

**AFTERWORD**  
**THE THEORY AND PRACTICE OF MAOIST PLANNING:**  
**IN DEFENSE OF A VIABLE AND VISIONARY SOCIALISM\***  
**by Raymond Lotta**

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**Introduction**

Can a socialist planned economy really work, and can it work to lead forward and away from the inequality and dehumanization of class society?

The ideologues of capitalism claim that a socialist economy not only has *not* worked, where and when it has been tried, but could *never* work. Usually two reasons are given for this. First, it is said that a modern economy is just too complex to be centrally planned and run effectively. Planners would have to obtain and process an unmanageably large amount of information. Since, it is argued, that's not possible, socialist state planning inescapably leads to misjudgment, waste, and bureaucracy. So only through the free market and the interplay of competing firms can economic information be reliably generated and acted upon.

Second, socialism is said to crash against insurmountable motivational obstacles. A planned economy does not operate with the rewards and penalties that promote rational (read: capitalist) economic behavior. If self-interest is suppressed, enterprises will have no spur to economize, innovate, and satisfy consumer demand; and individuals will have no incentive to work hard and well.

And so the bourgeois experts chant their mantra: there is no workable alternative to the market. That, the argument goes, is the lesson of the demise of the Soviet Union.

Yet 20 years ago, one quarter of humanity was engaged in a remarkable effort to create a society and economy profoundly different from the private-monopoly capitalism of the West and, after 1956, the state monopoly capitalism (that masqueraded as socialism) of the former Soviet Union. This was socialist China. Millions of the formerly poor and powerless were consciously uprooting feudalism and capitalism. Workers and peasants were consciously building a different kind of society—one based on cooperation, community, and the common struggle to do away with the class divisions and dog-eat-dog social relations of capitalism and its imprisoning “cash nexus.” This was the highest development yet of human society.

China's socialist revolution—which lasted from 1949 until 1976, when it was overthrown by capitalist forces—was living testimony to the fact that a socialist planned economy can release creative energies on a scale unseen in human history; can enable the masses to consciously utilize the productive forces to overcome economic and social inequalities and foster the transformation and socialization of work, living, and learning; and can promote the conscious involvement and increasingly all-sided capability of the majority of society.

This more profound dimension of economic performance and progress is not captured by the conventional data of bourgeois economics; more to the point, it doesn't compute with bourgeois economics! But even as measured by standard growth indicators, revolutionary China stacked up quite well during the Maoist years. Still, the experts and ideologues have their way of evading any substantive discussion of the Maoist achievement. They simply dismiss it as utopian totalitarianism. Communist revolutions, we are told, must resort to unspeakable evil because they

seek to impose social change on an unwilling population. After firing this ideological mortar, presumably nothing more need be said.

One would expect as much from the defenders of privilege and exploitation. But even among many professing socialist convictions, one encounters what can only be described as a willful refusal to deal seriously with the Maoist achievement. Western Marxism's treatment of Mao has been conditioned by a deeply ingrained Eurochauvinist prejudice. It is all too common among socialist scholars to write off revolutionary China as too backward to be of any possible relevance to Western society and its "rational" and "democratic" traditions; to dismiss Mao as too crude a thinker (he wrote for the masses!); and to view the Cultural Revolution as nothing more than an exercise in "mob terror" (regrettably, many who should know better have bought into the lies and distortions churned out by the anti-Maoists who rule China today and by the Western bourgeois "experts").

There have been two great revolutions in this century, the Bolshevik and Chinese, and many intellectuals familiar with matters of socialist economics have a certain fluency with the Soviet experience. They can tell you about Bukharin's line on agriculture, or Preobrazhensky's views on the financing of industrialization. But the discussion rarely takes the theory and practice of Maoist economics into account. Outside the universe of China specialists, very few socialist intellectuals know about Mao's insights into agricultural-industrial interrelations contained in his essays "On the Question of Agricultural Cooperation" and "On the Ten Great Relationships," or the farsighted ideas of appropriate technology that informed the Great Leap Forward, or the bold principles of socialist enterprise management summed up in the Constitution of the Anshan Steel Works, or the lofty mass debates on material and moral incentives that raged during the Cultural Revolution.

More often than not, Western socialists conceptualize Maoist China as a variety of "Stalinist command economics" (defined by highly centralized party-ministerial control over investment and production and tight control over enterprise management) punctuated by wild utopian episodes. So no need to bother with Mao...even though Mao's critiques of Soviet economic theory and practice rank among the most important writings on socialist political economy,[1] even though Mao had broken with Stalin's approach of "micromanagement from above" and had led in forging a multileveled planning system over the whole of China that took in even the smallest cooperatives. Revolutionary China traveled a rather different path of economic construction than had the Soviet Union (although Mao had learned greatly from the Soviet experience under Stalin). The Maoist revolutionaries developed a coherent and innovative approach to planning that combined nonbureaucratic methods of central coordination with forms of administrative decentralization and enterprise flexibility (without giving free play to the market and its polarizing forces). They linked planning with mass participation and mass supervision. They integrated economic priorities with issues of urban-rural relations, health and population, and ecology. They grasped that socialist construction was inextricably bound up with waves of mass struggle and experimentation. But much of this would come as news to many socialist scholars.

The prejudices of Western Marxism have mixed with the contaminants of the ideological assault mounted against communism by the Western ruling classes. Seizing upon the collapse of the oppressive societies in the former Soviet Union and in Eastern Europe, the ruling classes have tried to pound into people's heads the idea that communism has failed and can only fail. This message has left its mark and taken its toll in contemporary discussion about the future of socialism. On the one hand, it has produced a deep pessimism in many progressive quarters

about socialism. This is truly ironic, since the Soviet Union had not been socialist for decades. It was a society which in its essential aspects was not fundamentally different than what exists in the West. The collapse of the former Soviet bloc proves nothing about the vitality and viability of socialism, but much about the moribund nature of capitalism. Let the dead bury their dead!

On the other hand, the pageantry of failure has inspired all manner of attempts to “reinvent” socialism. One hears the refrain that socialism must be “freed” of its supposedly unhappy historical legacy. Socialism, on this account, must redefine its politics, which usually means adopting electoral, multiparty democracy (and which has suited Western imperialism just fine), and must redefine its economics, which often goes no further than glorified versions of the welfare state. A veritable cottage industry of socialist economic model-building has sprung up. The models are stitched together and spun out: conceptually fanciful, mathematically formal, and characteristically nonrevolutionary. This is not liberating. It is not a project to overthrow bourgeois dictatorship; it is not a project to remake society on the basis of proletarian rule. It is warmed-over capitalism.

Here is the rub. The Chinese revolution pioneered solutions to some of the most critical and difficult problems of planning and managing an economy to meet social needs and to revolutionize society. It stands as the most advanced, practical model of an emancipatory socialism. But this rich and inspiring body of socialist economic theory and practical experience has been largely hidden and greatly distorted. One of the challenges of this period is precisely to bring that suppressed history and achievement into the light of day.

Socialism is a historical movement and historical process that has engaged the energies, sacrifice, and daring of much of oppressed humanity. It has passed through one historical wave. The initial breakthrough was the short-lived Paris Commune of 1871. The next, and more thoroughgoing, assault on capitalism was the 1917 Bolshevik Revolution, which represented the first attempt to construct a socialist economy and to defend, deepen, and spread socialist revolution. In 1949, the Chinese Revolution gained victory. The high-water mark of this “first wave” of proletarian revolutions was the Great Proletarian Cultural Revolution in China. We are now at the end of a historical period that began with the founding of the First International (the international federation of working class organizations that Karl Marx helped to establish and guide) in 1864.[2]

There are no socialist countries in the world today. Is this because socialism is inherently flawed and thus doomed to fail? No, socialism met defeat (in the Soviet Union in the 1950s and in China in 1976) by the still more powerful material and ideological forces of world capitalism. It is a bitter truth, but one that must be put in historical context. The socialist revolution seeks to rip up every strand in the web of oppression that ensnares humanity and to cast off the dead hand of the past. Is it any wonder that such a revolution has encountered difficulty?

