life because of the planned guidance, control and supervision by the socialist state.

Second, capitalist competition is a fierce life-and-death struggle among capitalists, which expressly reflects its nature of expulsion. In the socialist economy, however, each of the major elements of competition still have their relatively independent economic interests and also follow the rule of the survival of the fittest. But there may still be cooperation and joint ventures among them, as well as guidance by the state, so as to urge and help enterprises with poor results improve their work because they share the same basic interests. Essentially, therefore, the competition among socialist enterprises is a kind of comparison though which they promote each other, encourage the advanced and spur on the backward ones.

Third, capitalist competition is conducted under an anarchist state and penetrates through every aspect of the economic activities of society. Under the socialist economy, the state actively guides and comprehensively supervises the competition in accordance with the economic development and the actual needs. The scope of competition, as well as its development and extent, are under the control of the state. For example, the competition of those important productive departments, which have a great bearing on the national economy and people's livelihood, such as coal, oil, electricity, rail transportation, postal and telecommunication services, as well as the production of grain, cotton and oil-bearing crops, mainly bases on the prices set by the state; and is implemented in the areas of economic results, management skills, service quality and so on. Even the prices of commodities and labor offered by productive and business departments which are subject to the market regulation are, when it deems necessary, under the provisional restrictions by the relevant state departments, rather than solely and spontaneously determined by the free market competition.

Fourth, the usual means adopted amidst the capitalist competition are the adoption of advanced technology and improvement of business management; and the strengthening of labor intensity of the enterprises' workers, as well as the employment of speculative and harmful tricks to outwit their competitors and to cheat consumers. Under the socialist conditions, however, one may boost its competitiveness only by renovation of technology and the improvement of business management and services. All acts of pursuing one's goal at the expense of the state, consumers and other producers and business dealers are prohibited.

Facts have shown that competition is the important driving force that keeps China's economy brisk and enlivened, and that promote the development of production. Its main functions are:

First, it helps us conserve materialized labor and live labor, promote the advancement of technology, and improve labor productivity. In the competition, only products that meet the needs of the market and have good quality, as well as enterprises whose individual labor time is less than the necessary labor time of society, can yield better economic results. Otherwise, the development, and even the existence, of an enterprise will be at risk when its products cannot meet the market needs, are poor in quality, are unmarketable, and in which the capital invested cannot be recouped. This forces enterprises to become much concerned about market changes. This also forces them to actively adopt advanced technology, expedite the development of new products, improve their service attitude and quality, heighten their business management, and strengthen their economic accounting and supervision, thereby conserving materialized labor and live labor, promote the advancement of technology, and improve labor productivity.

Second, it helps us promote changes in the business mechanism of enterprises, and changes the vitality of the national economy. Both the motive profit-making and the restraints of risks begin functioning at the same time whenever competition starts among the socialist enterprises. This forces enterprises to change from the closed type to the open type, from the production type to the production-operation type; to change their thinking and modes of operation which do not conform to the development of commodity economy; to change their system of leadership and distribution; to develop a business mechanism which is sensitive, stresses on economic results, and is capable of self-development and self-control; to boost their adaptability to the market, as well as their flexibility and development capability. Meanwhile, the implementation of competition helps us break through the economic boundaries among regions and trades. This is favorable to the market development and the development of lateral economic combination, and to give play to the advantages of various regions and departments, thereby boosting the vitality of the national economy as a whole.

Third, it helps us realize in a better way the integration of production and demand, and promotes a rational circulation and rearrangement of the production factors. The implementation of competition promptly provides grounds to the relevant state departments for formulating correct economic policies. By relying on the concern of producers and business operators about their own interests, it can also regulate the distribution of social resources among different production departments, so that the social resources will flow to industries and advanced enterprises that needs to be developed. These enterprises will thus release greater productivity force.

Fourth, it helps us discover, utilize and cultivate qualified personnel. The competition among enterprises is, in the final analysis, the competition in terms of production technology, management skills and qualified personnel. A keen competition requires one to break through the outdated system in which qualified personnel were owned by regions and departments. We should gear to the needs of society and select producers and business operators through varied and diversified channels, which helps us discover and utilize qualified personnel. At the same time, competition is a melting pot for the development of qualified personnel. The unbiased role of the survival of the fittest forces producers and business operators to invest all of their wits and talent in their business so as to create conditions for developing and utilizing their talents.

Nevertheless, competition is, in the final analysis, based on the "relationship in terms of gains and losses." An enterprise may develop such problems as departmental selfishness when it wishes to obtain more material interests. As economic matters are complicated and ever-changing, and enterprises determine their production and business orientations simply for the purpose of their own interests, there is the tendency of blind production. Because of outdated thinking and concepts, as well as habitual forces and the capitalist business style, some people may be induced to take improper means to achieve their aims. Therefore, we must actively guide, control and supervise competition. We should give full play to its positive roles while restricting its negative influences, and should promptly solve problems whenever they develop.

III. To Further Create Environment and Conditions That Are Favorable to the Competition

During the 9-year-old reform, China has, in the wake of the step-by-step commencement of competition, gradually improved the business mechanism of enterprises. The economic results of enterprises were constantly improved. There emerged a number of entrepreneurs who are far-sighted, innovative and skillful in management. Competition has achieved remarkable results in terms of promoting the metabolism of economic cells in society, as well as the optimization of deployment of social resources. However, as we are still in the period during which the new system is replacing the old one, there are still some problems and we cannot succeed overnight in establishing and perfecting the new methods for economic organization and management. Competition on full scale among enterprises is still under some restrictions. Hence, we must actively adopt effective measures for further creating an environment and conditions which helps promote a smooth progress of the socialist competition.

