

POSTREVOLUTIONARY CHINA AND THE SOVIET NEP

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A comparison of the New Economic Policy (NEP) in the USSR and the economic changes in post-Mao China reveals similar modernization policies that occur in radically different historical conditions. Nonetheless, state capitalism in both NEP Russia and post-Mao China will be shown to be the results of political struggles at crucial historical conjunctures.

The NEP occurred from 1921 to about 1928—relatively early after the Russian Revolution of 1917 and immediately following victory in the civil war that followed. The NEP was a set of capitalistic policies that included market incentives for the peasantry to increase grain production quickly and productivity measures to restore industrial production to prewar levels. Although Lenin saw the necessity of averting famine and establishing the USSR's industrial and military might against foreign intervention, it would be hard to argue that a charismatic Lenin tried to institutionalize the revolution in the NEP.¹ The NEP was, instead, a temporary historical measure that was abolished with time by

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Stalin, who was a strong supporter of the NEP until historical circumstances changed.

Both the Soviet NEP and the Chinese NEP from 1960–62 were crushed—all the more thoroughly in the Chinese case because of China’s hindsight with regard to Soviet experience. However, since 1976 and 1978, Chen Yun and Xue Muqiao—two Chinese NEP style economists have been enjoying an unprecedented heyday. Modernization theory, convergence theory, indeed any determinist theory cannot explain the early appearance of the NEP and its abolition. Nor does the pull of modernization explain the swiftness and thoroughness of the counterrevolution in China in 1976. A superior explanation of the similarities of the Soviet NEP, the Chinese NEP, and the post-Mao economic changes is that the NEPs were reforms and the post-Mao situation reflects a social revolution.² All three involved political choices in given historical circumstances.

The similarity of the NEP and current Chinese economic policy can be shown in agriculture. This leads one to ask whether China’s current agricultural organization will meet the same fate as precollective agriculture under Stalin. Will the Chinese Communist Party recollectivize agriculture and reestablish its preeminent authority?³

Perhaps at no time in history did Soviet agriculture resemble post-Mao agriculture more than during the NEP. In 1927 in Russia, individual farmers produced 92.7% of the grain available for exchange, collective farming providing the rest. In 1924, 1.3%, and in 1929 2.9% of peasants and craftsmen were employed on collective farms (Bettelheim, 1978b, p. 85). By 1930, all this changed with Stalin’s drive or collectivization. Stalin’s role in history and the collectivization of agriculture were not inevitable, but any path toward collectivization would have undercut the role of the individual farmer on the market.

Today in China, the highly collectivized pattern of land tenure and accounting has been reversed. Formerly reliant on units of account the size of a 30- to 40-member team up through brigades (and even communes of tens of thousands), over 50% of Chinese households have family contracts for grain production (Zweig, 1983, p. 882). All the new basic forms of remuneration and organization involve a contract with units smaller than the team, whether remuneration be for a specialized kind of production, a family’s output, or an individual’s labor. The fact that private plots increased from the Cultural Revolution maximum of 5% to 15% in 1979 (Klatt, 1983, p. 7) is really secondary to the fact that the only difference between family contract farming and private farming is that the land cannot be sold and sometimes the family borrows tools from the team. So-called total responsibility farming requires a minimum of product sales to the market and a tax to the state. In this form there is no real output quota (Zweig, 1983, p. 883).

During the NEP the policy was the same. Indeed, the key to that reform, according to Lenin, was the replacement of requisition from the peasantry with a tax to allow a little room for “local turnover” or exchange (Lenin, 1937, p. 102).

Both periods in question also saw occasional hired labor in the countryside, contrary to the Marxist principles forbidding the exploitation of labor power (Bettelheim, 1978b, p. 97; Zweig, 1983, p. 888; Cohen, 1975, p. 124). Landless and poor peasants of NEP Russia also went to the cities looking for work only to face restrictions on their registering with unemployment bureaus. In 1927 a decree limited seasonal work by peasants in the cities (Bettelheim, 1978b, pp. 298, 326). In China a long-standing labyrinth of administrative rules keeps China's cities from becoming expanding ghettos. Those workers from the countryside who do move into the cities make up the bulk of the unemployed and contract workers (Blecher, 1983).

The most stunning similarity between the two periods is the Chinese Central Committee's literal adoption of Bukharin's exhortation to the peasantry—including the kulaks—to "get rich."⁴ An indication of the difference between the two periods is that Bukharin, even at the height of his influence, was rebuked for this slogan and general outlook by the party (Cohen, 1975, p. 177). Today, in China some peasant families make over 100,000 yuan a year. In contrast, only 6.7% of the peasants had a per-capita income over 500 yuan a year in 1982 (*Beijing Review*, April 30, 1984, p. 16).