The world proletarian revolution does not go forward in a straight line of unbroken triumphs. It is not an arithmetic sum of separate national revolutions where socialism is simply and decisively secured in one country after another. Rather, it moves in spirals: with upsurges and advances, consolidation and retreat, setbacks and reversals. It proceeds through struggles between revolution and counter-revolution, restoration and counter-restoration. The communist revolution is a complex, protracted, and tortuous world-historic process. But it is not back to square one. In the great accomplishments of the working class where and when it has held power and in the understanding (including of its mistakes and shortcomings) that has been gained through the struggle to create a new world lie a foundation and inspiration to carry forward.

That is the spirit in which this essay is offered. Capitalism has turned the world into a nightmare for the majority of humanity. It is a world that must be radically transformed if the fundamental needs of the masses are to be met. Revolution must be made. This is happening in the jungles and shantytowns of Peru, where Maoism is illumining a path to liberation. As Mao said, where there is oppression, there is resistance. Society must and can be run differently.

This essay examines the principles, methodology, and practice of Maoist planning, focusing on three elements: the role of politics in the planning process, the relationship between centralization and decentralization, and the nature of economic balance under socialism. It aims to uncover the Maoist achievement in the realm of socialist planning, and in so doing not only to stimulate consideration of a socialism that is both visionary and viable, but also what is even more important, to assist the struggle to make it a practical reality.

## I. Politics in Command

Without a correct political approach to the matter the given class will be unable to stay on top, and consequently will be incapable of solving its production problem either.

—*Lenin*[3]

Grasp revolution, promote production.

—*slogan of the Cultural Revolution*

What is the fundamental objective of socialist planning—economic growth per se, or moving beyond the framework of commodity production and money and forging a new society? What should be its main criteria of success—efficiency, productivity, and profitability, or the degree to which collective mastery over society is promoted? The issue boils down to this: what kind of growth, and for what purpose?

A socialist society must mobilize productive resources and accumulate and deploy a social surplus (the portion of social product above and beyond what is necessary to reproduce society at the same level of development). But as Bob Avakian, Chairman of the Revolutionary Communist Party, has pointed out, “the decisive question is not whether a surplus will be produced, nor its exact size, nor the most ‘efficient’ means for producing the greatest surplus but whether the surplus will be produced through means, guided by principles, and utilized in such a way as to make the greatest possible strides at every point toward the revolutionary transformation of society and the world, above all.”[4] In socialist society, the invisible hand of the market must be replaced by the visible hand of politics. This is not to deny that socialist planning must pay attention to cost and strive to economize on labor power, materials, and funds. But that must be subordinate to revolutionary politics. (For instance, when the Chinese revolutionaries decided to locate industry in the less developed interior regions, this was not undertaken because it was the most efficient way of expanding total industrial production. It served the goal of reducing regional differences and inequalities. But once these factories were established, efforts were made to run them efficiently.)

There is no aspect of economic development, no form of economic organization, no organization of the labor process that exists outside of specific production and class relations. The most basic issues of economic development—what to produce, how, for whom, and for what—cannot be answered, indeed cannot be understood, except in class terms. Capitalist

“efficiency” is class-bound; it is based on maximizing worker output and minimizing worker resistance, on shackling the producers and their collective creative capacities. Economic “rationality” has no meaning apart from the class relations it embodies and reproduces and the ends it serves. This is an incredibly important component of Maoist thought.

For the Maoist revolutionaries, socialist development had to be linked with overcoming disparities between industry and agriculture, between town and country, nationalities, men and women, and between mental and manual labor. And putting politics in command fundamentally meant making sure that economic strategy promoted the revolutionary transformation of society, relied on social mobilization and the spread of socialist values, and served the cause of world revolution.

In a socialist society, the masses must be politically armed. They must know what is needed and what the problems are, learn from advanced experience, have initiative in their hands, and be engaged in struggle over the goals and nature of planning. The lesson Mao summed up was that by putting politics in command—not experts, not computers, not regulations and production quotas, and certainly not profits—problems of economic development could be solved and the economy could be pushed forward in the interests of the masses.

### *Guiding and Measuring Economic Development*

It has been observed that Western economists often encountered great difficulty in making sense of the Chinese planning system because so many noneconomic objectives were fed into it. Revolutionary China’s standards of economic performance were far broader than the achievement (and overachievement) of production targets. The revolutionaries weighed the social and long-run economic effects of economic development. In assessing the efficiency of particular production methods, techniques, and factory organization, the revolutionaries widened the very concept of efficiency to include the social benefits and educational side-effects, as well as the contribution to local developmental needs, of such processes and forms of organization.[5]

And the Maoists did not accept, indeed they deliberately struggled against, the supposed “logic” of modern industrialization—the idea that economic development necessarily implies big and concentrated industry, massive urbanization, and regional specialization. In terms of plan fulfillment, quantitative goals were important and had operational significance at the national and enterprise level. But these were secondary to and served qualitative goals (for instance, the important thing for a factory producing agricultural equipment was not simply that it meet its financial targets but that it really understand the needs of agriculture and strive to do a better job in meeting those needs).

In working out and evaluating plans, the insistence on putting politics in command entailed subordinating individual and sectoral (this or that branch of industry or particular region’s) interests to the collective interest and to advancing revolution; relying on the masses; acting in accordance with what was called the “general line” on economic development of “going all out, aiming high and achieving greater, faster, better and more economical results in building socialism”; and implementing a series of principles which included “be prepared against war, be prepared against natural disasters, and do everything for the people” and “taking agriculture as the foundation and industry as the leading factor.”

All this had very real practical consequences. Here we can delineate four significant elements of socialist planning, both with respect to its goals and its methods that reflected and served the “politics in command” orientation.

*First*, the Western pattern of industrial investment and urban growth was rejected. China sought to disperse industry and prevent the uncontrolled growth of cities and the clustering of industry around large cities. In fact, for the first time in history a process of industrialization was not simultaneously a process of unrestrained urbanization. Efforts were made to stabilize (or reduce) the size of large cities and to promote the growth of small and medium-sized cities, to shift industry to such cities, and to site new industrial zones on the outskirts of cities to better cope with residential needs and control of pollution.[6] Industrial policy was also aimed, as mentioned earlier, at narrowing regional growth and income differentials.

The planning system facilitated the development of relatively independent and comprehensive industrial systems in each of China's provinces and encouraged self-sufficiency in grain production. New kinds of production complexes in which industry would be more directly integrated with agriculture, and residence with work, were created. China's industry was oriented toward serving agriculture, at the same time that rural industrial and technical networks were promoted as a means of harnessing productive potential in the countryside and reducing the social gaps between town and countryside. By 1973-75, rural small-scale industry accounted for close to 60 percent of China's cement and fertilizer output, 35 percent of its hydroelectric power generating capacity, and 15 percent of its steel output.[7] Most farm machinery and equipment, except for the heaviest, was produced in local small and medium-scale plants.

But not only did these policies begin to profoundly break down age-old patterns of economic and social development in which cities ruled over the countryside, and not only did such policies contribute towards narrowing the difference between mental and manual labor. These measures also contributed to a profound break with the imperialist world economy and the dependency that imperialism foists on oppressed nations. There was an important strategic dimension here. The self-reliant, self-generating, and decentralized development that China embarked on would enable it to better stand up to imperialism's economic pressure, to resist possible attack and invasion, and to do more to serve the needs of the world revolution.

*Second*, plan was primary, price was secondary. At the society level, profits, prices, and various financial measures of capital effectiveness could not determine where investments would be made, what would be produced, the rate and direction of technological change, or the purpose of enterprise activities. If price and profit were made principal, the state could not redistribute investment resources from the richer regions to the less developed regions. Neither could it encourage the development of industries supporting agriculture which themselves were not highly profitable, nor increase the output and subsidize the selling price of basic consumption goods, nor extend comradely aid to revolutionary movements.