1. To safeguard enterprises' autonomy of production and business operations, as well as their independence, are the most basic conditions for implementing competition and enlivening the economy. An important current issue

that hinders the full implementation of competition is the vestiges of influences of the outdated system on the production and operations of enterprises owned by the whole people. Some competent administrative departments still use all means to check the decentralization of decisionmaking power to enterprises; or still hold the authority of appointing and dismissing cadres, the power of examining and approving projects, that of distributing resources, and other kinds of power that interfere with the daily production and business operations of enterprises. Consequently, these enterprises find it difficult to continue their production and operations in an autonomous and independent manner. Meanwhile, the mechanism of self-control has yet to be developed among enterprises, the constraints imposed by their budgets are ineffective. This makes enterprises responsible only for their profits but not their losses. Closing of business and bankruptcy have yet to become a real threat for some enterprises. Moreover, some departments still distribute subsidies to their subsidiaries and adopt other "protective" measures, so that the motive and pressure for participating in competition and improving the operations are absent in some poorly run enterprises. For this reason, to further improve the method of macroeconomic regulation according to the principle of separating the right of ownership from the right of operation, to perfect the business mechanism of enterprises, and to make enterprises owned by the whole people become independent commodity producers and business operators who really assume the responsibility for their own profits and losses are still our current prime task. In order to deal with this task, the relevant economic departments of the state must first settle problems concerning changes in their functions and the decentralization of decisionmaking power. For the sake of ensuring that the enterprises' own interests will not be infringed upon, this should be done mainly by the formulation of policies for industries, by the planned supervision of the national economy through the comprehensive utilization of the economic levers, by stopping acts of directly interfering with enterprises' daily economic activities, by checking the phenomenon of arbitrarily apportioning expenses to, as well as levying charges and imposing fines on, enterprises. At the same time, in order to make the business mechanism of enterprises meet the requirements of competition, we should intensify reforms, mobilize the initiative of each worker, and make them become much concerned about the business results of their enterprises. The contracted economic responsibility system in recent years, which was popularized among enterprises owned by the whole people, has played an important role in clarifying the relationship of duties, rights and interests between the state and enterprises, as well as between enterprises and their workers. It has also mobilized the initiative of enterprises and workers, and promoted changes in their business mechanism, so that their right to possess and utilize property, and the right to impose legal punishment, which have been entrusted to them by the state, have now become effective and so that the direct link of economic results to their results of

operations plays its proper roles. To introduce the mechanism of competition to contracting is an important work of perfecting the contract system, on which we should further sum up our experience and earnestly carry out the work. Through a perfect contract system, as well as strengthened financial constraints on enterprises, they should earnestly assume responsibility for their own profits and losses. Enterprises that yield good economic results should obtain more economic benefits. We should permit the practice of merging or bankruptcy for those that cannot compete with others, cannot repay debts with their capital, and are unable to turn losses into profits.

2. We should improve the external conditions of competition for enterprises by promoting free circulation in the channels and perfecting the market system. Currently, there is the coexistence of two types of operation and management approaches, the market is yet to be perfected, problems about the formation and structure of pricing are yet to be solved, and the taxation system has to be perfected. Various enterprises often yield actual results in varying degrees though they share the same management skills and have contributed the same amount of labor. It is therefore difficult for them to compete with each other on an equal footing. The essence for improving the external conditions of competition among enterprises is to improve our control over the aggregate supply and demand. Under the prerequisite of basic stability of the market, it also requires us to promote a smooth progress in the circulation channels, to break through the market blockade and practice an open, multichannel and simplified circulation system, and to work hard on developing and perfecting markets for such production factors as capital, labor, technology, information and real estates. Enterprises owned by the whole people should gradually adopt the valuable utilization and valuable assignment of state-owned assets. Except for some non-profit-making public utilities institutions and enterprises, as well as the national defense industry, most of the large and medium-sized enterprises should popularize the practice of raising funds for their financial needs and repaying them after taxation, that of recruiting and examining laborers on one's own accord, and that of valuable utilization of technological products. Except for very few important products which are still subject to the unified control of the state, enterprises should gradually turn to the market for direct purchase of their necessary means of production, and for the sale of their products. At the same time, in accordance with the principle of levying fair taxes, promoting competition and realizing the industrial policies, we should rationally formulate tax categories and tax rates and, by levying taxes on resources, land and charges on the occupation of state-owned assets, should turn the income derived from the differential land rent of enterprises, which is formed under objective production conditions, to the state. Hence, the enterprises may fully compete with each other in terms of production and operations under generally equal conditions.