NEP Russia and present-day China share an essentially privately organized agriculture based on a new division of land. China went from a highly collectivized agriculture to a patriarchal rural economy in a matter of five years. The Soviet NEP period on the other hand did not occur after a period of extensive collectivization. Thus, China's agriculture took a variety of transitional forms before it came to look like NEP Russia's. However, in industry the story is much more straightforward.

In NEP Russia, financial autonomy and separation of the state and enterprises was decreed in 1921. Each firm was left a "capital" endowment. The firm took responsibility for buying, selling, hiring, firing, and banking (Bettelheim, 1978b, pp. 268–69).

This was not enough, so in April 1923 a decree forced firms to pursue a profit goal. The profits collected by the firm were to go to the Treasury as tax, to the firm for its own reproduction, and to workers as bonuses according to work done (Bettelheim, 1978b, p. 270).

Since 1918 Soviet firms have been under one-man management. One-man management continued through the late 1920s despite some movements calling for greater trade union participation or the return of power to the Soviets. Political discussion inside factories was forbidden (Bettelheim, 1978b, pp. 211, 236, 246, 352).

This kind of industrial organization has been copied in China. The post-Mao leaders have been pushing the autonomy of enterprises from state and party control since 1976, and marketization of industry was given renewed impetus by a Central Committee communiqué in October 1984. Ever more freedom in buying, selling, hiring, firing, and salaries has been enacted (CCP, Oct. 20, 1984, p. 6).

The Chinese also adopted the NEP view of profit. The Chinese now have the “Profit Rate of Capital” as the “Comprehensive Target of Assessing the Operation and Management of Enterprises” (JPRSa, No. 396, Nov. 3, 1983, p. 4). Of the profits earned enterprises are allowed to keep 45%, 55% going to the state as tax. The slogan for profits is “big, medium-sized and small slices” for the government, the enterprise, and workers’ bonuses, respectively, just as in the Soviet NEP (JPRSa, No. 392, Oct. 20, 1983, p. 104).

As for worker participation, the revolutionary committees of the Cultural Revolution have been abolished in favor of one-man management. It is the factory director who is evaluated by the profit of his factory.

There continues to be talk of new experiments in workplace democracy, but so far none of them has had any bite. In some cases workers’ congresses elect the factory director, but it should be pointed out that workers’ congresses are not as inclusive as the all-embracing trade unions. The congresses are often the object of great apathy. In any case, the director is subject to party approval and conflicts between the workers’ congresses and the director are resolved by the party (Xiao Liang, in Lin, 1982, pp. 154, 156, 157; Lockett and Littler, 1983, pp. 693–96).

In actuality, democracy as described in Charles Bettelheim’s *Cultural Revolution and Industrial Organization in China* has been greatly curtailed. Like Lenin who wanted more work and less of “all this ‘ideology’ and all this chatter,” especially during the NEP (Lenin, 1937, p. 262), Deng is constantly decrying “empty talk.” The Cultural Revolution custom of putting up big character posters to criticize one’s bosses and political leaders has been made illegal. One woman in Shenyang put up a poster criticizing her boss and received a one-year jail sentence under laws concerning labor discipline (Mann, 1984, p. c6).

The 1978 constitution removed four rights to proletarian democracy guaranteed by the 1975 constitution—“speaking out freely, airing views fully, holding great debates and writing big character posters” (Selden, 1979, p. 575). The 1978 constitution also “prohibits any person from using any means whatsoever to disrupt the economic order of the society” (Selden, 1979, p. 693). In short, the industrial and agricultural organization of the two periods has been similar. Therefore, it is not surprising that many other economic changes of the two periods are similar.

The new economic structures and incentives engendered an ever greater market and competition in both periods. In an attempt to increase what he called local turnover, Lenin ended up establishing a “nationwide free market”—“the hallmark of NEP” (Cohen, 1975, p. 124). This included a market for labor power. Although agreements were often collective agreements made through trade unions, Soviet NEP only had a minimum wage stipulation in the bargaining between management and workers (Bettelheim, 1978b, p. 242).

China’s agriculture, which has never provided its farmers huge margins over survival as in the United States, manages to produce over 60% for exchange as of 1986—up from 40% in 1978 (*Beijing Review*, No. 9, 1984, p. 4; No. 28, 1986,

p. 28). As explained before, industrial suppliers and consumers also meet through contracts now. Increasingly, China resembles the imperfect market societies of the West.

This is not surprising because it is self-defeating to establish profit as the criterion of production and then have prices that do not reflect the ability of management to work their workers hard for low wages or to employ the cheapest techniques of production. Profit rates only have meaning where there is some freedom for prices to float.

