

# EASTERN HORIZON *monthly review*

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# EASTERN DIARY

## *Planning and Market Force*

Can planned economy (economic regulation through planning) and market economy (economic regulation by the market force) co-exist? Some economists in the West believe that the two cannot. These economists have been elated by the recent reintroduction of market economy in China, which they believe will lead to capitalism. At the same time, they are worried that this process could easily be reversed if the Chinese leadership persists in upholding the principle of socialist planning. Though they could hardly be elated by the prospect of China going capitalist, some Marxists ('pure' to some people and 'dogmatic' to some others) agree that market economy is totally incompatible with socialism, and are therefore worried about or angered at the new trend in China.

Admitting that the present restructuring of China's economy does represent theoretically a step backward, Xue Muqiao, one of China's leading economists, recently said in Hongkong that socialist transformation of the mid-50's had over-reached itself. He revealed the controversy over this question within the Communist Party at that time. Here is what he said:

*Some people pointed out to us: Your proposal to integrate plan regulation with market regulation is a step backward towards capitalism. If we did over-reach ourselves, then it would be correct for us to decide to take a few steps back. Nobody said Lenin was wrong when he retreated from his Wartime Communism to his New Economic Policy. Between 1958 and 1961 we took away the function of unit accounting from the people's commune and relegated it to a much lower level—the rural production team. This is now considered a move in the right direction.*

*In urban areas state economy should not be the only form of economy. We should also develop some individual economy. 20 years of experience has shown that socialist transformation in our cities may have been too thorough and has gone too far. Now it is important for us to take a few steps back.*

In 1956, Comrade Chen Yun actually suggested this. He said that the transformation should not have been that thorough, and some allowance should have been made for small cooperatives and small shops to keep their own profits and be responsible to their own losses. Comrade Liu Shaoqi also suggested that capitalism should be allowed to leave behind 'some of its tail', which could stop loopholes that socialism may not entirely be able to. It was a pity that their views were not heeded and now we are suffering from the consequences. It seems to us now that what we need is a multi-layer economy which ranges from state economy to individual economy in which the socialist public ownership takes the overwhelmingly predominant position. At the same time, however, there will be individual economy, or even some semi-socialist public-private (capitalist) joint economy (i.e. state capitalism).

Xue stresses that, as long as socialist ownership was the dominant factor, one need have no fear of a capitalist restoration. This, in Xue's opinion, was not merely a stopgap. He emphasized that no social system in history has ever been pure, and socialism should be no exception. Capitalism cannot be exterminated in a socialist society, he said. An element of capitalism will persist.

Xue Muqiao, however, was far from identifying market economy with capitalism. While he envisaged some capitalist elements in socialist China, he gave market economy a very wide berth.

In an article published in *Economic Management*, No. 10, 1980, Xue writes:

*Socialist economy is based on socialized mass production, of which the full development of commodity economy is a prerequisite. Both capitalist economy and socialist economy can develop on the foundation of socialized mass production. The level of China's socialized mass production is still very low. It has yet to develop so as to reach a high degree of centralization and a high degree of division of labour. Natural economy is still in a dominant position. Therefore we have a great deal to do to develop our commodity economy on which we can develop our socialized mass production. For the present, our socialist economy is a socialist commodity economy founded on the two forms of socialist public ownership of the means of production (in which the ownership of the whole people pre-*

*dominates) and it also allows the co-existence of other economic factors, and therefore is different from the commodity economy under the capitalist private ownership. On the one hand, because of the public ownership of the means of production in our country, it is necessary and also possible for us to exercise planned management over our national economy. On the other hand, as we still have to develop commodity economy in order to develop socialized mass production, we still need regulation by the market force.*

Xue points out that the belief that both producing and selling should follow a centralized plan has been refuted. After fulfilling the planned production quota allotted by the state, enterprises should be free to produce according to market demands. Of course a few important commodities must be delivered to the commercial departments of the state. However, the commercial departments can handle some of the remaining commodities, and leave it to the enterprises to dispose of the rest. As to small items, their production and sales can entirely be left in the hands of the producers, who if necessary can sell their products direct to retail shops. Throughout the country there are tens of thousands or even hundreds of thousands of items produced. Only about several thousand or even as few as several hundred items can be listed in the state plan. Obviously it cannot cover everything, not even most of the things.

