

CHINA KNOWLEDGE SERIES

THE SOCIALIST
TRANSFORMATION
OF THE NATIONAL ECONOMY
IN CHINA

HSUEH MU-CHIAO, SU HSING
AND LIN TSE-LI



FOREIGN LANGUAGES PRESS
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Introduction

On October 1, 1949 the People's Republic of China embracing one quarter of the world's total population was established in the East. After Russia's great October Socialist Revolution this event constituted another important turning point in the history of the world. It immensely strengthened the forces of the socialist camp and weakened those of imperialism.

The founding of the People's Republic marked the virtual end of the bourgeois-democratic revolution and the beginning of the proletarian socialist revolution in China. The era of semi-colonialism and semi-feudalism was ended for ever. The Chinese working people have now entered the great new era of socialist revolution and construction. ✓

For the past one hundred years China had been in semi-colonial and semi-feudal bondage. For a long period of time the imperialists had controlled the main arteries of China's economic life, transforming her into a market where they scrambled for raw materials, dumped their commodities, and to which they exported their capital. ✓

Before the War of Resistance to Japanese Aggression (1937-45) the imperialists monopolized 70 per cent of China's coal production, over 95 per cent of her iron, 73 per cent of her shipping tonnage (83.8 per cent of this being ocean-going), and by far the greater part of her

public utilities. They also exercised control over her banking, insurance and foreign trade.✓ Taking advantage of their various special privileges, they extorted enormous profits from China. Before World War II China was a battle-ground where the imperialist nations — Britain, Japan, the United States, Germany and France — haggled over spheres of influence and waged sharp struggles against each other. During the war, Japan carried out unbridled armed aggression against China, crowded out Britain, the U.S. and the others and seized by force most of China's markets and resources. With the victory over Japan the U.S. imperialists stepped into the shoes of the Japanese, thus becoming the major aggressive force in China.✓

After the invasion of foreign capital and the development of Chinese capitalism the feudal economic structure was impaired to some degree. But just as Mao Tse-tung wrote in 1939: ". . . The exploitation of the peasantry by the landlord class — the basis of feudal exploitation — not only remains intact but is linked with the exploitation of comprador and usurer capital, and holds an obviously dominant position in China's social-economic life."¹ In the countryside the landlords and rich peasants, who numbered less than 10 per cent of the population, owned over 70 per cent of all arable land, but middle peasants, poor peasants and farm labourers, who numbered 90 per cent of the population, owned less than 30 per cent of the total amount of such land. The peasants had to give about 50 per cent of what they produced to the landlords for the land they rented. For all their toil

¹Mao Tse-tung, *Selected Works*, Lawrence and Wishart, London, 1954, Vol. III, p. 80.

through the year they had insufficient food and clothing for themselves. ✓

The capitalist economy of old China consisted of two different sections. One was national capitalism — consisting mainly of medium and small enterprises. These were connected in a thousand and one ways with imperialism and feudalism but, as they were oppressed and preyed upon by imperialism and at the same time fettered by feudalism, constant contradictions existed between them and both imperialism and feudalism. The national bourgeoisie, who controlled this section of the national economy, was comparatively weak, both politically and economically. The other section was feudal, comprador, state-monopoly capitalism, i.e. bureaucrat capitalism. It was represented by the “Four Big Families” — Chiang Kai-shek, T. V. Soong, H. H. Kung and the Chen Ko-fu and Chen Li-fu brothers. It was built up mainly during the twenty-odd years’ rule of the Kuomintang reactionaries, who used their counter-revolutionary political ✓ power to ruthlessly exploit and plunder the people of the whole country. It was entirely dependent on foreign imperialism and linked with feudalism within the country. After the victory over Japan, when the reactionary Kuomintang government had taken over the properties in China of the imperialist countries — Japan, Germany and Italy — bureaucrat capitalism reached the height of its development, controlling the main arteries of the country’s economy. This state-monopoly capitalism not only oppressed and exploited the workers and peasants but also strangled the growth of national industry and encroached upon the interests of the national bourgeoisie. Like imperialism and feudalism it was a great obstacle

to the development of the productive forces of society. Mao Tse-tung pointed out: ✓