The structure of prices was still connected to underlying cost conditions; prices were not totally arbitrary. But prices were set consciously and uniformly (throughout the country) to achieve certain goals. They reflected political line. One striking example was how the price system favored agriculture (and the peasantry) in the terms of trade between industry and agriculture: prices were kept low for agricultural equipment and fertilizer, while the prices paid by the state for agricultural produce were raised (which is totally opposite to what typically happens in Third World countries). Prices and monetary return could not be allowed to play an autonomous guiding function in the economy.

At the enterprise level, making plan primary over price meant that the costs and benefits of economic activities could not be calculated in narrow financial terms or judged from the narrow point of view of maximizing the income of the individual production unit. As the revolutionaries explained:

In some cases, judging from appearances, the loss might be bigger than the profit to an individual factory. However, judged from the overall situation, the profit [the overall benefit to society] might be bigger than the loss.... If we are concerned only with petty profits and ignore the major issues, if we pay attention only to the present and not the future, if we only take care of our own unit instead of considering the overall situation, and if we exert efforts only in proportion to the amount of [individual] gains expected, we must have been poisoned by the...theory of putting profits in command.[8]

Was it enough simply to fulfill the production plan regardless of the larger social costs, such as worker alienation, harm to worker health, and harm to the environment? These were issues which the Maoists insisted could not be treated as separate problems of secondary importance. Enterprise efficiency (or profitability) could not be placed above everything else: individual units had to take into account the needs of the whole of society, and workers and staff had to be guided by the spirit of doing anything of benefit to the people. The revolutionaries insisted that costs and benefits could not be determined on the basis of immediate monetary return.

What if worker initiative created temporary problems in production—should strict fulfillment of plan targets be an excuse to suppress workers? A common experience in factories in the years prior to the Cultural Revolution was that when workers pioneered new designs and methods of production, they would often be disciplined and punished by managers. These managers worried that such innovations would disrupt established practices and thereby threaten the fulfillment of quantitative plan targets (and their bonuses). This attitude towards plan fulfillment and this contempt for workers came under sharp attack during the Cultural Revolution. As a result, an atmosphere was created that encouraged workers to break with all kinds of convention, whether in building ships in ways that had never been attempted before in China or in rethinking machine design. This had the long-run effect of promoting production.

Pro-market ideologues attack socialism as a system where quantities mean everything, where factories just churn out shoddy goods to meet production quotas. This is the so-called “plan-fulfillment-indicator problem”—in other words, managers simply do whatever is easiest to meet production (and value) targets, even if it means disregard for quality.[9] Actually, one of the issues of struggle between the Maoists and the capitalist roaders (who now run China) concerned precisely whether revisionist forms of management, which one-sidedly emphasized quantity or financial return, and which in general took a narrow approach to plan fulfillment to the detriment of party and state goals, would dominate economic management.

In revolutionary China, success indicators cut against the “tonnage mentality” of Soviet-type planning. Indeed, one of the slogans raised by dock workers and popularized during the Cultural Revolution was “Be masters of the wharves, not slaves to tonnage.” In judging output performance, the primary concern was whether resources and output were serving larger policy goals; getting the right mix and quality of products and promoting socialist enterprise cooperation were more important than output value or rate of return. The key yardstick was neither price nor quantity but social use values (that which serves the needs of society) and the overall content and direction of economic activity.

This is not to say that cost-accounting and efficiency were abandoned. On the contrary, great efforts were made to minimize expenditure, to reduce cost, and ensure output quality. But this became the responsibility of the workers, both through forms of group accounting, analysis of

economic activities, and financial management, and through mass movements to innovate and cut costs.

### *Managing, Administering, and Motivating Through Politics*

*Third*, industrial organization and management were socialized and revolutionized. Plan objectives included limiting the alienation and social fragmentation that accompanies job specialization. Craft distinctions were broken down, personnel were periodically rotated between jobs (and factories would dispatch workers into the countryside as well), oppressive work rules were discarded, and bonus systems that pitted workers against one another were eliminated. Technicians were trained from among workers, and technicians and workers joined together in technical innovation teams. Collective forms of management were developed, and management was simplified. Enterprise leaders would spend regular periods working on the shop floor. The industrial enterprise was more than a self-contained economic unit: it would cooperate with others, even at the expense of short-term gains, it would take account of local community needs and social services, and, above all, it would be redefined as a site of political and class struggle.

*Fourth*, the economy was administered mainly through political and ideological means. For a plan to be effective, there must be a society-wide commitment to carry it through. Otherwise, there can be no real coordination, no real planning. This objectively poses the question of “compliance”—with the goals and norms of a plan as it is transmitted and translated at different levels, especially at the industrial enterprise level. Capitalist theorists contend that socialist planning authority is faced with the insuperable task of coaxing and pressuring enterprise managers to implement a plan’s mandates. The problem is said to derive from plans that are unrealistically conceived and from the necessarily clashing perspectives of planners and managers. The result, according to the bourgeois account, is a tug-of-war between planning and managerial authority that grows wearying and which eventually resolves itself institutionally into a planning system characterized by the repressive and unresponsive transmission of directives from above and by passive and pragmatic adaptation from below.

Plan execution is an imperative task of a socialist economy. But how is this to be conceptualized? During the period that the Soviet Union was socialist, plan coordination and implementation were generally viewed as regulatory issues, and enterprise compliance was exacted through a control and inspection network that tended to bureaucratically expand.

The Maoist revolutionaries summed up that an administrative system that tries to rule by regulation and that mainly tries to police people into sticking by regulation would not only become excessively bureaucratic but also wouldn’t work. It is relatively easy for any level of authority to get around external controls and regulations issued from above. As Mao pointed out in 1957, “regulations alone will not work...men’s minds must change.”[10] Thus the importance of the ideological dimension, the need to shape the ideological environment in which decisions are taken at all levels, and the importance of collective responsibility, of people internalizing goals and engaging in vigorous political struggle.

The point is that planning is not only subject to technical and administrative constraints but to political factors and to the limitations imposed by ideology. It takes place in the context of class struggle in society. Towards what kinds of transformations is planning oriented? For whom and for what? These are not givens but issues of struggle. For Mao the issue to solve was not principally one of the enforcement mechanisms of planning authority versus the prerogatives of managers, but rather the role of the masses. The masses must grasp what is politically necessary



and have wide knowledge of the whole system—its economic laws, its goals, its contradictions—so that they themselves become the actors rather than the inert material acted on by market or bureaucratic planning processes, so that they can analyze and act on contradictions... so that they can regulate the regulators.

Rather than administering by technical and economic standards, the Chinese revolutionaries fostered non- and anti-bureaucratic methods for communicating policy and raising a different kind of standard, that of advanced experience and moral example. They popularized and encouraged people to learn from model institutions—rural brigades, communes, or factories—that implemented the general line. These were studied (and, in many cases, first-hand, with peasants and workers from various parts of the country visiting actual sites). But these models were not studied to be strictly copied, as if they were blueprints. The idea was for people to learn how problems were analyzed and overcome, how breakthroughs were made in the face of resistance from capitalist roaders, what advances were made in reorganizing property and social relations as well as the continuing political and technical problems, and how to apply these lessons to local conditions. The experience of building the Red Flag Canal (a monumental collective effort by peasants that vastly increased the amount of irrigated land), or fighting cruel natural conditions in the rural Tachai Brigade when it was a revolutionary stronghold, were examples of the masses conquering all kinds of difficulties and defying convention in economic construction. The Anshan (Steel Works) Constitution set a standard of revolutionary industrial management. In short, these models enabled people to grasp more deeply both the goals and methods of the communist revolution.