3. We should strengthen the guidance, coordination and services of the relevant state departments on the market competition. The autonomous power of localities and enterprises have recently been strengthened because of tremendous changes in the economic management system and management approaches of the state. As some state departments were weak in some aspects of their macro-guidance, some localities and enterprises determined their economic development guideline by relying on their incomplete market information and incorrect judgment. Consequently, the production of some electric home appliances was blindly developed, and that of some agricultural products fluctuated sharply. This situation is unfavorable to a coordinated and stable development of the national economy. Therefore, we must proceed from the basic interests of the state and the people, and positively guide the competition so as to make it serve the general development plan of the state. We should strengthen the macro-analysis and forecasting work of relevant state departments on the economic development. They should promptly provide all types of information that are needed by the market, for the development of new products and for the utilization of new materials and new technology. Moreover, they should guide enterprises to make their business decisions through such readjustment means as pricing, taxation, credit, subsidies, exchange rate, wages and bonuses; and help them compete with each other in accordance with the economic development goals of the state. Thus, the development of industries which are needed by society will be encouraged; whereas the development of those which suffer from overproduction will be checked. The phenomenon of blind production and operation will be minimized, and we shall unify both the macroeconomic and microeconomic results. At the present stage, the new system is replacing the old one, enterprises have not yet perfected the control mechanism of assuming sole responsibility for their profits and losses, and there is hardly any prompt reaction on the readjustment done by the economic levers. Under these circumstances, it is still necessary for us to exercise macro-control by cautiously using administrative means. At the same time, we should actively develop the undertaking of social security. Part of the losses caused by closed or bankrupt enterprises in the competition should be borne by society, so that there will be some basic guarantees for the livelihood of workers.

4. We should strengthen economic legislation and judiciary, as well as the market supervision, so as to make the enterprise behavior conform to the socialist legal system. Recently, because the legislative and judicial work, as well as the work of supervision, fail to catch up with the development of the situation, some localities and departments still practiced such acts as regional and departmental blockade and monopolization. By adopting such arbitrary measures as setting up barriers, imposing additional taxes, and putting rigid restrictions on the sales volume of native products, they improperly interfered with the functions of competition so that the rational competition was not under an effective protection.

There were also some inappropriate competition acts after the competition was started. For instance, there were acts of counterfeiting and forging trademarks, telling lies about the place of origin; quality and specifications of commodities; winning the judges' favor for selected products in products or services appraisals by presenting gifts to them, entertaining them, and practicing other types of fraud; selling or obtaining commodities and services by graft or doing so in a disguised way; cooking up and spreading rumors that were unfavorable to other producers and business dealers; and so on. At present, we should first promptly perfect our system of economic legislation, define the norms of enterprise behavior and the basic criteria for handling various economic relations, as well as protect and encourage by legal means the proper competition among enterprises. At the same time, we should strengthen the supervision, strengthen the control, check the illegal acts of competition, and resolutely and seriously deal with those who have violated relevant laws and regulations.

21st Lecture of Forum on Socialist Commodity Economy: Banks, Credits, and Interest Rates
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[Article by Liu Hongru [0491 7703 0320]]

[Text]

I. Commodity Economy and Credits

Credits are an economic realm under the relations of commodity currency. The commodity currency economy exists on the objective economic basis of credits. Debit and credit inevitably take place when a person who has no cash in hand wants to purchase a commodity offered for sale. Moreover, in the process of commodity production and commodity exchange, there must be the situation in which some commodity dealers have cash capital while some lack it, resulting in the development of loan relations. The more important point is that during the production of commodities, if an enterprise needs to fully prepare annual funds for normal production and circulation, or to carry out its reproduction plans only after all necessary capital is ready, a portion of capital must lie idle and be wasted, thereby adversely affecting the pace of reproduction and blocking the flow of capital to departments that can yield better economic results. Therefore, in the wake of development of the commodity economy, acts of giving credits have become more popular and diversified. Credit relations have become the major link for maintaining commodity economic relations, as well as the major factor for promoting the commodity economic development.

Credits are a special form of the movement of value. Their basic characteristic is that owners of a commodity or currency allow part of the magnitude of value to be transferred to, and to be repaid later at a specific time together with interest thereon, by the borrower. In our

past study on credits under the capitalist conditions, we mainly stressed the relations of exploitation of workers by loaning capitalists and functioning capitalists, and neglected the readjustment and control functions of the creditor on the part of the borrower which was revealed by Marx in his analysis of the movement of loan capital. Owners of loan capital readjust and control the production and business of loan borrowers by means of loan grants and the level of interest rates. Conversely, loan borrowers must gain their creditworthiness by way of improving their competitiveness, cutting their costs, and improving their economic results in order to obtain the loans.

There are many forms of credit. The popular ones are bank credit, commercial credit, state credit and consumer credit.

Bank credit refers to credit in the form of currency consisting of deposits, loans and other banking services of banks and various financial institutions. Under the socialist conditions, bank credit is an important form of credit employed by the state to organize and redistribute the idle capital of society in a planned way. However, the scope of socialist bank credit of China was too narrow before the convention of the 3d Plenary Session of the 11th CPC Central Committee. Only loans for seasonal circulating funds and temporary loans were offered besides the agricultural equipment loans. Loans for capital construction and investment, fixed capital of enterprises, and the fixed circulating funds were allocated through fiscal means. No bank was allowed to grant loans to the tertiary industry, such as the service industry, tourism and science and technology industry. Moreover, there was only a single form of credit and the types of deposits and credit facilities were limited. Intermediate business of banks, such as remittance and trust, did not flourish. Following the 3d Plenary Session of the 11th CPC Central Committee, China began reforming its economic structure. The outdated pattern of bank credit was smashed and a loan system for fixed assets was established. In addition, banks started granting loans to the tertiary industry. At the same time, these banks offered new forms of deposits and credit, and developed various intermediate services, including trust consultation.