Aside from abolishing the special privileges of the imperialists in China the object of the new-democratic revolution is to end exploitation and oppression by the landlord class and bureaucrat-capitalist class (the big bourgeoisie) in the country, change the feudal and comprador relations of production, and release all productive forces from fetters.¹

The process of abolishing the special privileges of the imperialists in China and eliminating the feudal and comprador relations of production was in nature a bourgeois-democratic revolution. It was a combination of the national revolution against imperialism and the democratic revolution against feudal rule. But the democratic revolution of China was carried out after the victory of the great Russian October Socialist Revolution. The whole world had entered the era of proletarian revolution, and the socialist system was becoming stronger, while the capitalist world was sinking like the setting sun in the west. Furthermore, in China, as the national bourgeoisie had a dual political character — desiring to oppose imperialism, feudalism, and bureaucrat capitalism, while at the same time maintaining certain connections with them — they were constantly vacillating and prone to compromise. They were quite unable to bear the responsibility of leadership in the revolution and therefore it had to fall on the shoulders of the proletariat and its political party, the Communist Party, the most revolutionary and advanced political force in China. The

¹*The Present Situation and Our Tasks*, Chinese edition, Hsin-hua Bookstore, Peking, 1949, p. 27.

worker-peasant ^{同盟} alliance, led by the working class, furnished the basic strength for this revolution. For this reason China's democratic revolution was no longer the old, general bourgeois-democratic type, but a new type, a people's democratic revolution led by the proletariat. It had therefore become a part of the world's proletarian revolution. The final result of this revolution was to lead China away from capitalism and towards the realization of socialism. Mao Tse-tung said in 1939: ✓

. . . The whole Chinese revolutionary movement led by the Chinese Communist Party is a complete revolutionary movement embracing the two revolutionary stages, democratic and socialist, which are two revolutionary processes differing in character, and that the socialist stage can be reached only after the democratic stage is completed. The democratic revolution is the necessary preparation for the socialist revolution, and the socialist revolution is the inevitable trend of the democratic revolution. And the ultimate aim of all Communists is to strive for the final building of socialist society and communist society.¹

Mao Tse-tung's analysis of the nature and future of China's revolution stemmed from the unified Marxist-Leninist principles of uninterrupted revolution and its development by stages. He opposed not only the viewpoint of Rightist capitulation which meant stopping the revolution at the democratic stage, but also the viewpoint of "Leftist" adventurism which meant a jump over the stage of democratic revolution. He insisted that socialist factors (mainly the leadership of the proletariat) should be developed during the stage of democratic revolution so

¹Mao Tse-tung, *Selected Works*, op. cit., Vol. III, p. 101.

that the transition to socialism might be realized on the basis of the victory of the democratic revolution. He also insisted that the two stages of revolution should not be confused and that in general during the stage of democratic revolution no policy should be adopted that went beyond its limits. It was precisely by following the directives given by Mao Tse-tung that China's revolution was victorious.

From the founding of the Chinese People's Republic to the attainment of a socialist society is a period of transition from capitalism to socialism. At the beginning of this period, a people's democratic dictatorship led by the working class and based on the worker-peasant alliance, in other words a proletarian dictatorship, was established; all special privileges enjoyed by the imperialists in China were abolished; bureaucrat capital was confiscated; and a strong, socialist state sector of the national economy set up. Through land reform the system of feudal landownership by the landlord class was changed into that of peasant ownership. All this radically changed China's economic and social structure.

During the early period of transition the national economy consisted of three main sectors, i.e. the socialist state sector, the sector of individual ownership of the peasants and handicraftsmen, and the capitalist sector. Connected with these were the three basic classes, i.e. the working class, the peasantry and the urban petty bourgeoisie and the bourgeoisie. Besides these three main sectors there were two others, i.e. the semi-socialist co-operative sector (there were very few co-operatives of a socialist nature in those days) and state-capitalist sector, both being transitional in nature. Of these five, the socialist state sector occupied a leading position. The

economic structure and class relationships of the transition period determined its main contradiction, i.e. the contradiction between taking the path of socialism and that of capitalism, or a struggle between the proletariat and the bourgeoisie to decide "who will win."