At the same time, national political campaigns were vehicles to focus mass attention on and sharpen awareness about key issues confronting society. Several such campaigns, like those to criticize and restrict bourgeois right and to criticize Confucian ideas of subservience and blind submission to authority, were launched by the revolutionary forces in the early and mid-1970s in the context of the struggle between the capitalist and socialist roads and the two-line struggle in the party. The aim was to arm people to make decisions and evaluate activities with broader interests in mind and to figure out what class interests were in fact being served by particular institutions and policies, and to strengthen the capacity of the masses to wage the struggle to maintain and extend political power.

The proletariat's political power is concentrated in its state. The proletariat needs a state to represent its interests. It is not enough to leave things at the local level or at the level of the individual factory. The proletariat needs to take up questions of society and the world—politics, culture, and ideology. One of the guiding insights of the Cultural Revolution was that the laboring people, through their experience in struggle and study of Marxism, had to grasp the link between two-line struggle over questions of economics and two-line struggle over issues in other realms. The revisionists' economic policies were part of an overall program to turn the masses back into beasts of burden. And if the masses were to wage, much less win, the battle on any front, including economics, and prevent capitalist restoration, they had to be concerned with and influence what was happening in society overall. And so it was extremely significant that enterprises were transformed from mere production units into what Mao called "universities of class struggle" where theoretical study groups were set up, where proletarian cultural activity took place among other things. At the same time, worker and peasant teams came in to the universities in connection with the larger political struggle. The fact is that it would not have been possible to initiate and carry through the radical transformations in economic organization,

management, and the labor process that have been discussed if ordinary laboring people were not politically mobilized around these broader issues.

The proletariat needs to transform society in its entirety—the condition of women, the oppression of minority nationalities, the values promoted by the education system, and so on. It needs a state to see to it that political, social, and economic transformations are carried out in a way that serves the world revolution. And it needs a state to defend its rule against the forces that would bring back and impose the old order. But all this means nothing unless the workers are actually becoming masters of the state, waging struggle over the nature and actions of this state. Because who controls the state will ultimately determine who controls the means of production.[11] This is why politics must command economics.

Fundamentally, a plan must concentrate the advanced experiences and aspirations of the masses; it must be constructed for their use, and it must unleash their initiative. This requires political leadership of a specific type—not a dominating clique but a real vanguard party with links to and serving the people, a vanguard capable of leading people forward through the complex struggle to bring a new society into being and to revolutionize the vanguard itself. This too is what it means to put politics in command.

## **II. Centralization, Decentralization, and the Problem of Information**

Only this state [dictatorship of the proletariat] can represent the fundamental interests of the working class and the masses of laboring people and determine the principles and policies to be followed by enterprises, the orientation for their development, the production and distribution of their products, and the disposal of their assets. In dealing with enterprises, the state practices democratic centralism, that is, centralized power on major issues and decentralized power on minor issues, centralized leadership and level-to-level administration.

—*Writing Group, Kirin Provincial Revolutionary Committee*[12]

Under no circumstances can history be regarded as something the planners rather than the masses create.

—*Mao Tsetung*[13]

Perhaps the central criticism of socialist planned economy is that it is built on a totally unrealistic assumption: that planners can somehow obtain and process all the necessary, and ever-changing, information about production and consumption that truly effective planning at the society level would require. Here is how the argument goes. Modern industrial society is so complex, and its aggregate knowledge and skills so widely dispersed, that it is plainly impossible for a central planning authority to process and communicate all the relevant information that is necessary for the many different economic actors to coordinate their actions. Only the price mechanism—detecting changes in the relations between the supply and demand for goods—and the bargaining that goes on between contracting parties can functionally convey this kind of information. To attempt to run an economy according to central guidance will only lead to bureaucratic nightmare (a request for a minor repair will have to pass through countless levels). And once a central plan becomes the sole or primary source for providing relevant information to producers, then what follows is extreme centralization of decision-making. Since the central planners are

trying to hold together what fundamentally can't be held together—a vast centrally run economy—they have no choice but to run things with an iron, dictatorial hand.

This critique sets up a straw man, the “all-knowing planner” who is supposed to operate with perfect information and perfect foresight. And it sets out the task or challenge facing a socialist economy to be essentially computational and administrative: to crunch the right numbers in order to micromanage the economy from the central bank down to the smallest factory. Planning, a profoundly political task for which the masses must take collective responsibility and over which they must assert collective control, becomes a computational and accountancy exercise by which state planners attempt (successfully or unsuccessfully) to achieve detailed control over the economy.[14]

### *Capitalism and the Problem of Information*

Before turning to some of the political and operational issues bound up with the transmission of economic and social information in a genuine socialist planned economy, a few points need to be made about the supposed superiority of capitalism in this regard.

First off, in the Western market economies, private capitalists and consumers are nowhere close to possessing all or most price information (cheapest suppliers, lowest price for a consumer good, etc.) when it comes to making economic decisions and choices. So there is no full or “perfect” information in a modern market economy. It should also be noted that the inability of capitalism to solve major social problems, such as homelessness in the United States, has very little to do with insufficiency of information—the problem is well-known, as are many potential solutions. Nor can it be said there is insufficiency of social demand; the poor certainly demand decent housing. But whether capitalism recognizes and meets a particular “demand” is principally determined by profits to be made and money income to be spent.

Secondly, the claim is made that while a socialist economy lumbers under a sprawling command apparatus to find things out and to direct economic activities, a capitalist economy has an automatic and efficient means of transmitting essential information to producers. It is to be found in the operations of markets and prices—if a price is rising, there is demand to be filled and capitalists proceed to produce more of that product. But this must be seen for what it is: an indirect and anarchic mechanism of communication and coordination. Under capitalism, economic development is not guided and shaped by any prior plan or social purpose. Society's overall production needs and requirements are not, and cannot be, confirmed and planned in advance, because the productive activity of society is fragmented into privately organized units of capital. These individual capitals attain a high degree of organization (and even plan) at the firm and enterprise level. But there is no coordination at the society-wide level and these individual capitals do not know ahead of time for whom and in what necessary quantity they are producing, or even if what they produce is really needed. They are engaged in a battle for profits and market share, and they expand production and introduce new technologies to wage the battle. But whether the labor processes under their command are actually needed or up to competitive standard...that news and information only comes later—when the market clears or doesn't clear what is thrown on to it for sale, and by movements of prices and profits. In response to these market signals, investments are steered here or there, the labor force increased or contracted, etc. Thus the discipline of the market expresses itself through a hit-and-miss, too-much-and-too-little, trial-and-error process of *after the fact* adjustment.

Further, if the market and price mechanism work so efficiently, one has to ask why capitalism requires a bloated army of stockbrokers, market researchers, and advertising personnel to make its markets function profitably. The answer is that competing firms and corporations must gather ever more information ever more rapidly in the anarchically moving market in order to gain competitive advantage. The ensuing waste and squandering—whether it is the proliferation of all manner of technologies and activities to “read” the market and capitalize on market information, or the \$130 billion that is spent each year in the U.S. on advertising to stimulate and steer demand—is a major indictment of capitalism.

Finally, while it is true that market prices convey information upon which capitalists base their production decisions, there is some absolutely crucial social information, like the environmental and health damage caused by a polluting steel mill, that the market-price mechanism fails to register and in fact systematically ignores. Individual firms and enterprises do not take into account the effects of things they do that do not fall within their particular (private) universe of cost and price calculation; and they do not take into account things they do that do not have prices—pollution is not generally bought and sold. Actually, the market tends to reward firms for ignoring the larger social costs and longer-term effects of their activities, because this raises profits.[15]

Still, the opponents of planning argue, look at the economy of the former Soviet Union in the 1970s and 1980s, where central administrative expenditures were enormous, where individual enterprises were routinely sending false information to the planning agencies, and where central planners really did not know what was going on. How can this be regarded as an advance over capitalism? Clearly, there was no efficient and informed coordination of production. This is certainly a correct description of the situation that had existed. Enterprises would deliberately overstate their resource needs and understate their production capabilities in reporting to and bargaining with planning authorities. At the same time, layers of the bureaucracy multiplied as planners hopelessly tried to monitor and control the economy.