Not surprisingly in both economic systems, competition and questions concerning technology came to the fore. Lenin came out during the NEP for “socialist competition”:

Socialism does not extinguish competition; on the contrary, it for the first time creates the opportunity for employing it on a really wide and on a really mass scale, for drawing actually the majority of the population into an arena of labour in which they can display their abilities, reveal their talents, which are an untapped spring among the people, and which capitalism crushed, suppressed and strangled in thousands and millions (Lenin, 1937, p. 413).

He also noted that capitalist competition involves servile behaviour on the part of the masses, financial fraud, and despotism (Lenin, 1937, p. 413).

The post-1976 Chinese economists have criticized Stalin and have said that competition exists as long as there is commodity production. The trick is to recognize it and channel it to increase production. This kind of competition does not include the role of the masses that Lenin described, but it is a fair indication of the problem of both the NEP and current China (Wang Haibo, in Lin, 1982, pp. 116–117).

It is a small step from understanding the importance of free markets and competition to a profit-oriented economy to seeing why advanced technique became an obsession for both NEP Russia and post-Mao China. Only the cheapest techniques of production survive profit-driven competition.

In 1927 in the USSR, one official’s theory of socialism was that “socialism is a technically higher stage of development of society” (Kuibyshev, quoted in Bettelheim, 1978b, p. 312). Lenin himself once defined socialism as Soviets plus electrification. Industry and agriculture “must be rebuilt on the last word in science. You know that this basis is electricity, that only when the whole country, all branches of industry and agriculture have been electrified, only when you have mastered this task, will you be able to build for yourselves the Communist society” (Lenin, 1937, p. 473).

Deng Xiaoping and his modernization supporters in the party have always been determined on this score. “It is by the adoption of the most advanced technologies that the industrially backward countries catch up with the industrially advanced” (Selden, ed., 1979, p. 668). Furthermore, “to attain our magnificent goal [the Four Modernizations] in the final analysis it is a matter of how to arouse this group of people who have mastered the knowledge of science

and technology so as to give play to their enthusiasm and role” (JPRSb, No. 210, Oct. 13, 1983, p.30). According to the post-Mao leadership, the international technological revolution “presents both new opportunities and new challenges to our economic growth” (CCP, Oct. 20, 1984, p. 3).

This spirit of competing on an international scale conditioned both NEP and post-Mao leaders to regard employment as something subordinate to technique. The Soviet economist Strumilin calculated that the investment of the First Five Year Plan could only create 400,000 industrial jobs (Bettelheim, 1978b, p. 296). Post-Mao economists made the same calculation. Between 28 and 77.78 billion yuan per year would have to be invested by the state merely to hire youth entering the workforce—an impossibility (Fang Sheng in Lin, 1982, p. 180). Obviously, both calculations assumed a prevailing level of technology.

Unemployment increased both in the Soviet NEP period and in China after Mao. Unemployment rose steadily throughout the NEP period. At 1.34 million in 1924, the figure dipped with a new method of calculation and then rose to over a million in 1925/26 to 1.3 million in 1927 and 1.7 million in 1929 (Bettelheim, 1978b, pp. 294, 295). According to Chinese economist Fang Sheng, China is expanding employment, but “at present, an additional 7 million people are joining the waiting lists for jobs every year” (Fang, in Lin, 1982, p. 180). In 1979, urban unemployment was estimated at 10 to 25 million. At 20 million, the nonagricultural unemployment rate would be 17 or 18% (Emerson, 1983, p. 2). Even more ominously there is trend toward underemployment in the countryside given the new techniques and organization of farming. One estimate puts surplus labor at one-third (Watson, 1983, p. 710). For supposedly socialist societies, this kind of unemployment is embarrassing to say the least.

The unemployment in both countries reflects a segmented labor force. In 1928, 43.6% of registered Soviet unemployed were between the ages of 18 and 24. Another 30.8% were between the ages of 24 and 29 (Bettelheim, 1978b, p. 327). In China, the end of the countryside movement whereby urban-educated youth went to work in the countryside meant an immediate doubling of the unemployment rate. Of these unemployed urban youth, 70% are women (Emerson, 1983, pp. 4 and 16). Already women are heading back to the home for lack of regular work and because of the new responsibility system which rewards domestic work on family plots. In at least one county in Zhejiang, over 90% of female laborers have no regular assignments (Croll, 1983, p. 29). The division of the laboring classes by age, sex, and residential area has opened them up to coercion for profit in China, whereas in Cultural Revolution China there was no unemployment (Mason, 1976, p. 7).