Lenin once said in the early period of Russia's October Socialist Revolution:

Theoretically, there can be no doubt that between capitalism and Communism there lies a definite transition period. It cannot but combine the features and properties of both these forms of social economy. This transition period cannot but be a period of struggle between moribund capitalism and nascent Communism — or, in other words, between capitalism which has been defeated but not destroyed and Communism which has been born but which is still very feeble.¹

These words of Lenin's were not only applicable to the Russia of his time but can also be applied to China or to any other country when it passes from capitalism to socialism.

The main task in the period of transition from capitalism to socialism is to carry out socialist revolution and socialist construction.

According to the experience of the Soviet Union and other socialist countries, during the process of socialist revolution and construction, all nations must observe the general laws applicable to all countries going along the path of socialism in spite of the great variety of historic national peculiarities and traditions. The Declaration of the Meeting of Representatives of the Communist and

¹V. I. Lenin, *Selected Works in Two Volumes*, Foreign Languages Publishing House, Moscow, 1952, Vol. II, Part 2, p. 277.

Workers' Parties of the Socialist Countries held in Moscow in November 1957 pointed out clearly that these laws are as follows:

Guidance of the working masses by the working class, the core of which is the Marxist-Leninist Party, in effecting a proletarian revolution in one form or another and establishing one form or other of the dictatorship of the proletariat; the alliance of the working class and the bulk of the peasantry and other sections of the working people; the abolition of capitalist ownership and the establishment of public ownership of the basic means of production; gradual socialist reconstruction of agriculture; planned development of the national economy aimed at building socialism and communism, at raising the standard of living of the working people; the carrying out of the socialist revolution in the sphere of ideology and culture and the creation of a numerous intelligentsia devoted to the working class, the working people and the cause of socialism; the abolition of national oppression and the establishment of equality and fraternal friendship between the peoples; defence of the achievements of socialism against attacks by external and internal enemies; solidarity of the working class of the country in question with the working class of other countries, that is, proletarian internationalism.¹

These universal truths have shown the proletariat of all countries the broad road leading to socialism. Whoever exaggerates national peculiarities and ignores these general laws will certainly fall into the quagmire of revisionism.

¹*Hsinhua News Agency Release, November 22, 1957.*

The "Programme of the League of Communists of Yugoslavia," put forward by the Seventh Congress of this league, held in April 1958, concentrated its attack on the general laws of socialist revolution and construction enunciated in the Moscow Declaration. This out-and-out revisionist programme shows that members of the leading group of Yugoslavia have degenerated, politically and ideologically, into renegades of the working class and become the faithful lackeys of imperialism. Consequently, they have been criticized and denounced by all Marxist-Leninist parties throughout the world.

To recognize that there are general laws governing the socialist revolution and construction for all countries does not mean that the Communist or Workers' Party of any country should mechanically copy the policies and tactics of the Communist Party of another country without considering the concrete historical conditions of its own. Lenin once stated:

All nations will reach socialism; this is inevitable. But not all nations will reach socialism in the same way; each will introduce a special feature in the form of democracy it adopts, in the form of the proletarian dictatorship, and in the rate at which it carries out the reconstruction of the various phases of social life.¹

Political and economic development being uneven during the era of imperialism, the social and economic conditions of various countries were by no means the same prior to victory in the proletarian revolution. Some of them had a capitalist society while others had a colonial or semi-colonial and semi-feudal society. Con-

¹V. I. Lenin, *Collected Works*, International Publishers, New York, 1942, Vol. XIX, p. 256.

ditions were also varied and complicated even in societies of the same type, were they capitalist, colonial, or semi-colonial. In the course of their revolution the proletariat of some countries seized state power from the hands of their own bourgeoisie, while in others they wrested power mainly from the hands of foreign aggressors; some waged civil war while others did not. Besides, it was in different international situations that these countries passed through their transition periods. One country gained its victory in socialist revolution on the strength of its own efforts alone. In building socialism and waging struggles against imperialism, it had the support of the working class of the whole world but there was then no other socialist country which could help it. Some countries, however, carried out such tasks in an era when victory in socialist revolution in many countries had already been gained and socialism had become a world system. Therefore, they received aid from other fraternal socialist countries. Furthermore, each country had its own characteristics in history, cultural tradition, geography, population, etc. The Moscow Declaration stated:

The Communist and Workers' Parties of the socialist countries should firmly adhere to the principle of combining the universal Marxist-Leninist truth with the specific revolutionary practice in their countries, creatively apply the general laws governing the socialist revolution and socialist construction in accordance with the concrete conditions of their countries, learn from each other and share experience.¹

¹Hsinhua News Agency Release, *op. cit.*

A country or nation is sure to commit the mistake of doctrinairism if it does not pay enough attention to its own specific characteristics but mechanically copies the methods used by other countries.