In the long-term view, according to Xue, what the state should and can control is the scale of the country's capital construction and the rate at which the standard of living should rise, in other words, the ratio between accumulation and consumption. Xue writes:

*During the past 30 years, the failures of our economy have all occurred when we failed to control the ratio between accumulation and consumption... We have learned from our 30 years of experience that, our production level being what it is now, development can push forward at a high speed only if we keep our accumulation rate at about 25 per cent or slightly higher. To push it up to 30 per cent or higher will upset the balance of our economy. When that rate reaches 40 per cent, a decline will occur.*

*After the downfall of the Gang of Four, there should have been a breathing space during which we could readjust our displaced balance. But the year 1978 saw*

another 'leap forward', which pushed the accumulation rate up to 36.5 per cent, and this completely laid bare the upset balance. But the readjustment came in time, and the principle of that readjustment was to improve the people's standard of living and cut back the scale of capital construction. This was an entirely correct principle.

Because of the present price structure and the existing imbalance in supply and demand, the role accorded to economic regulation by the market force can only be limited. An abrupt and full exposure to the market force could play havoc with the economy. As Xue puts it:

*The supply of many commodities is as yet unable to satisfy the market demands, and therefore the mandatory plan of the state can only be restricted gradually. Once the dislocation in the national economy is set right in the main and a fundamental balance is achieved between production and demands, the mandatory plan can be restricted as much as possible. The general orientation will then be for the state to provide the enterprises with reference production targets, market information, and guidance as to the direction for the development of production. The concrete steps of guidance will consist of the use of economic levers, such as the price policy, tax policy, regulation of bank credits and loans. With these the market can be revitalized and industrial production will fall into line with the market demands.*

Instead of planned economy and market economy being constantly at loggerheads, Xue sees an organic link between the two. He contends that the two are complementary. To integrate the two does not mean that the production of certain commodities will be regulated by plans and certain other commodities will come under the control of the market force. What Xue believes will happen is that planned regulation will be largely put into effect through market regulation, for a good plan is one which is sensitive to the demand and supply on the market.

### *Separation of Powers*

In the process of developing a democratic system which conforms to socialism and ensures the success of the Four Modernizations, China's political scientists are taking a second look at some of the principles and theories underlying bourgeois democracies, including the concept of state power. The political

scientists want to know to whom power should ultimately belong. Should this power be restricted or unrestricted? Should it be divided?

The separation of powers in Western democracies has been considered a device by which the bourgeoisie used to keep power in its own hand. None of the socialist states which followed Moscow's example would accept Montesquieu's concept of the separation of powers. China was no exception. Even after denouncing the Soviet Union as revisionist, and especially since the beginning of the Cultural Revolution, the centralization of power in China, instead of being diluted, had reached an unprecedented degree. Under the slogan of 'unified leadership', power was centralized in the Communist Party. At provincial and lower levels a same set of people manned both the party committee and the revolutionary committee. The merger of the party and state was complete. Often, where democracy was only paid lip-service, the top man in the committee became a dictator.

In re-examining failures of the past 20 years or so, Chinese, both leaders and the rank and file, have traced such failures and the rise to power of persons like Lin Biao and the Gang of Four to the concentration of power in a few or even in one man. It was in rectifying this situation that people began to review not only Marxist ideas, but also some bourgeois views.

Zhang Shangzhuo, in an article in the *People's Daily*, has some sympathetic words for the bourgeois view on the sovereign power. He points out that it was in the 17th and 18th centuries that the principle of powers belonging to the people was established in the course of the American Revolution and the French Revolution. He also points out that, in the view of the Western political philosophers like Montesquieu, powers must be restricted because they can be exercised only by the representatives of the people, and not the people themselves. Furthermore, powers can and must be divided, both horizontally and vertically.

Now the division of powers has begun in China. A form of collective leadership is now being advocated. Offices will be limited to fixed terms. Some of the powers now held by the central authorities will be relegated to the lower echelons. At the county level deputies are to be elected directly by their constituencies with no interference from above. In economic work, powers will be relegated to

the enterprises, which will keep part of their earnings, and where ultimately workers will elect their management executives. A form of check and balance which one sees in the West between the legislative, executive and judicial powers is coming into being. With the separation of the party and state, the party will become a part of this check and balance.