Coercion of labor out of labor power in the Soviet NEP meant that 50–60% of large-scale industry workers and mineworkers had piece wages in 1925. In 1928, large-scale industries were discovered to be 60–90% based on piece rates (Bettelheim, 1978b, p. 244). Lenin himself endorsed this system:

When the whole of production is directed towards satisfying the needs of the toilers themselves, wage rates and bonuses should be closely connected with and dependent upon the degree of fulfilment of the production plan. Bonuses in kind and the partial payment of wages in kind must be gradually transformed into a system of supplying the workers in accordance with the degree of productivity of labor (Lenin, 1937, pp. 24–25).

During the Cultural Revolution in China piece rates and scientific management were abolished and bonuses nearly wiped out (Tung, 1982, pp. 143, 183). However, recent changes have tied income so closely to bonuses that a separate tax on enterprises for bonuses came into being in order to control inflation and to keep firms from handing out bonuses to everyone in egalitarian fashion. Moreover, the state abolished the limit holding bonuses to two months of a worker's salary (*Beijing Review*, No. 26, 1984, p. 4).

Finally, post-Mao China took the right to strike out of the constitution and cited Lenin during the NEP to do it. Liao Gailong published an article on the role of Chinese trade unions, adopting wholesale arguments from Lenin's 1922 article on trade unions. The article points out that strikes could only be temporarily justified as a means of confronting bureaucratic distortions in the proletarian state (JPRSa, No. 373, August 17, 1983, pp. 40–46).

Similarities between the Soviet NEP and the so-called reforms of the economy in post-Mao China are striking. Even the official phrasing is often exactly the same. One might be tempted to argue that the post-Mao leadership has a clear legacy from Lenin for its efforts. If post-Cultural Revolution China is state capitalist then so is Lenin's USSR.

In fact, this is precisely the case. Economically speaking⁵ China and NEP Russia are the same. However, the political policies concerning the economic policies are different. Briefly stated, Lenin viewed the NEP as a state capitalist tactic to combat individual economy and various modes of production in the USSR that were less advanced than state capitalism.

For example, Lenin viewed the question of bonuses as a temporary one "under present social conditions" (Lenin, 1937, p. 24). In contrast, according to an economic editor for *Beijing Review*, "Some people have said China's current stress on the role of bonuses is a capitalist method. Granted mainly on the basis of the workers' contributions, the bonus ensures the principle of 'to each according to his work,' and is a socialist wage system" (No. 26, 1984, p. 4). Typically, what Lenin thought to be temporary capitalist methods are seen as permanent and characteristic of socialism by the post-Mao leaders.⁶

In 1928, two NEP economists explained the role of piece rates: "In distinction from the capitalist system, these measures are of a temporary character in Soviet Russia; as the socialist consciousness of the worker is developed and as the old individualist outlook is outlived, both piecework and the compulsory minimum standard will become unnecessary" (quoted in Bettelheim, 1978b, p. 244).

As for markets, Lenin's frequent statement was that "freedom to trade means going back to capitalism" (Lenin, 1937, p. 111).⁷ Likewise for cooperative societies: "Under the conditions prevailing in Russia at present, freedom and rights for the co-operative societies mean freedom and rights for capitalism. It would be stupid and criminal to close our eyes to this obvious truth" (Lenin, 1937, p. 183).⁸ Nonetheless, he called this state capitalism with advantages for the time.⁹

In the political report of the Central Committee to the Eleventh Party Congress in March 1922, Lenin said that "the whole of our New Economic Policy, is the application by us Communists of commercial methods, of capitalist methods" (Lenin, 1937, pp. 332–33). Furthermore, those who said that the NEP was permanent "evolution" and not just "tactics," Lenin called "frank enemies" (Lenin, 1937, pp. 346–7). Thus, he treated as counterrevolutionaries those Mensheviks and Social Revolutionaries that said that the NEP was exactly what they had advocated all along. The point to Lenin was that the NEP was not suprahistorical and the right thing all along (Lenin, 1937, p. 343).

Still, Lenin recognized that economic reforms could impact on the superstructure. The NEP "means transition to the restoration of capitalism to a considerable degree. To what degree we do not know" (Lenin, 1937, p. 260).¹⁰ In 1923, he asked whether or not the "'Nepmen,' i.e., the new bourgeoisie" would win over the peasantry and break the worker–peasant alliance (Lenin, 1937, p. 386).