Like all other Marxist-Leninist political parties of the world, the Chinese Communist Party has always looked upon the October Revolution as its guiding light. The general laws of socialist revolution and construction have been, are, and will be its guide to action. As Mao Tse-tung said:

It is precisely by taking the path of the October Socialist Revolution, that we Chinese people have scored our present victories and achievements. The Chinese people have always considered their revolution to be a continuation of the great October Socialist Revolution and have looked upon this fact as a great honour.¹

On another occasion he said:

The Chinese revolution has its own national characteristics and it is entirely necessary to take these into consideration. But in our own revolution and socialist construction we have made full use of the rich experience of the Communist Party and the people of the Soviet Union.²

To apply the general laws of socialist revolution and construction and to learn from the experience of the

¹Quoted from Chairman Mao Tse-tung's speech at a banquet given in honour of President Voroshilov on April 17, 1957.

²Chairman Mao Tse-tung's speech at a joint meeting of the Soviet of the Union and the Soviet of Nationalities of the Supreme Soviet of the U.S.S.R. held in Moscow on November 6, 1957 in celebration of the fortieth anniversary of the great October Socialist Revolution, *People's China*, No. 23, 1957, p. 6.

Soviet Union, it is necessary to have a correct guiding principle which is to combine the universal truth of Marxism-Leninism with the concrete practice of China's revolution. The Chinese Communist Party's experience gained in more than thirty years proves that so long as it follows this principle the revolution will develop and triumph, while, on the contrary, if it deviates from it the revolution will suffer certain setbacks and defeats. In this respect Mao Tse-tung furnishes the most outstanding example of a leader who combines the universal truth of Marxism-Leninism with the concrete practice of China's revolution, and the spirit of strict adherence to principles with the spirit of versatile creativeness.

From the political standpoint, state power during the transition period in China is a people's democratic dictatorship under the leadership of the working class and with a worker-peasant alliance as its basis. The functions of this dictatorship are: first, to curb, within the country, the reactionary classes, the reactionaries and exploiters who offer resistance to socialist revolution and the saboteurs of socialist construction; and secondly, to defend the country against possible aggression and subversive activities carried out by foreign enemies, so that the entire people can carry on their peaceful work of building China into a socialist country possessing modern industry, agriculture, science and culture. Thus the people's democratic dictatorship is in essence a proletarian dictatorship. It is, in its basic nature, the same as the state power of all countries which are passing through a transition from capitalism to socialism. But China's state power has adopted its own form and characteristics. Since the founding of the People's Republic, the Chinese national bourgeoisie and many leading persons of its polit-

ical parties and groups have participated in the work of the government, which is organized on the principle of proletarian dictatorship, and continued to maintain their political alliance with the working class and the Communist Party for the cause of socialism. In this respect, the conditions in China are different from those in the Soviet Union after the October Socialist Revolution. The main reason for the difference is that the Chinese bourgeoisie has a dual character both during the stage of democratic revolution and that of socialist revolution. Mao Tse-tung said:

In the years of the bourgeois-democratic revolution, there was a revolutionary side to their character; there was also a tendency to compromise with the enemy, this was the other side. In the period of the socialist revolution, exploitation of the working class to make profits is one side, while support of the Constitution and willingness to accept socialist transformation is the other.¹

Thus, so long as the leading position of the working class is ensured, it is more profitable for the proletariat and the socialist revolution to preserve the political rights of the bourgeoisie than to deprive them of these. Lenin once stated: "... The question of depriving the exploiters of the franchise is *purely a Russian* question, and not a question of the dictatorship of the proletariat in general."² Under the concrete conditions existing in China, it involves no violation of the principle of prole-

¹Mao Tse-tung, *On the Correct Handling of Contradictions Among the People*, Foreign Languages Press, Peking, 1959, p. 10.

²V. I. Lenin, *Selected Works in Two Volumes*, op. cit., Vol. II, Part 2, p. 63.