On commercial credit, Marx said: "Commercial credit refers to the credit mutually provided among capitalists undertaking reproduction. This is the basis of the credit system." ("Collected Works of Marx and Engels," Vol 25, p 542) In China, commercial credit refers to the credit provided among enterprises in the form of commodities sold on credit. In the past, China treated commercial credit as conflicting with the planned economy. It adopted policies to restrict, eliminate and replace commercial credit. Except for the purchase of agricultural and sideline products under extraordinary circumstances, neither sale on credit nor advance payment was allowed in the business transaction of enterprises. This did not conform to the rule of commodity economic

development, and seriously hampered the initiative of enterprises as being the independent accounting commodity producers and dealers. China has gradually lifted the restrictions on commercial credit since 1979, and actively gave it guidance so that the development of commercial credit has been rather rapid.

State credit refers to a form of credit through which a country borrows money from enterprises and individuals. The basic form of state credit in China is bonds and treasury bonds. It is an important channel for China to finance construction capital, and to guide the flow of capital by economic means.

Consumer credit refers to the credit provided for consumers. It includes the sale of consumer goods on credit, particularly durable consumer goods on hire-purchase terms.

Another common classification of credits is direct financing and indirect financing. Direct financing refers to the loan relations directly developed between a unit or individual who has surplus capital and another unit or individual who lacks capital. The two parties may directly negotiate the loan terms, or in another case, the unit that has surplus capital may buy in on the open market shares and debentures issued by another unit that lacks capital. Indirect financing refers to the pattern in which financing is done through financial media, that is banks or other financial institutions. Banks or financial institutions get capital by receiving deposits and selling financial debentures, shares and insurance policies. They then lend money in the form of loans to units that lack capital or investment in securities issued by these units. Recently, China has gradually developed and utilized direct financing while stressing on the roles of indirect financing.

In our next step of financial structural reform, we must further establish and perfect the multichannel, diversified credit system that focuses on bank credit and that consists of various forms of financial means and financial capital. We must encourage the lateral flow of capital, and gradually form a multilevel financial center which depends on key cities, as well as a financial market that conforms to China's situation.

II. Banks and Financial System

Special types of institutions dealing in currency and credits, that is banks, will be developed whenever the commodity currency economy and the development of credit relations reach a certain level. The appearance and development of banks are closely related to the scope of commercial credit. The scale of commercial credit is subject to the capital amount held by functioning capitalists. The orientation, time and geographical scope of capital application are also strictly restricted by objective conditions. Banks emerged and rapidly developed at an unprecedented scale just because commercial credit

could not meet the needs of commodity economic development under the capitalist conditions. In the modern times, the growth of bank capital mingles with that of industrial capital, thereby forming the financial capital and financial oligarchy. Banks thus transformed themselves from middlemen into "omnipotent monopolists."

The nature of banks at the earliest stage was comprehensive. They acted as the central bank, commercial bank and special bank; engaged in the business of issuing currency and handled the fiscal revenue and expenditure of the government; and ran other kinds of business such as deposits, credit, investment and trust. A central bank was later developed among its fellow banks in order to unify the circulation of currency and realize the control of banking industry. For the sake of meeting the needs for specializing the financial industry, investment banks and savings banks were developed among the commercial banks. In addition, a number of nonbanking institutions were established. After a long-term development, this eventually gives rise to a large financial system whose core is the central bank, and whose major component is commercial banks surrounded by special banks and other nonbanking financial institutions.

The status of the central bank is the core of a country's financial system. Acting on behalf of the country, it issues currency, formulates and implements currency and financial policies, handles fiscal revenue and expenditures on behalf of the government, regulates credits, controls the activities of banks and other financial institutions, and handles international financial business. In order to realize social and economic goals such as the stabilization of current prices, economic growth and international balance of payment, the central bank mainly carries out its supervisory functions by means of deposits reserves, rediscounting rate and securities dealings on the open market (collectively called the three magic weapons); regulates and controls the aggregated supply and aggregated demand of currency by means of direct credits control and persuasion; and supervises the economy as a whole by dovetailing its work with the fiscal policies and the policies on revenue distribution. Presently, many central banks in the world have become an important economic and management pillar of their respective countries.

Commercial banks were originally banks offering short-term commercial capital. The commercial banks we refer today are no longer such banks. They are the major component of a country's financial system, large in scale, and are nicknamed "financial departmental store." Moreover, the more important point is that they deal in the business of current savings account on which cash may be withdrawn by checks. This thus provides a medium for exchange and payment, which has the capability and mechanism for generating currency (that is, derivative savings). Generally speaking, the business of commercial banks can be divided into three major types, namely deposits business, loan business and intermediate business (or called deposits, financing and remittance

for short). The prime function of commercial banks is to organize savings, which is the basis for running the business of financing and investment. It is just as Marx pointed out that in the final analysis, the most significant business of a bank is savings. Commercial banks exercise a highly strict supervision over the business of deposits and financing. They often conduct a comprehensive feasibility study before making a decision on financing or investment. In addition to adhering to the principle of pursuing safety, mobility and profitability, they thoroughly assess the conditions of their customers. The intermediate business refers to services offered by the banks to their customers without utilizing their own capital. They often charge their customers a handling fee for these services. Various types of trust and remittance are one of this kind of business.

Special banks are generally set up by government. They are not profit-making institutions, and usually support, encourage and protect the development of some special industries, trades and departments by means of preferential policies and special supervision methods. The trades covered by the business of special banks are generally risky, are not mobile, and are rejected by individuals. In the United States, the Federal Land Bank, the Federal Intermediate-Term Credit Bank, cooperative banks, house loans banks, and the U.S. import-export banks are special banks.