History in the USSR shows that the "NEPmen" were wiped out by Stalin's "revolution from above." Impatience with the NEP was a continuing theme of the splits in the Communist Party. The downfall of Trotsky largely had to do with his position in favor of exacting a tribute from a militarized peasant labor force for the benefit of speedier industrial development. Later Zinoviev and Kamenev of the Politburo accelerated their attacks on the state capitalism of the NEP. The NEP lasted through these initial assaults of the mid-1920s, but there was continuous vigilance concerning the political line of the party. In particular Lenin concerned himself with the temptation of the petty bourgeoisie to join the Bolshevik party simply because it was the ruling party (Lenin, 1937, pp. 253, 322).

The end of the NEP was largely a result of fears that, as the NEP continued, the kulaks (rich peasants) would gain increasing political influence—that the tinkering in the relations of production that allowed free trade and private agriculture would work their way into the superstructure.¹¹ However, there was also a concern with the historical development of the forces of production. The easy gains of restoring pre–World War I production were running out by the end of the 1920s. Industry revived quickly from 1923 to 1926. One year saw growth of 60% and the next 40%. "Unemployed capital" was in motion 75% of the time by 1925. Thus the most ardent defender of the NEP and the NEP's theoretician—Nikolai I. Bukharin—started to concern himself in 1926 with how to expand industrial capacity and not just utilize existing capacity (Cohen, 1975, p. 210). Moreover, the harvest since 1926/27 declined in 1927/28 and again in 1929

(Bettelheim, 1978b, pp. 333, 341), although by official NEP doctrine there were still easy gains to be had with private agriculture. Finally, the last straw was the procurement crisis, which was viewed as a result of a kulak strike. Charles Bettelheim shows that this procurement crisis should not have been blamed on the kulaks, who were not significant enough to cause the problem of feeding the cities. Nonetheless, the government struggled through administrative measures to obtain grain for the cities. Although Stalin's errors worsened the crisis, there seemed to be a case for moving on to new relations of production that would root out the kulaks' political influence, resolve the procurement problem, and prepare large-scale agriculture to make contributions to industrialization.

The Soviet NEP came into being essentially because of a food crisis created by World War I, the civil war, and foreign intervention. According to Lenin, "the fundamental and principal reason for the change is the extraordinarily acute crisis of peasant farming" (1937, p. 150).

At a theoretical level, Lenin showed that the state capitalism of the NEP was a progressive development given the reality of the USSR's "at least five different social systems" (1937, pp. 159–160). These included nomadic production, small-scale commodity production, private capitalism, state capitalism, and socialism. The enemy of the NEP was the petty bourgeoisie or small-scale production. State capitalism if effected would simplify the economy and ease the transition to socialism (Lenin, 1937, pp. 159–60).¹²

This capitalism held "no terrors" as long as the Bolsheviks held the "commanding heights" of the economy—"factories, works, transport and foreign trade" (Lenin, 1937, pp. 159–60). While the USSR's economy was not socialist and only aspired to state capitalism during NEP, "political power will remain in the hands of the working class and of the workers' state" (Lenin, 1937, p. 162). Socialism meant the political intention and capability to move onto socialist economic organization. Thus, when conditions in the USSR no longer included a war-devastated economy and a food crisis, it is not surprising that the Bolsheviks moved on from the NEP.

The Chinese had their own NEP from 1960 to 1962. According to the U.S. Central Intelligence Agency (CIA), agricultural production dropped 31% during the "Great Leap" period from 1958 to 1960. Industrial production dropped 42% from 1960 to 1961 (Van Ness and Raichur, 1983, p. 7). During this short NEP private farming increased to 50% in some provinces.¹³ Bureaucratic authority in industry was also strengthened.¹⁴ However, production did increase. The state also demonstrated its ability to cut investment.¹⁵ The NEP ended in 1962 by Mao's efforts to bring class struggle to the fore and by the Cultural Revolution, but the heroes of the NEP—Chen Yun, Liu Shaoqi, and Xue Muqiao—are the living and posthumous leaders of post-Mao China.

Herein lies the difference between the Soviet NEP and present-day China. The current leaders of China are the targeted capitalist-roaders of the Cultural Revolution. The victory of the capitalist-roaders culminated in the 1976 arrest of the

leadership of the Cultural Revolution—the so-called Gang of Four. Various splits within the revolutionary left including the coup attempt by Lin Biao, who was second in command to Mao, left the Cultural Revolution vulnerable in 1976 when Mao finally died. The arrest of the Gang of Four cleared the way for the rehabilitation of Deng Xiaoping and his allies. The coup d'état of 1976 by Hua Guofeng and supporters of Deng signaled the political counterrevolution of the current period (see Bettelheim, 1978a).

However, if there were only a political counterrevolution in China, this argument would be as weak as the argument that when the Chinese Communist Party (CCP) becomes threatened remobilization will occur and the reforms of this current NEP period ended. What does it mean to say that the CCP feels threatened? Likewise, what does it mean to say that a party is “revisionist” or “counterrevolutionary”? In Marxist theory, there is little role for social psychology. In fact, the Chinese under Mao abolished sociology and other social sciences for fragmenting knowledge and making ahistorical assumptions about conflict-free society (Siu, 1981).