But these were not the workings of socialism. Misreporting and concealment of production capabilities by enterprises were a reflection of the competition among state capitalist enterprises for centrally supplied credit and resources in a system of profit maximization. In a perverse way, this was a strategy to “outplan” a plan that wasn’t really functioning—so enterprises tried to accumulate and hide supplies, and in the long run it only made things worse, as planning became even more unreliable and chaotic.

Let’s talk about a genuine socialist economy. To be sure, complete and perfect economic information would not be obtainable even under its conditions. But this is not a terribly profound or useful observation...and it is hardly an argument against planning. Socialist planning is a process of continuous discovery arising from the interplay of knowledge and action, with information flowing in many different directions to coordinate production, increase understanding, and serve social need. Moreover, planning must make allowance for unforeseen circumstances and upheavals, for adjustment to new conditions and the correcting of mistakes. In short, a plan cannot be a precise (and never to be altered) numerical forecast or frozen blueprint; rather, it involves fundamental approximations, estimations, and projections in the pursuit of basic goals (in technical language, it must be cast in probabilistic terms), and the key thing is to learn from experience.

Nevertheless, it is quite realistic for a socialist society to identify and rank economic and social priorities, to determine what social needs have to be met and which are the most pressing (like building new hospitals versus new sports stadiums). It is possible to formulate broad targets

and to evaluate appropriate and alternative means and methods of meeting them. It is possible to carry out the necessary material-supply balancing, that is, to figure out how a desirable output of goods can be produced, or industrial construction and expansion undertaken, given the resources, available technology, and production and labor capabilities of society—and Maoist economics emphasized the role of the human factor in opening new possibilities in solving production problems—and to arrange the necessary links between different sectors of production. In the case of socialist China, agriculture was consciously made the starting point in planning. This meant first making a realistic estimate of potential agricultural output and the resources (fertilizer, iron and steel, and machinery, etc.) required to meet agricultural targets and on that basis working out a detailed plan for industry. In this way it was possible to formulate reliable plans that promoted mutually supportive relations and arrangements between agriculture and industry, as part of a larger project of overcoming the division between town and country. In sum, it is possible to conduct conscious economic calculation. It is a form of calculation that proceeds from social needs and politically defined goals and that takes measure of long-term impacts (such as the ways in which patterns of production and consumption react on the resource base and the ecosystem).

### *Maoist Decentralization and Area Planning*

A major issue posed by opponents of planning concerns the nature of centralized control. Does a planned economy necessarily lead to massive and oppressive bureaucracy? In fact, it is capitalism that requires hierarchical and bureaucratic control over people—one need only consider the internal organization of the modern corporation with its many echelons of managers, technocrats, and supervisors, not to mention the vast governing and political apparatus of modern capitalism. Mao emphasized that *socialist planning must combine centralized leadership and direction with decentralized initiative and administration*. This is what enables a socialist society to bring economic processes under conscious control and to maximize mass participation in running the economy—something that is impossible under capitalism. The proletariat needs to exercise its centralized state power to defend the revolution against internal and external enemies and to carry the revolution forward. It needs strong political leadership to concentrate advanced experience and understanding. It needs central planning to coordinate social production. But on this basis, there must be extensive decentralization in order to unleash people and solve problems at the most appropriate levels.

Mao had summed up that too much top-down (vertical) control over the economy stifled popular initiative. Such a system of planning could not give full play to local capabilities and allow for creative utilization of local resources. It also undermined unified leadership over the economy as a whole, since there was no way that a complex and diverse economy could be managed on the basis of detailed commands from the top, no matter how thorough the statistical information and price calculations may be. This kind of detailed management and control of the economy by industrial ministries and central planning authorities, which was practiced when the Soviet Union was socialist, also distorted economic calculation and produced certain irrational practices. For instance, if a plant needed extra supplies it would have to make a request to the appropriate industrial ministry and sometimes wait for months to receive them from a geographically distant supplier that was under the control of the same ministry... instead of obtaining the supplies from a nearby producer that happened to be tied to another ministry.

In Maoist China, the national plan projected the principal requirements of the provinces. But, and this was a sharp break with the approach developed under Stalin, substantial powers of economic planning and administration were delegated to the provinces and localities. Mao understood that central planning could not encompass all the decisions that have to be made to run an economy. The principle was to pass decision-making power down to the level at which decisions would be carried out. This was decentralization to local *political* authority, and its purpose was to allow tasks to be defined and carried out, and problems to be solved, at the local level and to allow for greater mass initiative. In Eastern Europe in the 1960s, decentralization had taken place, but this was entirely different, it was capitalist decentralization—some authority was transferred from central planners to *managers* of industrial enterprises and this was combined with greater reliance on market forces, not people.

Before the Great Leap Forward of 1958-60, which saw the rise of the people's communes and tremendous revolutionary upheaval and innovation, the Chinese planning system shared many of the features of the Soviet planning system developed under Stalin. The central ministerial authorities drew up plans for their own industries and large manufacturing enterprises were placed under fairly tight control of the ministry of the branch of production concerned. But this was changed "from a system of planning and management in which each item [industrial product] is the main focus, to one in which the *localities* are the focus." [16]

What was developed was a system of "dual track" planning. Plans were drawn up by the industrial ministries to meet the needs and requirements of particular branches of production (one track) and plans were also drawn up to promote the development and meet the needs and requirements of geographic areas (the other track); they were then coordinated with one another by the planning commission. But the main track was that of "area" planning. As indicated earlier, a goal of Maoist planning was to develop comprehensive and self-reliant regional and local industrial systems with links to agriculture and to encourage more initiative from below. For these reasons, production plans were formulated principally in terms of *areas*. By having local areas take responsibility for basic production decisions and allocating resources, the whole process of coordinating social production was simplified and efficiency was raised. And this freed up central planning authority from a lot of "superficial calculations" and daily management, enabling it to focus instead on major questions of overall national economic planning.

Provinces assumed responsibility for supplying key goods to enterprises within their borders. Area planning broke down the rigid separation of enterprises by the products they manufactured. Neighboring producing units were encouraged to establish extensive linkages so that they could coordinate with, aid and learn from each other, and serve the surrounding population. Where possible, components and supplies were to be produced within localities. The flexibility built in to this kind of planning made it easier to cope with shortages or interruptions in supply. When an enterprise required additional supplies that weren't covered by the plan, it could go to the provincial authority, it could organize for supplies locally, or it could seek out and develop substitutes or find ways to economize on materials. The revolutionary line also encouraged enterprises to diversify their production activities and to develop the capability of meeting more of their parts, supplies, and repair requirements from *within* the enterprise, and this too made for simpler administration of planning. [17]

This kind of area planning and integration fostered all-round industrial-agricultural development, instead of leaving ministries to develop and locate industry based on the existing level of development of the regions (which would keep the backward backward). And it was an

approach that could more effectively link economic growth to broader societal concerns. It had been summed up that vertical ministerial-based control and organization reinforced tendencies to put production above all else, and this cut against noneconomic goals. Clearly, these were problems in the Soviet Union when it was socialist in the pre-1956 period. In pursuit of efficiency and rapid economic growth, planners went in for gigantic industrial enterprises and put intense pressure on enterprises to maximize output. At the same time, the industrial ministries tended toward “departmentalism”—primary concern for enterprises in the same industry. All this had negative economic and social, as well as environmental, consequences. Area planning, on the other hand, could concern itself in a more all-round way with issues of population density, pollution, health, the ways in which residential areas could be developed into new kinds of units of collective economic and social life (which has tremendous implications for the emancipation of women), and urban-rural differences and interrelations. Here it might be added that decentralization was also reflected in scale of production: the Maoists were not spellbound by large factory size but sought flexibility in the spread of small and medium-sized and popularly-managed enterprises.