Nonbanking financial institutions mainly refers to various financial organizations such as financial companies, insurance companies, investment and trust companies. The reason that they are so called is mainly because these institutions originally did not handle checks of the savings account. They therefore lacked the capability in terms of payment, exchange and derivative deposits. This is their basic difference from commercial banks. In the wake of development of financial activities, however, such distinction has become blurred. The growth of nonbanking institutions of the Western countries was so rapid following World War II that their capital strength has even exceeded that of commercial banks.

After 37 years of formation, development and transformation, the socialist financial system of China saw three major changes.

The first change took place shortly after the founding of China. On the basis of setting up banks and issuing currency in liberated areas, we took over the bourgeois capitalist banks, remolded private firms, set up many state banking institutions, organized agricultural credit cooperatives and other financial organizations, as well as established China's socialist financial system.

The second change took place during the large-scale socialist construction period after the completion of socialist transformation of the means of production. Credits were centralized at the level of national banks

according to the Soviet financial system. A number of credit circulation facilities were abolished, and various financial institutions were merged into a people's bank.

The third one took place after the 3d Plenary Session of the 11th CPC Central Committee, when China's economic and financial relations began changing. The highly centralized banking system had to be reformed as it could not meet the needs of the new economic situation.

The Agriculture Bank of China was restored in February 1979 as a special bank for rural financing and guiding the development of agricultural credit cooperatives. In that same year, the Bank of China established its own system and acted as a special bank for foreign exchange, undertaking foreign exchange and credit business. The Industrial and Commercial Bank of China was established in 1983, undertaking the business of deposits, loans and clearance for industrial and commercial enterprises, as well as the savings business for urban and rural residents. In that same year, the Chinese People's Insurance Company became an independent system and practiced independent accounting. Beginning in November 1985, the People's Construction Bank of China put its capital under the comprehensive credit plan of the People's Bank of China, and its business has been under the leadership and supervision of the People's Bank of China.

In July 1986, the State Council decided to restore the organization of the Communication Bank in China as a joint stock financial enterprise based on the public ownership. The bank deals in comprehensive banking services in both renminbi and foreign exchange. Furthermore, the Chinese Investment Bank was established to handle loans granted by the World Bank. There were also the establishment of the China International Trust and Investment Corporation and provincial (city) trust and investment companies and leasing companies, and financial companies (now totaling more than 570). Many localities have also set up city credit cooperatives in order to serve the collective economies and individual economies in urban areas.

The State Council promulgated on 17 September 1983 a decision on the special function of the People's Bank of China as a central bank. It expressly stated that the People's Bank of China was a state organ under the State Council in charge of the financial undertakings of the state. It was the government's bank—performing the government function of supervising the economy, and handling fiscal matters and the treasury on its behalf. It was an issuing bank—responsible for the nationwide issuance of currency and regulating currency circulation. It was the bank of banks—handling the business of deposits and loans by various banks and financial institutions and responsible for supervising and controlling their operations and activities. The CPC congress held in 1985 adopted the proposal of the CPC Central Committee on the Seventh 5-Year Plan, and further expressly

stated the status and role of the People's Bank of China as the central bank. The "proposal" pointed out that making the People's Bank of China into a central bank was one of the most important macroscopic regulatory institutions [as published] [ji gou 2623 2845]. We must strengthen its status and independence. It should control the supply of currency and the total scale of loan grants through comprehensive credit planning, financial policies, foreign exchange control and regulatory means such as credits, interest rates, exchange rates and reserves. It should strive to control inflation while promoting a coordinated economic development and a rationalization of economic structure.

After the above-mentioned reforms, China established its central banking system. Various banks and other financial institutions have also taken shape, initially forming a socialist financial system led by the central bank, and whose major component is commercial banks which coexist with other financial institutions and are marked by cooperation and the division of labor. In order to make China's new financial system conform to the needs of the socialist planned commodity economy and the needs of economic reform, we must continue to intensify our reforms and constantly consolidate and perfect China's financial system.

III. Interest Rates and Their Roles of Regulation

In order to give play to the roles of banks and credits in the commodity economy, we must also make use of an economic lever, that is, interest rates. Like other commodities, capital, being a kind of commodity, has its own "price." The "price" of capital is interest rate, or interest rates. It equals to the amount of interest anticipated within a specific time in proportion to the principal. There are many types of interest rates. Proceeding from different points of view, they are mainly: deposits interest rate and loan interest rate, short-term interest rate and long-term interest rate, controlled interest rate and market interest rate, and so forth. Furthermore, there are real interest rate and nominal interest rate. The term real interest rate refers to the rate determined by normal economic activities and is not affected by price changes. The term nominal interest rate refers to the current interest rate, which is the sum of real interest rate plus anticipated inflation, or conversely, the real interest rate equals nominal interest rate minus inflation rate.

In the market economy, the level of interest rates is determined by the level of rate of profit. An average rate of profit may be regarded as the ceiling of an average interest rate. This is because capitalists will bring their capital to banks if the average interest rate exceeds the average rate of profit. It will develop after some time the situation in the capital market where the supply of capital is greater than its demand. The interest rate will therefore drop to zero. However, the minimum interest rate cannot be zero, or people who own the capital will keep their capital in their pocket rather than taking the risk of offering their capital for borrowing. The level of

interest rates changes in the wake of changes in the supply-demand relations on the capital market, and fluctuates between zero and the average rate of profit.