In place of the social sciences, the Chinese studied political economy (political science, sociology, and economics), dialectical materialism (philosophy), and history or historical materialism. The Maoist charge of “revisionism” points to an omission of the fundamental Marxist emphasis on class struggle and revolution for the dictatorship of the proletariat. A person's politics could be judged by his or her attitude toward workers' participation in management and politics, for instance, or the depiction of classes in art, or the role of political priorities in science. Still, at root the Shanghai School of Political Economy, which included the leading theoreticians of the Cultural Revolution, saw these issues of political policy as based in group interests.

A “revisionist” in the top ranks of the CCP was considered to be in a position to implement policies in his/her own class interests—the bourgeoisie's interest. Policies such as exacerbating the division of labor, expanding the role of bourgeois right (and hence stratification) in terms of distribution, and removing workers from workplace and administrative control can be viewed as the policies favoring the urban, skilled, administrative bourgeoisie. Thus, while it is possible to discuss endlessly the politics and ideology of Deng Xiaoping, the Shanghai School of Political Economy points to the eventual influence of revolution and counterrevolution in the relations of production. (See the essay by Peter Christensen and Jorgen Delman in the bibliography or read the Shanghai political economy text under Wang, ed.) Hence, in this paper it has been to the relations of production after the coup of 1976 that we have turned. The material interests of the current ruling alliance must be examined.

The CCP has succeeded in implementing economic changes not in a time of crisis as after World War I and civil war or after the Great Leap period. According to the figures of the 1984 Chinese government, every sector of the economy grew substantially during the period from 1967 to 1976. National income grew

an average of 4.9% annually; output grew 6.8% annually. From 1966 to 1976 output increased 77%, while population grew 26%. Even the most tumultuous part of the Cultural Revolution from 1966 to 1969 saw rapid growth. 1970's output was 24% above 1966's (*Beijing Review*, March 19, 1984, pp. 21–28).

More indicative than the lack of a production crisis is the lack of petty commodity production in China in 1976. The post-Mao leaders are not using capitalism to combat petty commodity production, which by all accounts was severely restricted if not nonexistent in Cultural Revolution China. Land tenure contracts for periods of several years are to ensure the peasantry of their land and therefore a material interest in the current political alignment. The peasants often outraced the party to so-called reform by secret family farming. In one case, a team split up to work on a family basis and was stopped by the commune party secretary. The secretary was in turn overruled by the county, prefecture, and provincial leadership. The provincial secretary said, "No matter what methods they adopt, as long as they help the team increase agricultural production, make more contributions to the state, accumulate more funds for the collective, and gain more income for the peasants, they are good methods" (*Beijing Review*, March 19, 1984, p. 20).

At the industrial level, Susan Shirk has pointed out that Deng has sacrificed the economy to an imperfect market where local bureaucrats control pricing and output because "politically it brings provincial officials into the reform coalition" (Shirk, 1984, p. 15). Making use of Oksenberg's pluralist interpretation of the various interests at work in the government, Shirk points out that "each minister is similar to a division head in a huge conglomerate called 'China Incorporated'" (Shirk, 1984, p. 11). The contending interests in China Incorporated are agreed on current economic organization—state capitalism.

At this point even if the Deng regime were to cast away its political history and reintroduce class struggle and mobilization themes, it would not be able to reestablish socialist control of the economy. Over 50% of investment occurs outside of the state budget.¹⁶ Attempts to control investment even in the broadest measures have failed. According to Nicholas Lardy, as in the Chinese NEP, the leaders called for a reduction of investment from about 32% to about 25% or 27%, but in fact the rate of accumulation has increased (Lardy, 1984, p. 3). Indeed, post-Mao China has seen an unprecedented string of years of accumulation.¹⁷ Where the state did invest, agriculture was supposed to receive greater prominence under the current leadership, but industrial interests ended up predominating. Investment in agriculture sank from 11.1% in 1979 to 6.1% in 1982 of the state budget (Lardy, 1984, p. 5). Finally, repeated attempts to increase state revenue brought an actual decline in state revenue. Presently, state revenue continues to increase at a rate slower than the profits of the enterprises.¹⁸

"Although China's conditions today are vastly different from those of Russia at that time (NEP) when its economy was in extreme difficulties, our practical experience has proved that this idea [not to plan the whole economy but to let

market forces do their job] of Lenin's was not only applicable to the Russia of that day, it is also of lasting significance" (CCP, Oct. 20, 1984, p. k7). Post-Mao NEPists wanted a permanent NEP and they have succeeded in establishing it in the absence of a production crisis. They claim to control the commanding heights of the economy—labor power, land, mines, banks, railways and all state-owned enterprises (*ibid.*, p. k8), but in reality they have surrendered them to particular interests and commodity mystification—going so far as to enshrine the law of "aggregate social demand" and "aggregate social supply" (*ibid.*, p. k10). Rather than use state capitalism to smash precapitalist economic formations and to supervise the petty bourgeoisie as in NEP Russia, the Chinese now unleash the market to ensure that only "the best survive" (*ibid.*, p. k12).