### *Once Again on Centralized Direction, Local Coordination, and Social Information*

While the Maoist revolutionaries put great stress on local initiative and local responsibility, the central government remained intimately involved in the planning process. The levers of central control in the planning system included: the material supply system and transfers of resources and finances between provinces; national financial policy, including centrally determined and uniform prices; and the system of joint management of enterprises by the appropriate central government ministry (this was the centralized aspect) and the relevant local political authority at the province or municipality level (this was the decentralized aspect). Thus there was centralized direction over output levels of major products, over the distribution of industries between provinces, over retail prices of key commodities, and over the distribution of funds between ministries. In order to mobilize resources for priority needs and sectors, to effect rapid structural transformation, and to prevent political and economic fragmentation, centralization of this sort was essential.

However, the number of central ministries and other central planning bodies was reduced through the Cultural Revolution. Except for a few “key” enterprises decisive to defense and nationwide economic construction, most state industrial and commercial enterprises were, by 1970, placed under local control. Of 5,000 large and medium-sized enterprises some 2,000, or fewer than 40 percent, were under direct central control in the early 1970s.[18] At the same time, the planned activities of centrally-controlled industrial units were integrated into provincial and municipal plans. The provinces had prearranged financial obligations to the center. But provincial and local governments had control over a worked-out proportion of revenues above their assigned targets.

As far as major investment projects were concerned—for example, the construction of large, technologically-advanced steel mills—decisions about national industrial capacity of a given type were taken at the center and materials and finance were centrally allocated. Here the industrial ministries had an important role to play. But the specific plans to increase industrial capacity were integrated into provincial plans. And the number of materials placed under centralized allocation was reduced through the Cultural Revolution. It was in the range of 200-300 in the early 1970s, as compared with a much higher number during the time the Soviet

Union was socialist (and as compared with as many as 65,000[!] materials controlled by the Soviet central authorities in the 1970s and 1980s).[19] All told, and this is rather extraordinary in modern economic history, administrative and planning channels were simplified in China, despite increasing diversity and complexity of the economy.

Socialist planning requires material balancing. This means estimating the quantity of inputs required for each unit of output, for instance how much steel is needed to produce a desired amount of machine tools. In other words, it means making sure the necessary production resources are made available to meet production requirements and that different branches are in synch with each other's needs and linked to each other, in order to carry out the plan. And it also means that "norms" be set, that is, standards of how much labor or raw materials should be necessary to produce a given unit of this or that commodity. In China, the national plan would set broad production targets for particular commodities, but it did not set down exact quotas. The regional and local governments managed detailed material balancing. The broad commodity targets would be broken down into specific products (with specific quality standards, etc.) and delivery contracts through face-to-face meetings between producers, planners, and consumers at supply and sales conferences.

This conference system was something new in socialist planning, an innovative attempt to bring together representatives of economic units and organizations to work out arrangements between enterprises and supply and delivery contracts, and meet the requirements of balancing. This was a way to distribute materials for production that neither relied on the market nor on far-removed planners. This conference system, with its institutionalization of direct personnel linkages, improved the flow of information between enterprises (not just between units connected to each other in a given branch of production but between units producing and units consuming the items in question), and this made planning more efficient and flexible.

As for consumer needs, the planning system sought to sensitize itself to consumer likes (and dislikes). The commercial departments of the state economy made considerable efforts to conduct consumer research and surveys. At the same time, factories producing consumer goods would routinely dispatch worker-representatives to stores selling their particular items in order to size up consumer satisfaction and preference (it was not unusual for such representatives to visit communes for the same purpose). The Chinese showed that a socialist economy could assess and respond to consumer need and taste (although the concern was with the needs of the broad masses not an elite consuming luxuries).[20]

The discussion has focused on society's *collective* understanding of production and consumption needs. But there is another crucial dimension of the "information problem." This is society's ability to share and spread knowledge of what has been learned in the struggle for production. In a capitalist economy, there is "a fundamental tension between the privatization of innovative ideas and the diffusion of those ideas into the economy." [21] A capitalist economy rewards innovators for keeping their ideas from others. A capitalist firm can get a leg up in the competitive battle by developing a new product or technology and using secrecy, patents, etc., to prevent others from utilizing or benefiting from it (on the other hand, if a firm feels it cannot profit from an innovation, or that others may benefit from its efforts, it may hold back). Socialism eliminates the barrier of private ownership. Innovations and knowledge become social property. One task of the planning system in China was exactly to socialize such knowledge. This process included the establishment of cooperative links between producing units so that new ideas could be spread and new production technologies learned; worked out donor-recipient relationships for equipment and on-the-spot assistance; the practice of sending technicians out



from more developed to less developed areas and production units; the establishment of special worker institutes in factories and schools in the countryside in which technical and political study were combined; the sending down of educated youth into the countryside; and the widespread use of popular manuals. By broadening the capabilities and experiences of ordinary workers, and by breaking down narrow specialization in tasks and skills, a socialist economy can generate far more useful information (to the well-being and advance of society) than is possible under conditions of capitalist specialization and hierarchy.

### *Planning Through Line*

The Maoists insisted on “two-way” initiative in planning, from the center and from the local areas, and on giving the local areas as much responsibility as possible. But how within this system were immediate and long-term interests balanced, competing interests reconciled? What safeguards were there to prevent provinces and areas from just looking out for their own interests? How would coordination be achieved across these many different units of planning?

Here the centralizing aspects of the planning system come back into play. There were certain basic guidelines which had to be observed: the structure of management was generally uniform throughout the country; individual units could only exercise decision-making powers and the authority to act on their own in various matters on the basis of sticking to the general political line and directives; profits of state-owned enterprises were transferred to the state, and the specific performance of an enterprise did not determine its wages and salaries (these were centrally set); and key plan targets, once set, could not be altered by autonomous decision of the production unit.

The Chinese relied on a kind of “indirect” centralization in which politics not heavy-handed control was principal to coordinate planning and make sure that it had mass support. This was accomplished by means of what the revolutionaries called the “Five Unifiers.” In an important study of the Chinese planning system, Roland Berger spells them out:

- (i) **unified understanding**, that is, people were acting on the basis of a revolutionary political and ideological understanding of where society needs to go and were raising that understanding through study and political struggle;
- (ii) **unified policy**, which meant that this general political line would be applied at each level of the economy and in each phase of development to solve specific problems;
- (iii) **unified plan**, that is, there would be coordination of different sectors and interests in applying this policy;
- (iv) **unified direction**, which was a principle by which leadership for each economic and social unit would come from the next unit above;
- (v) **unified action**, which meant that the masses had to be relied on and unleashed at each level.[24]

Thus the policy of giving greater scope to local authority was carried out in dialectical unity with unified central leadership and unified planning. Local initiative would have the effect of strengthening, not weakening, centralized leadership and unified planning. But *the real glue of this system ensuring that the interests of the whole and the overall needs of the revolution were being met was political and ideological.* And decisive to this was the practice of the “mass line,”

from the masses to the masses, to ensure that planning was carried out in accordance with the interests of the masses and on the basis of mobilizing the masses.

The Maoists had a phrase to describe planning that was divorced from the masses, that put planning in the hands of “experts.” They called it “planning by the typewriter, the computer, and the telephone.” Maoist planning was based less on detailed gathering of statistics than it was on in-the-field, in-person investigation and consultation by planning authorities, in fact-finding away from work benches, and exchanging of experiences among enterprises. “We must leave our offices, and go amongst the masses, have confidence in and rely on their strength, and not merely close the doors while doing estimates and calculations,”[25] said one article written during the Great Leap Forward. The key directional flow of information was from the bottom up: “in the overall coordination of production..., it is the Center that has to be bombarded with reports, data, and returning ‘planners,’ who have been to the localities and conducted investigations.”[26]

In drawing up and reviewing plans, the revolutionaries emphasized the importance of continuous consultation at each stage of the planning process and of “planning through line” (through mass political discussion and debate). The application of the “mass line” meant that discussions of proposed plans would take place at the grassroots level and that suggested modifications would work their way upward, as back-and-forth exchanges continued between upper and lower levels, and with the most valuable suggestions getting incorporated along the way.