Concluding his article in the *People's Daily*, Zhang writes:

*Of course, our socialist democratic system and the bourgeois democratic system are different in essence. Classic Marxist writers have long pointed out penetratingly that the principle of power lying with the people in a bourgeois society is merely a device to deceive the broad toiling masses and that all the powers of a bourgeois state are actually held in the hands of the bourgeoisie. However, Montesquieu's theory of the separation of powers and the principle of check and balance he advocated, and also the historical experience accumulated in practice by for example the American bourgeoisie in the two centuries during which it established a bourgeois democratic system and fought to prevent the rise of autocracy, are all part of a cultural heritage of the mankind in their fight against feudal autocracy. Such experience has taught the people that state power should not be over-centralized, or be centralized in one organ or in the hands of a single man. From all of this above, we of a socialist country which has had a long feudal tradition, and which is still under the strong influence of the feudal remnants, should do well to draw certain lessons and benefits.*

If China is to adopt some of the fore-going principles and learn from some of the lessons which she obviously has begun to do, and if she is to include the party in the whole political system of check and balance, what will be left of the time-honoured tradition of the Communist Party exercising leadership over all fields of the country's activities?

The party leadership, though still upheld, will have to be redefined. A Supreme Court directive states that party committees are not to interfere with the hearings and verdicts of the courts at various levels. And the separation of the party and state must have changed the nature of the party's leading role. There are indications that in future the party should assume an ideological leadership over the

country. It should from time to time chart the road along which the country is to advance. It should see to it that the country keeps to a socialist orientation. It should lead the nation but not rule over it or govern it. It should appeal, explain, educate, persuade, encourage, but not legislate, issue directives, or pass verdicts or sentences. It attempts to win the hearts of the people, but does not coerce.

#### *Party's Leading Role in Literature*

The controversy over the leading role of the Communist Party in art and literature surfaced for the first time since Liberation in 1955, when Hu Feng, one of Lu Xun's protégés during the 30's in Shanghai, objected to the 'fetters' he said the party had put around artists and writers. Hu's words were hardly seen in print, though he was denounced as the leader of an anti-party counter-revolutionary group, and until recently, the leading role of the party had rarely been questioned, though Hu Feng was rehabilitated after the downfall of the Gang of Four.

With the redefining of the party's leading role, however, this controversy was renewed recently, when the *People's Daily* published on 17 September a long letter to the editor by two readers in Beijing, Fu You and Ma Xiuqing, which I think I should cite at length.

The two begin with the renewed vigour in art and literature in China. They write:

*Since the breaking down of the various spiritual fetters imposed by Lin Biao, Jiang Qing, Kang Sheng and company, the revolutionary and progressive tradition of art and literature has been restored. People are exploring and opening up new frontiers. Large numbers of young artists and writers are maturing fast. This is what people during the tumultuous ten years would not have dared imagine. Nothing even during the 17 years before the 'Cultural Revolution' could be compared with what is happening now. The situation has never been so excellent in the realm of art and literature. . . .*

The two then go on to depict what is not 'entirely satisfactory'. They write:

*Our art and literature has become much more lively than before, but in many aspects a rigidity still persists. The leadership in art and literature has undergone some improvement, but questions are still galore. There are those who just let things run their own course and refuse to lift a finger to carry out the party's related prin-*

ciples and policies. Then there are those who disregard the objective laws of art and literature. Theirs are the last word. They can issue directives at will. Even more often one finds that there is much to be desired in the relations between the leadership and the artists and writers. Power is over-centralized among the leading cadres. Especially noticeable is the question of the all too tight controls. We have also felt that, recently, the phenomenon of rude interferences has again reared its head. All this could become more and more serious if nothing has been done to set it right.

When some works, for example even films which have been made, are deemed problematical by certain leaders, their screening can still be banned. Journals that are already off the press have been ordered destroyed or taken out of circulation. There have been cases in which some works, though containing shortcomings, are nevertheless good on the whole and very popular among the people. And yet there were leading cadres who insisted on denouncing them as 'noxious weeds', and their authors were submitted to personal attacks or became the victims of political frame-ups. Some leading organizations not only improperly tell writers what to write and how to write. They even go so far as to question the propriety of some details in a work, the name of the writer and the title of a journal!