We can only hope that some of the post-Mao leaders who are pushing the CCP for the honest repudiation of Marxism are successful (FBIS, No. 237, 12/7/84, p. k1). It is far better for the CCP to denounce Marx (and Mao) as a dead dog than for the CCP to discredit socialism with the double-talk required to defend its capitalist social revolution. Unfortunately, the CCP's very weakness in a society which has experienced socialist revolution prevents its openly repudiating socialism. What the Bolsheviks made sure to call temporary measures of capitalism, the Chinese counterrevolutionaries call socialism.

NOTES

1. Although all theories are open to varied interpretations and claimants, China scholar M. Oksenberg once said that "in essence, the Cultural Revolution was an attempt by Mao and his associates to remove those government and Party cadres who he perceived to be ineffective and to draw upon a fresh organization—the PLA—in the modernization effort" (Oksenberg, 1968, p. 24). Of course, the same is being said today of Deng except that Deng is drawing on Cultural Revolution outcasts. If both Cultural Revolution and post-Mao China are marked by rational modernization, then modernization theory is too true—trivial. If in the long run, modernization theory bears great similarity to Marxism in its vision of the future outcome of industrial society, in the short run Marxism offers greater insights into politics and history.

2. Social revolution is defined here as having two components—the political overthrow of representatives of one class by another and the conscious and unconscious structuring of the economy in the interests of the revolutionary class.

3. This issue is mentioned in Bernstein (1984, pp. 32, 91).

4. CCP Central Committee Circular 1984. "The first circular in 1982 showed them [peasants] the road to getting rich. The second in 1983 led them down this road and the latest will dispel their misgivings about getting rich." (CCP, Oct. 24, 1984, p. 6) University of Michigan political science professor Meyer has pointed out to me that "enrichesiez-vous" was François Guizot's answer to poor French peasants who complained to the bourgeois July Monarchy.

5. "Nor, I think, has any Communist denied that the term 'Socialist Soviet Republic' implies the determination of the Soviet government to achieve the transition to Socialism, and not that the present economic order is a Socialist order" (Lenin, 1937, p. 165).

6. "Speaking theoretically, we in this respect are standing before a number of transitional steps, transitional measures. . . . It turned out, as it has always turned out throughout the history of revolutions, that we proceeded in zigzags" (Lenin, 1937, pp. 114, 115). "There is no doubt that it is possible to carry out the socialist revolution in a country in which the small farmer producers

constitute the overwhelming majority of the population only by means of a number of special transitional measures which would be totally unnecessary in countries with developed capitalism, countries in which wage workers constitute the overwhelming majority in industry and agriculture" (*ibid.*, p. 107).

7. For similar remarks, see *ibid.*, pp. 179, 237, 292.

8. "The small commodity producers' co-operative societies . . . inevitably give rise to petty-bourgeois capitalist relations, facilitate their development, push small capitalists into the foreground and benefit them most. It cannot be otherwise since the small proprietors predominate and exchange is possible and necessary" (Lenin, 1937, p. 183).

9. "'Co-operative' capitalism under the Soviet government is a variety of state capitalism, and as such it is advantageous and useful for us at the present time" (Lenin, 1937, p. 183). "Our Socialist problems would be facilitated if state capitalism became the predominant economic system in Russia" (Lenin, 1937, p. 282).

10. "Can we, to a certain extent, restore freedom to trade, freedom for capitalism for the small farmer, without at the same time cutting at the roots of the political power of the proletariat? Can it be done? It can, for the question is one of degree" (Lenin, 1937, p. 112). "There are either small proprietors who own means of production and whose whole mentality and habits of life are capitalistic—and they cannot be anything else—or wage workers with an altogether different mentality" (Lenin, 1937, p. 125).

11. There was a parallel threat on the "left." Antipeasant Trotsky and the Workers' Opposition continued agitation among workers and would have increased their efforts had workers been adversely affected by their alliance with the peasantry. In 1926, Trotsky said the opposition would attempt to overthrow the Soviet government in time of war (Mavrakis, 1976, p. 12). A small party in the countryside, the Bolsheviks had to grant the Socialist Revolutionary agrarian program in full to achieve the revolution in 1917. The weakness of the party left little room for error in maintaining the worker-peasant alliance.