This overall process was described by the Chinese as “the two ups and the two downs.” An initial plan, based on mass experience flowing upward and the overall needs of advancing the revolution, would be formulated and sent down through all administrative and production levels. It was then put to mass review, with suggestions getting transmitted upward. Then a final modified plan would be sent back down. The main thrust of these procedures and mechanisms was that plan goals and norms (standards of production) were the object of mass discussion and evaluation, according to the general political line. But planning through line not only required this back-and-forth process through which a more correct plan could be drawn up. It required that people be won politically to the plan, so that they could define and carry out their specific responsibilities with the interests of the whole revolution in mind. If this approach were not taken, then the spontaneous tendency would be for people either to take a passive attitude and just figure out the easiest way to fulfill their particular assignments, or to twist the plan and go in for whatever would bring the greatest immediate or local gain.

Planning methods are not neutral. They exert effects on class structure—on who and what is being controlled. And the very means by which information is gathered and evaluated reflects the class struggle. China’s planning system was cohesive yet flexible, and it was based on mass participation. This was the result of a unique combination of centralized and decentralized planning mechanisms and the practice of a mass revolutionary politics. It was a new kind of socialist planning.

### **III. Economic Laws, Balance, and Plan Flexibility**

The revisionist approach to planning denies the dialectical movement of things and attempts to impose order and balance from the top, through bureaucratic methods and decrees divorced from and opposed to the masses and mass initiative as well as the actual laws of development of the economy.

—Bob Avakian[27]

Balance is relative to imbalance. Without imbalance there is no balance. The development of all things is characterized by imbalance. That is why there is a demand for balance...Plans constantly have to be revised precisely because new imbalances recur.[28]

—Mao Tsetung

Socialism cannot be built in an atmosphere of calm seas and gentle breezes.

—Mao Tsetung[29]

The nature of economic laws under socialism was the object of continuing investigation and theorization by the revolutionary forces in China. This is clear in studying *The Shanghai Textbook*. Mao defined objective laws as things that appear over and over, not accidentally, in the movements of phenomena.[30] Economic laws refer to basic, yet dynamic, connections and relationships that regulate social production and economic development and that compel economic units to organize and behave in certain ways within certain ranges. These laws are rooted in the objective economic structures and processes of society as it has historically developed. It must be frankly admitted that much more needs to be understood about the operation of economic laws under socialism. But the experience of socialist construction has shown that the force of economic laws will invariably be asserted, even if negatively by failure to understand and act in accordance with them. Socialist construction must be consciously guided.

Here it might be said that one law-like characteristic of socialism is that there is no “invisible hand” that directs socialist economic development. But this is not the same as voluntarism (Mao is often charged by Western and Soviet ideologues with having the view that you can just do anything at any time regardless of material and ideological conditions). The formulation and execution of plan involves the conscious study and utilization of objective laws, and, through application, investigation, and summation, the gaining of a more comprehensive grasp of the nature of these laws. On this basis, the scope for intentional and purposeful human activity, including restricting the range of operation and negative effects of certain laws, vastly increases, as does what the Maoists called the “initiating role” of the superstructure (broadly understood to mean the dynamic play of politics, culture, and ideology).

With respect to planning, the Maoists focused attention on three laws. The law of value reflects the quality of exchangeability of commodities (commodities exchange in proportion to the labor time socially necessary for their production). In a socialist economy, this law continues to play a role in economic planning in calculating cost, in influencing price determination and the ratios in which different products exchange for one another, and in spotting inefficiencies in production. But it did not play a controlling and regulating role. As a holdover from capitalism, this law had to be restricted. The law of planned (and proportionate) development requires that social labor and means of production be distributed in correct proportions between different branches and spheres of the economy so that the economy can harmoniously develop as a whole. This law reflected the requirements of social production under conditions of public ownership. But it did not set the direction of social development; this, *The Shanghai Textbook* points out, was determined by a more fundamental economic law under socialism: the satisfaction of the ever-increasing needs of the proletarian state and the people.

Economic laws operate as tendencies. They are influenced by other laws and factors, as well as by historical circumstances, and these laws are themselves contradictory. So the actual movements and effects of economic laws are complex, not simple and straight line. This remains the case in socialist society.

Socialism is a transition between capitalism and communism, and economic development cannot but be a struggle between the road of socialism and the road of capitalism, a transition marked by upheaval and transformation. One of the common misconceptions of socialist economics, or, perhaps better said, one of the tenets of the “law and order” phony socialism of Soviet-style revisionism is that socialism is a stable social formation whose economic laws will enable production to develop smoothly and society to evolve gradually and ever so surely towards communism. Hence a preoccupation with equilibrium...and with order.

The Soviet revisionists would appeal to economic laws that supposedly put society on a kind of “automatic pilot” to communism. Ideologically, this served the function of politically demobilizing the masses. The state bourgeoisie would tell the masses not to worry about politics; everything that exists is what is supposed to exist, and socialism will take care of itself—provided, of course, that leadership (i.e., the new bourgeoisie) manages the economy “scientifically” in accordance with economic “laws.” The reality of the Soviet Union was of course quite different. Hyper-rigid mechanisms of state-capitalist planning only intensified economic disorder in the long run, because capitalism and its laws cannot be controlled.

### *Stability is not the Highest Goal*

In a genuine socialist economy, conscious regulation of the whole economy (macroeconomic regulation) becomes possible. By this is meant that *society can control all branches of the economy on a regular and system-wide basis*. But this raises some important questions. Does this ability to control social production mean that a planned socialist economy can achieve macroeconomic stability? And to what degree should that be an overriding objective of socialist economy? Clearly, part of the argument for, and objective superiority of, the socialist system is that socialized management of the productive forces enables society to coordinate production according to a conscious plan based on social need. This eliminates the economic dislocations and social misery inflicted by the capitalist drive for profit and the violent fluctuations and market adjustments to which it gives rise.

Socialism overcomes the underlying anarchy (planlessness) of capitalist social production and the condition whereby blind economic forces rule people’s lives. Again, conscious macroeconomic regulation becomes possible. But socialist society is in motion; there is struggle and change, and stability and control are relative. In the Maoist conception, the task of planned socialist construction was not to achieve equilibrium in each sector of the economy or at each phase of development—this was an impossible quest anyway—but rather to unleash and harness dynamic forces, the most important of which is people, in the pursuit of specified political and social objectives. Here is how Mao explained the motion of socialist economic development:

Economic construction is not devoid of forward and backward motion; it is not steady, straight-line advance...Economic construction is wave-like; there are peaks and troughs with one wave following each other. This is to say, there is balance, disruption, and after disruption, balance is restored. Of course these fluctuations in wave-like advance should not be too great, otherwise it would be adventurism followed by conservatism. But wave-like advance is an inevitable and recurring feature of economic construction.[31]

Mao rejected the linear (undynamic) approach of the traditional planning model which took production capacities, supplies of reserves, and technological capabilities as fixed givens, and which viewed balanced growth in terms of static input-output planning ( $x$  amount of machines require  $y$  amount of steel. . . just put the right pieces in the right places to get the right results). The Maoists certainly paid attention to the technical requirements of coordinated production, as discussed in the previous section. But their emphasis was much more on the stimulus that came by unleashing people to solve problems, on grassroots innovation, on creatively mobilizing human and material resources as part of “digging out potential” and this would hardly be neat and orderly.