Commodity prices regulate the activities of commodity market through the regulation of supply and demand of commodities; whereas interest rates regulate the whole process of reproduction by regulating the supply and demand of capital on the financial market. In addition, the more developed a commodity and currency economy and the credit relations, the more sensitive and efficient the regulation by interest rates. Before 1987, however, China negated the regulatory roles of market and the law of value, still less the use of interest rates as a lever to regulate the economic activities. Experience of our recent reforms shows that in the socialist planned commodity economy, we must also pay attention to giving play to the roles of market and the law of value. Thus, there is plenty of room for maneuvering by the lever of interest rates. Moreover, these roles will become more obvious in the wake of formation of the market system and market mechanism.

First, through the determination of an appropriate interest rate, we can utilize and pool together the idle capital of society, increase the deposits, and boost nationwide the accumulative level of savings. In particular, the interest rate of savings deposits by residents becomes the most important point in this respect. People will spend more money if the interest rate on savings deposits is excessively low. When the prices tend to rise, the residents will think that it is not worth putting their money into their savings accounts. The recent growth rate of China's savings deposits by urban and rural residents, in hundreds of millions per year, is closely related with our repeated increase of interest rate on savings deposits.

Second, through the regulation of interest rates on loans, we can suppress the irrational demand of capital, encourage enterprises to improve their economic results, speed up the circulation of capital, and reduce the amount of capital utilization. As banks determine the difference of interest rates in accordance with the operation situation and business results of enterprises, they thus play the role of awarding the good ones while punishing the poor ones.

Third, banks may regulate the structure of the national economy by using the lever of interest rates, which is an important role. For example, in the light of the national economic development strategy, banks may offer preferential interest rate on the badly needed development of basic facilities, and on the production of leading industries and products in short supply, or ensure a coordinated and persistent development of the national economy by financial discounting.

Fourth, the aggregated supply and aggregated demand of society may be promoted, as well as the total scale of credits and the volume of issued currency may be controlled, through the regulation of interest rate. This

may also give indications to the production and consumption units about the orientation of the state economic policies and the intention of the state's currency policies. Under the conditions in which enterprises assume sole responsibility for their own profits and losses and the prices are basically rational, interest rates are also a means for controlling and checking inflation.

To reform and give full play to the roles of the interest rate system is an important content of China's financial reform. Comrade Zhao Ziyang pointed out: We should reform the banks' interest rate system, gradually rationalize the interest rates on deposits, and implement time differential interest rates and floating interest rates. This is the direction of our reform of interest rates.

The present supervision over the interest rates is a three-tier one. First, we should unify the interest rates, and the subject of the work is mainly the special banks. However, we should allow a certain degree of fluctuation of interest rates on loans for circulating funds. Second, we should fully open the market and let the interest rates find their levels. This includes the interest rate on loans in the financial market, other interest rates, and the interest rates levied by agricultural credit cooperatives (such as the Wenzhou Prefecture) in areas whose commodity economies are rather developed. Third, we should let the People's Bank of China determine the maximum level of interest rate on deposits and the minimum level of interest rates on loans, within which the rates fluctuate without intervention. The work should first be carried out in special economic zones and experimental departments and units. Our aim is to open most part of the country to the market in future, while only controlling a small part. Besides, the central bank should flexibly regulate its interest rates, and gradually establish and announce a rediscounting system, in respect of which Shanghai has started its experimental work.

A Little 'Sense of Health' Is Also Needed
40050309k Beijing HONGQI [RED FLAG] in Chinese
No 10, 16 May 88 p 47

[Article by Liu Hanzhong [0491 3352 0022]]

[Text] Since the untimely death of Jiang Zhuying [5592 4591 5391] and Luo Jianfu [5012 0256 1133] 5 years ago, more than 30 noted middle-aged and young intellectuals, including Zhang Guanghou [1728 1639 0624] and Zhong Jiaqing [6988 1367 1987], have departed this world prematurely over the last 2 years in the Beijing branch of the Academy of Sciences alone. This has called forth a new round of press appeals for more attention to be paid to the health of the middle-aged and young intellectuals. They stressed that effective measures must be taken to solve the problems of housing, work load, housework and low pay which the intellectuals are faced with. This is indeed essential. However, I think that in

addition to this, it is necessary to remind the middle-aged and young intellectuals that while dedicating themselves to their work, they also must have a "sense of health." Paying attention to the way of keeping in good health and taking work and leisure in equal proportions not only will benefit the intellectuals themselves but will also enable them to serve the country and the people better.

Some comrades think that at 40, one is at the prime of their life and therefore ought to make the best of this time to further their career. However, they do not seem to recognize that along with the approach of middle age comes a hidden danger. According to the principles of qigong, or breathing therapy, and Chinese medicine, when a person is young, his vital energy is at its strongest and it is very hard for illness and evil to attack him. Once he enters middle age, his veins slowly become blocked and he will be at the mercy of illness and evil. If he is not careful, he will lose out. Zhang Huating [1728 5478 0080], a renowned qigong master from Qingdao, once told me: "It has been proven by modern science that man can live to be 130 or even older. However, since the beginning of time, most people died before their time because of one illness or another just as they had finished their studies and begun to accomplish something. This is a real pity indeed." Dying before one even has a chance to serve his country is unfortunate not only for the individuals concerned but is also a loss for the state.