12. "We must expose the error of those who fail to recognise the petty-bourgeois economic conditions and the petty-bourgeois element as the principal enemy of Socialism in our country" (Lenin, 1937, p. 165). Lenin also made clear what the eventual goal was by the example of the state farms and in words constituting a vision. "If peasant farming can develop still further, we must firmly assure the transition to the next stage; and the next stage will undoubtedly be the gradual amalgamation of the least profitable and most backward, small and disintegrated peasant farming into social, large-scale agriculture. This is how Socialists have always pictured it. This is exactly how our Communist Party looks upon it" (Lenin, 1937, p. 151). How long would this take? "In the course of several years . . . come what may . . . NEP Russia will be transformed into Socialist Russia" (Nov. 20, 1922) (Lenin, 1937, p. 381).

13. The Chinese NEP in agriculture "involved (a) the restoration of private plots, (b) the use of the household as the main accounting unit in communes, (c) the assumption by enterprises in communes of sole responsibility for profit and output quotas" (Wheelwright and McFarlane, 1970, p. 67). "By 1962, the private grain harvest in Yunnan was larger than the collective harvest, and private cultivated land rose to fifty percent of the total. In Kweichow and Szechuan Provinces there was, even as late as 1964, more private than collective tilling" (Wheelwright and McFarlane, 1970, p. 68). According to Schurmann, "while the ideology remains orthodox, the country as a working system of organization seems at times suspiciously similar to Yugoslavia" (quoted in Wheelwright and McFarlane, 1970, p. 69).

14. In industry, the party committee was removed from day-to-day management in the factories; the factory manager was given more authority under Po I-po's Seventy Articles, which also re-established profit in command, piece work, and material incentives in command (Wheelwright and McFarlane, 1970, pp. 72, 73; Committee for a Proletarian Party, 1981, pp. 85–86).

15. From 1961–65, "the investment rate fell by more than half compared to the years of the Great Leap Forward (1958–1960)" (Lardy, 1984, pp. 3–4).

16. Extrabudgetary investment was 16.7% of the total in 1978 and climbed to 50.2% in 1982

(JPRSa, No. 371, Aug. 12, 1983, p. 116). In 1985, extrabudgetary investment continued to swamp state investment. "From January to July this year, state budgetary investment was brought under control. However, due to the excessively drastic increase in extra-budgetary investment and investment in local projects, state investment in capital construction still tended to grow. . . . State budgetary investment increased only by 1.3 billion yuan, or 8.8 percent, over the corresponding period last year, but extrabudgetary investment increased by 10.9 billion yuan, or 90 percent" (FBIS, 9/4/85, pp. k6-7).

17. The current Chinese leadership decries the investment levels of the Great Leap and the Cultural Revolution, particularly the 1958 and 1970 budgets, but "the third setback came in 1978 . . . appropriation for capital construction accounted for 40.7% of the national spending. The accumulation rate was 32.2 percent and remained at 31.6-36.5 percent in the next 3 years" (*Renmin Ribao*, March 28, 1983, in JPRSa, p. 5). Despite earlier claims to having reduced the investment rate that Lardy refutes, recently the CCP has admitted to once again increasing the accumulation rate. 1984's rate is 31.2% of national income for accumulation compared with the also artificially low 28.5% for 1981 (*Beijing Review*, No. 29, July 22, 1985, p. 16).

Capital construction in 1982 continued the pace with a hefty 25.4% increase over 1981 (JPRSa, Sept. 7, 1983, p. 80). The first 11 months of 1983 showed a 10.8% increase over 1982's capital construction (*Beijing Review*, Feb. 20, 1984, p. 16). 1984's capital construction in state-owned enterprises increased 23.8% over 1983's (State Statistical Bureau, March 9, 1985, p. iv). The first seven months of 1985 showed a 44.9% increase over 1984 (FBIS, Sept. 4, 1985, p. k6-7). Officially, investment is "out of control" (*Beijing Review*, Sept. 26, 1983, p. 26).

18. "There is no guarantee for the investments in state key projects" (JPRS, Sept. 7, 1983, pp. 80-81). The state's share of GNP reached an all-time low of 25.5% in 1982, compared with 37.2% in 1978 (JPRS, No. 392, Oct. 20, 1983, p. 10). In 1983, industrial taxes collected did increase 6.2% over 1982, but that was less than the 10.2% increase in industrial production (*Beijing Review*, Feb. 20, 1984, p. 15).

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