Take films, the most popular form of art. How can one imagine that this nourishment for the minds of hundreds of millions of people could be controlled and distributed by a single department which actually controls the life and death (of any work). How can one imagine that the creation of art and literature, which Lenin described as something 'on which one cannot impose a mechanical average, uniformity, and the principle of the minority complying with the majority' and something for which 'full room must be guaranteed for individual creativity and personal preferences', could be carried out in a highly centralized way, and that a small minority should be allowed to decide what millions of people should read and should not read?

To a certain extent the structure of our leadership in art and literature has come to a point where no progress will be made if no reform is carried out. The spiritual production in the realm of art and literature is also confronted with the urgent question of

*transforming the 'relations of production' and emancipating the productive forces.*

Publishing the full text of this letter under the title 'Improve the Party's Leadership over Art and Literature and Vitalize the Cause of Art and Literature', the *People's Daily* calls upon its readers to discuss the questions raised and air their views.

Following this a seminar sponsored by the *People's Daily* was held. Many came to offer their views on that subject and some of these views have since been published in the *People's Daily*. On 4 October prominent place is given to Huang Zongjiang, a celebrated script writer attached to the August First Film Studio. Under the title 'There is No Place for Bureaucracy in the Realm of Art and Literature', he says:

*How to play a leading role in the realm of art and literature? . . . I think it is most important to give full play to democracy. We must persist in the principle of 'the hundred flowers'. Art and literature will flourish when you give it free rein, but it will wither when suffocated. We must let it bloom till the era of communism. It always gives me the shudder when I hear someone say that democracy is merely a means to an end, as if the means can be set aside as soon as the end is accomplished. I agree with the view that democracy is both a means and an end . . .*

*. . . In the realm of art and literature, you must not let anything alarm you. Don't keep a tight rein. Take the theme of love. In the past a strict ban on this was also imposed in Japan. An official announcement in Japan in 1936 banned kissing from the screen. Now there is almost no movie in Japan which does not depict kissing, and no movie which does not depict nudes. Things pushed to one extreme always bounce back to the other extreme. This is also what we like to call 'punishment' . . .*

Lan Guang, the party secretary and deputy director of the China College of Experimental Drama, begins with the necessity of building more theatres, and ends his talk on a note upholding the blooming of the hundred flowers. He says:

*If the principle of 'the hundred flowers and hundred schools' represents the mass line in art and literature, it is all the more necessary to allow writers to test their works in practice and among the masses. While*

*adopting the policy of 'giving full reign', one must not be afraid of the emerging of works whose social effects may not be all that desirable, or works which are actually 'noxious weeds'. The leadership can lead the people in a debate. Only by having the 'blooming' and the 'debate' side by side will democracy in art become fully developed and art flourish. . . .*

Lu Jun, editor of the journal *Film Scripts* raises the question of legislation for art and literature. He Says:

*To put into effect the party's principle of 'the hundred flowers', I think that there should be a law. It should defend the rights of the art and literature workers and ensure the full implementation of the party's 'hundred flowers' principle. No works should be written off because of flaws as long as their political orientation is not reactionary. . . . There should be a law for films, for example, which sets out the conditions under which scissors should be applied to some films while other films should be banned all together. The concepts of anti-party and anti-socialism should be clearly defined. How much democracy should be accorded to workers in art and literature? All this should be put down as law. . . .*

But Lu Jun here seems to contradict himself when he says that the final judgement for any work should lie with the people. He says:

*To play a leading role in the realm of art and literature, the key lies in leading and not in dyking and damming. What can dyking and damming achieve? If the artists and writers themselves are not convinced, all dyking and damming will be useless. We can have recourse to criticism and self-criticism, positive literary criticism, and fully democratic discussions. We should leave it to the people to judge. We should leave it to the writers and his readers to appraise and to draw their own conclusions.*

Lin Shan, secretary of the secretariat of the Chinese Film Workers Association, calls for a good leading organization. He says:

*Are the Ministry and Bureaus of Culture necessary? Is it right to leave everything to the decision of the Ministry and Bureaus? Is it right to rule cultural organizations in a rigid administrative manner? I also support the view the less control the better. Only under such a principle can we revitalize art and literature. . . . Last year the*

*power of film examination was relegated to the individual studio, and film production became more lively. . . . The question today is whether the authority to approve films for screening should also be given over to individual studios?*

'Who Should "Examine and Approve" the Works of Art and Literature?' The answer given by Shao Hua writing under the foregoing title is the people and only the people. He writes:

*Whether in the category of natural sciences or in that of social sciences, whether it concerns academic theories or works of art and literature, there should not exist the relations which exist only between superiors and subordinates. Nor should there be any question of the minority being subordinate to the majority. All that is relevant is the principle of 'the hundred flowers'. . . . A truth is a truth no matter who is in possession of it. In line with this principle, leading members on one side and writers and artists on the other are all comrades. There are no 'commanders' or 'judges'. . . .*

*. . . . All new films made and new plays produced should be screened or staged. Leading comrades at any level can offer their comments. If the writers and artists agree with these comments, they will make necessary corrections. If they don't, they will go on with their shows. If their views are rejected, leading comrades can have their critiques published. This should not be regarded as a vicious attack. The writers and artists can assent to such comments or contest them, and this of course should not constitute any 'boycott of the party leadership'. Other people and readers can join in such debates. . . .*

*. . . . Politicians and natural scientists make mistakes, and artists and writers also make mistakes. If a real mistake is made (some 'mistakes' said to have been made in the art and literature circles were, according to some comrades, no mistake at all), now it is only rarely that a political campaign will be launched to correct it. But recently and in some places, 'quasi'-campaigns or 'imitation'-campaigns have been staged. 'Enlarged meetings' have been called. Work teams have been sent out. The 'masses' have been mobilized to start 'mini-rectifications' and 'mini-reorganizations'. Efforts have been made to 'unify the people's thinking' and reorganize*

leading organs. In the end all these will be proved in practice counter-productive.

If you want a horse to run, you have to allow it to stumble. You mustn't whip it when it is down. You should help it up and let it run again.

The most outspoken of all is what Zhao Dan, China's outstanding veteran film actor, had written from his death-bed. Here are excerpts from what should be considered Zhao's testament published in the press on 8 October, two days before his death:

*I know that whenever some of us artists—who have been unswervingly loyal and dedicated to the cause of the party—heard the words 'strengthen the party's leading role', like a conditional reflex they would feel apprehensive. Experience in a series of political campaigns has shown that every call for strengthening would lead to turmoil, unreasonable interference, and finally 'all-out dictatorship'. The memories are still fresh and one still has this odd feeling, when one hears this word. No more 'strengthening', please!*

*In my opinion, to strengthen and improve the party's leading role in art and literature should only mean to grasp and fully put into effect the party's policy on art and literature. To be more precise, it means for the party to firmly put into effect the principle of 'the hundred flowers'.*

*... One would wish that the party did not tell the writers how to write or the actors how to act. Art and literature is the artists' and writers' own affairs. If the party puts too strict and too rigid a control over it, art and literature will become hopeless, will be finished. ...*

*Which writer began to write at the party's bidding, and then became a writer? Did Lu Xun or Mao Dun write at the behest of the party? or did they write whatever the party had asked them to? Who then made Marx write? ...*

*The force of artists and writers is said to*

*be several million strong. Why is it that at almost every level—central, provincial, district, county, commune and factories and mines—there will always be someone who is ignorant or partially ignorant of art and literature who will be appointed to lead art and literature—as if without this somebody's mind can never be set at rest. It has been almost impossible for us to see the logic in this practice. ...*

*... Everyone who 'leads art and literature', to show his dedication, will always say something about the creative art. They all have their different views which seem impossible to be composed. Take the work on the film Lu Xun. For a total of 20 years since the first camera test in 1960, I have had to grow a moustache, shave it off, and then grow it again. ... In a country as big as ours, we should certainly have room for three or even five different film versions of Lu Xun, each with its own style, each set in a different period in the literary giant's life, and each revealing a different angle. But now, even the one which we had planned has failed to take off. ...*

*Creative art has its own individuality. It cannot be decided upon by a show of hands. You can evaluate it. You can criticize it. You can encourage it. And you can shout bravo at it. But if you set it in a whole historical period, you will find that it should not and cannot be forced into a strait-jacket.*

*Habits are not truths, and bad habits should not be held up as an irreversible system. No good creative work can survive through checkpoint after checkpoint for examination and approval. Throughout all the ages, not a single masterpiece has been the result of official examination and approval!*

*Zhao Dan is dead, but the discussion to which he contributed his last words are still going on.*

*Lee Tsung-ying*