Last October, a newspaper carried a report on the moving deeds of a middle-aged theoretician who dedicated himself to reform and construction. The report carried this comment by a medical doctor: "The 'sense of health' of the people he represented is very weak indeed." Many of our intellectuals are very scientific in their study and work, but they are not so scientific when it comes to health. They seem rather stingy about giving it any time. For thousands of years, Chinese scholars had greatly praised Zhuge Liang [6175 5514 0081] for "bending himself to his task unto death." However, Zhuge Liang's rival Sima Yi [0674 7456 2034] thought differently. He said, "Zhuge Liang eats too little and works too hard. How can he last going on like this?" If Zhuge Liang had not overworked himself, he probably would not have died at the early age of 54 and could have served the former and present king of the State of Shu more. We should all learn from Zhuge Liang's experience.

Our country has a poor foundation and there are many areas where money needs to be spent. It is therefore impossible to work out at this stage a satisfactory solution to the many problems now confronting the intellectuals. In the course of gradually improving the conditions of the intellectuals, we should urge the middle-aged and young intellectuals to take their work in proper strides and pay more attention to health and fitness. The famous writer Jun Qing [1498 7230] became an "invalid" at the age of 41 from overwork and could not even perform his normal duties. Later, at the advice of

his old comrade-in-arms, he took up qigong lessons. After several months of practice, his condition improved and he could plunge into his work once again with great vitality. Not long ago, a comrade compiled a report which said that because intellectuals set great store by honor and spiritual life, personal frictions and malicious attacks can deal a heavy blow to their self-respect. They would become depressed and decline in health. This may be the cause of their death, at least an immediate cause of their death. Of course the solution of this problem depends on a turn for the better in the present practice. However, in the course of changing existing practices, it is perhaps a good idea for intellectuals to enhance their "sense of health," and pay more attention to the way of keeping in good health. This may perhaps help them to become more open-minded and not to be hurt by other people's harsh comments.

Ode to Beauty of Human Touch—Thoughts After Watching the Teleplay 'Aisin Giorro Hao'
400503091 Beijing HONGQI [RED FLAG] in Chinese No 10, 16 May 88 p 48

[Article by Cai Xiang [5591 7534]]

[Text] What a coincidence it was that I happened to have read the short story "The Destitute Princess" 1 month before watching the teleplay "Aisin Giorro Hao" produced by the Liaoning Television Station. With indubitable truth, this autobiographical story tells of how a young lady who was related to the Japanese royal family became the wife of the younger brother of the Manchukuo emperor through the schemes of the Japanese Kanto Army, how she and Pu Jie came to trust and care for each other after the initial suspicion and indifference through the manipulation of their tragic fate, how they were forced to go their separate ways and, after experiencing untold hardships, were finally reunited under the care and concern of Premier Zhou and regained their dignity as human beings. The authoress moved me with her unpretentious account and her emotions as a woman, wife and mother which runs through the entire book. She gave me a new insight into the emperor and royal family of the Manchukuo and enabled me to see that although we see them as emperor, royalty and criminals, they were also human beings. Through this we can enhance our understanding of humanism. In the last chapter of her book, the authoress said: "In order to let young people know the mistakes made by the Japanese people in China at our time, and in order to prevent history from repeating itself, I feel that I must record in writing how new China has treated the former puppet emperor, the Aisin Giorro family and me...." I think this remark is probably the theme of the teleplay "Aisin Giorro Hao."

Turning his own strong points to good account, the director of this teleplay did a superb job shooting scenes that have a direct bearing on the humanist theme. His characterization was vivid. There are three episodes which I appreciate most.

The first of such episodes is at the war criminals detention center. Pu Jie was overcome with great depression when he found out that he was not among the first batch of prisoners to be released. The director of the detention center saw this change in him and, moved by common feelings of humanity, spoke to him in person and talked him out of the idea of giving up correspondence with his wife. His moods improved materially and he wrote a heartrending letter to his wife:

"...For the memory of our poor, unfortunate daughter, I the father ought to pour out all my feelings sincerely and without any pretense and show how truly sorry I am. All because of me and my family, my beloved wife and my two lovely and precious children have to endure the pain of parting and live in a desperate plight...."

When I watched this episode, I truly felt sorry for Pu Jie and even shed tears of sympathy for Aisin Giorro Hao.

The second episode is a successful portrayal of Pu Jie's frame of mind at the time of his release. As a person, Pu Jie had the need, the desire, to seek happiness, but the reality was that China and Japan had not yet established diplomatic ties and were still hostile against each other. His elder brother Pu Yi was strongly against his communicating with his wife. Even keeping up correspondence was condemned by Pu Yi as an act of "ingratitude" against the party and the government, to say nothing about a reunion. Pu Jie poured out his grievances to his old eunuch Liu Deshun who used to wait on him....

The third episode is when Premier Zhou invited the Pu Yi household for a meal of dumplings on New Year's Eve at Zhongnanhai. In a merry atmosphere of midnight fireworks display, Premier Zhou asked what they thought of a possible reunion between Pu Jie and his wife. Pu Yi stubbornly opposed the idea. Premier Zhou, in his usual pleasant and kindly way, sought the opinions of each member of the former royal family. He said he understood how Pu Yi felt, but advised him to try to respect Pu Jie's wishes by letting Hiroshi Saga come back and "see how things go."

The above episode was meticulously and expertly directed. The story could have stopped here, but the director was in no hurry to round off the story in haste. Instead, he went on to describe how Premier Zhou thoughtfully gave the necessary instructions, asked Pu Jie to write a "sincere and passionate" letter, and said that "I will definitely go to your reunion party when Hiroshi Saga comes back."

Pu Jie was crying. Every member of the Pu Yi household was crying. Even I who was watching the play was moved. Of course it was not all for Pu Jie. It was also because the scene reminded me of Premier Zhou.

"Aisin Giorro Hao" is a teleplay to watch out for. It touches on the themes of the expansionist war and humanism, which are of practical significance for this

age of ours. It is a pity that it tends to be "melodramatic" and evades the historical issue in a couple of episodes. The treatment of Huisheng and Okubo is divorced from historical facts. This is a real pity indeed as it has weakened the thematic appeal of the play.

Three Concepts Should Be Changed in Separating the Functions of the Party and the Government

*HK0506044288 Beijing HONGQI in Chinese
No 10, 16 May 88, p 49*

[Article By Wei Gang (7279 0474): "Three Concepts Should Be Transformed In Separating The Functions Of The Party And The Government"]

[Text] To separate the functions of the party from those of the government is one of the important reforms that have been introduced into our party's leadership system and therefore is of great significance to our efforts in sticking to "one center, two basic points" and in building our country into a prosperous, powerful, democratic, civilized, and modern socialist country. In order to conform with the new situation characterized by the separation of the functions of the party from those of the government and practically improve and strengthen our party's leadership, we must make efforts to realize the transformation of the following three concepts:

First, we must transform the concept of judging the strength of our party's leadership simply by considering the number of departments our party has. Some comrades say: "After separating the functions of the party from those of the government, the number of departments our party has has been reduced and the number of staff in our party's organs has also been reduced. How can we say that separating the functions of the party from those of the government is aimed at strengthening our party's leadership?" These comrades think that in order to strengthen our party's leadership, it is necessary to increase our party's organizations and staff. This is an incorrect view. In the past, some of our party's organizations took care of all the local affairs and established some institutions which took charge of the various types of work. As a result, our party has established some unnecessary institutions and some of our party's institutions have been overstaffed. This is exactly the irrational phenomenon we must change. After separating the functions of the party from those of the government, we must take steps to turn the past situation characterized by the functions of the party not being separated from those of the government and the party acting in the place of the government into a new situation characterized by the party organizations carrying out political leadership and strengthening its own building. Under such circumstances, it is quite natural that our party's surplus organizations will be appropriately streamlined and our party's surplus staff will be appropriately reduced. Our past practice tells us that the surplus institutions of our party, the overstaffed organs of our party, and the phenomenon of the party acting in the place of the government will only serve to mingle the functions of the

party with those of the government. As a result, the party will certainly replace the government as well as the executive departments in exercising the executive powers and will certainly exert influence on the operations of the government and the executive departments. In turn, the party will not have enough time to carry out its own building and will become incapable of managing its own affairs. Therefore, although our party has a large number of institutions, our party's leadership will certainly be weakened instead of being strengthened.

Second, we must transform the concept of judging the party's authority by simply considering the number of affairs our party can manage. After implementing the chief executive responsibility system in the enterprises and schools, some party committee secretaries feel that they no longer have the authority they enjoyed in the past because they no longer have the right to handle and make decisions on many things as they did in the past. This is also an incorrect view. In the past, the party committee secretaries in the enterprises had the right to manage almost everything, from the production plans to the distribution of play tickets. Under such circumstances, the party committee secretaries in the enterprises were actually doing the work of the ordinary clerks. Seemingly, the party committee secretaries were people with top authority because they had the right to handle everything in their enterprises. However, as a matter of fact, the party committees were entangled in numerous contradictions and could not get out from these contradictions. Therefore, the party committee secretaries were actually in a very passive position. If the party committees can handle fewer executive affairs and keep a certain distance away from the executive affairs, they will be able to concentrate their efforts on their own building, play the party's role of guarantee, supervision, and coordination, and develop closer links with the masses so as to listen to the views of the masses and put

an end to the bureaucratic work style. Third, we must transform the concept of judging the position of the party by simply considering the "position" held by the party committee secretaries in the enterprises and schools. In the past, the party committee secretaries always held the highest position and were the highest authority in the enterprises and schools. Since we have separated the functions of the party from those of the government and implemented the chief executive responsibility system, the exposure of the party committees in the daily routine operation of the enterprises and schools has been reduced and the party committees have lost their highest position to the executive organs. Some comrades cannot get accustomed to such a change, saying that the party's position has been weakened. This is a misunderstanding. The party committees losing its highest position to the executive organs is the actual demand of our work. Under the new leadership structure, the party committees are no longer in charge of the everyday production and no longer take care of the executive work in the enterprises and schools, therefore, there is no need to place the party committees in the highest position in the everyday production and routine affairs of the enterprises and schools. This situation does not mean that the party's position has been weakened. In our state life, our party still occupies the leading position. And in doing all types of work, we still need to accept our party's leadership and implement our party's line, principles, and policies. The only difference is that our party is no longer on the first front as it was in the past. Instead, our party has turned its propositions into the will of the state in the form of law. The governments, executive departments, and other departments at all levels are therefore charged with the responsibility of implementing the will of the state. Therefore, it is incorrect to judge the position of our party simply by considering the "position" held by the party committee secretaries in the enterprises and schools.