In the unfolding of plans and mass mobilizations, imbalances were bound to crop up. Some imbalance was economically and socially undesirable and had to be promptly and resolutely corrected; bottlenecks and weak points would have to be overcome. Some imbalance was the result of obstruction and interference by capitalist roaders. But some imbalance and disruption opened up whole new avenues for development, as did the bursts of social, economic, and technical change that occurred during the Great Leap Forward. Some imbalance was the unavoidable side-effect of the pursuit of larger policy objectives. For instance, bringing industry to the countryside enabled peasants to master industrial production processes and to transform rural society, but it also created short-term labor and supply demands in some situations that adversely (though temporarily) affected agricultural production. Finally, much imbalance actually represented advanced experience to be learned from—thus the Maoist call to “take a positive attitude towards imbalance.”

Balanced-imbalanced development was the very process through which growth unfolded. The task of planning was not to avoid or “outplan” imbalance as such but to “ride” those waves Mao speaks of in order to push development forward, and to utilize and more deeply grasp the spiral-like adjustment cycle of balance-imbalance-balance to achieve the ever-more conscious social regulation of production.

One-sided insistence on balance would have three negative impacts. One, it would restrain some of the “irregular” but dynamic elements of the economy, like China’s small-scale industries in the countryside and cities which Mao’s revisionist opponents regarded as a threat to economic order. Two, it would actually make it more difficult to cope with difficulties and unforeseen circumstances by reining in sectors and units in the name of short-run balance. And, three, it would stifle mass initiative and experimentation. The revisionist approach to planning made an absolute out of balance, order, and control, whereas for Mao the key thing was not economic or political stability but change, revolutionary change.

#### *Plan Flexibility*

Mao’s dialectical approach to balance found concrete expression in planning methodology. Long-, medium-, and short-term plans all reflected overriding political principles. As far as time horizons were concerned, broad economic and social goals were embodied in long-term plans, but these plans served more to indicate the future shape of society than to function as quantitative “master” plans. More operational five- and especially one-year production plans were formulated in more detailed numerical form.

But targets and assumptions could not be etched in granite. As Mao wrote, a five- and one-year plan could not meet all the requirements of economic law; this could only be obtained through practice. In China’s specific conditions, overall economic balance was very much

conditioned by fluctuations in agricultural production. And there were the unpredictable “variables” of political struggle, war, and revolution.

Advance coordination is essential to effective planning. But socialist society is not a clockwork mechanism set in motion by planners nor, as mentioned earlier, mechanically governed by economic laws. A planned economy must have feedback mechanisms: the feedback of political debate and discussion on the shape and priorities of development, and the feedback that comes from experience in the struggle for production. A plan must be proven in practice and subject to modification. Observance of goals and norms is essential to effective planning, as is the commitment to fulfill specific plan targets. A plan must be implemented. But the Maoists rejected the idea—as enshrined in revisionist Soviet planning methodology—that “the plan is the law.”

The planning system in revolutionary China did not insist on rigid quotas. Now, this did not mean that targets had no purpose, authority, or motivating role. But it did mean that targets should be sufficiently broad so as to allow for continual review and adjustments, within the framework of keeping the plan consistent and on the basis of level-to-level consultation, in the course of their execution. (And, again, these targets were mainly based on conscious political inquiry, not price data.) In short, it was more important that the economy be able to accommodate itself to making readjustments than that it be tied to rigid targets.[32] It also meant that problems should be solved at the lowest levels concerned, through self-reliant and cooperative means.

Importantly, the revolutionaries moved away from what has been called “taut,” or tight, planning—high output targets with low input allocations, in other words, asking for more than could be reasonably delivered. Such excessively rigid planning causes frequent supply problems. It also reacts on the morale of the masses:

Plan targets should be advanced. But this does not mean that the higher the targets, the better. Plan targets that are too high to be practicable not only fail to unleash the enthusiasm of the masses but will dampen it. Leave some leeway.[33]

The “leeway” in the plan was a margin (or surplus amount) of material and financial resources, as well as labor, that would enable regions, provinces, or county levels to meet emergency situations and enterprises to cope with problems or new conditions. State-owned enterprises were granted a ten percent (and sometimes higher) allowance in the use of production factors for unexpected circumstances and for local initiative. Quantitative targets were centrally set for enterprises. But as Table 1 shows, of the twelve major targets, eight could be changed without permission by the enterprise. This added another measure of flexibility. The revolutionaries had summed up that a complicated and compulsory set of targets, as was the practice of the Soviet Union when it was socialist (and which the Chinese had emulated in the early years of their planning system), actually worked against coherent planning. It often led enterprises to concentrate on some targets at the expense of others, or even to falsify statistical performance. Technical conditions varied considerably among enterprises; and economic and political circumstances were bound to change, and this had to be taken account of by the plans. The net effect of these kinds of planning innovations was that changes and adjustments could be made in the course of carrying out a plan without throwing the whole plan out of whack or forcing it to be abandoned altogether.[34]

**TABLE 1. FLEXIBILITY GRANTED INDUSTRIAL ENTERPRISES IN MEETING QUANTITATIVE TARGETS**

	<i>Targets That Could Not Be Changed By Enterprises Without Permission</i>	<i>Targets That Could Be Changed By Enterprises On Their Own Initiative</i>
Physical	1. Output of main commodities produced	1. Trial production of new commodities 2. Main technical and economic norms (e.g., units of electricity produced per unit of coal)
Financial	2. Total profit	3. Total value of output 4. Total value of cost reduction 5. Rate of cost reduction
Labor	3. Average size of workforce 4. Total wage bill	6. Year-end size of workforce 7. Average wage 8. Productivity of labor
<p><i>Source:</i> Adapted from Christopher Howe, <i>China's Economy</i> (New York: Basic Books, 1978), Table 17, p. 42.</p>		
<p>In a planned socialist economy, industrial enterprises are guided by a central plan. They strive to meet targets and goals set by central, regional, and local political authorities so that social production can function as an integrated whole and satisfy society's needs. But too often central planning systems have tied enterprises to rigid targets, which makes it hard to adapt to changing conditions and which can also stifle worker initiative. This table shows that enterprises in revolutionary China had the flexibility to adjust a great many targets within the framework of a unified plan.</p>		

Plan flexibility was not merely a question of cutting enterprises and units some slack. Fundamentally, the way to adjust for imbalances caused by uneven development and to overcome various bottlenecks and shortfalls was to encourage all levels of the economy to tap the potential of resources previously unknown, unnoticed, or wasted, and to mobilize positive factors through mass movements. This was the principle of “active” balance, which meant searching out solutions to reach goals that had been set, and using the experience of the advanced to inspire the less advanced to catch up. It stood in contrast to “passive” balance, which proceeded from the need to attain a formal balance, even if it meant putting a halter on the dynamic sectors (pulling down the high to suit the low), and which tended to promote passivity at the lower levels.

### *A Deeper Sense of Balance*

If imbalance was viewed as the necessary condition for society to advance and for future balance to be established, this did not mean that the Chinese planning system under Mao was unconcerned about balance or did not view balance as a desirable goal of a planned economy. One can go back to Mao’s 1956 speech, “On the Ten Major Relationships.” This was a critique of major features of the Soviet growth model under Stalin, in particular the one-sided emphasis on heavy industry which took too much of the product from the peasants and left them too few funds for further accumulation through their own efforts. In this work, Mao conceptualizes socialist construction as a whole series of contradictions, and he sets forth a dialectical approach to arranging priorities and proportionalities (it was in this speech that Mao also criticized over-emphasis on central control).

Proportionate development required that certain key proportional relations be handled correctly: between agriculture and industry; within agriculture, between food grain production and other lines; within industry, between key links and secondary links; between agriculture and industry, on the one hand, and communications and transport on the other; between economic construction and cultural and educational activity; and between accumulation and consumption. Approaching these relationships correctly called for attention to investment priorities, growth rates in key spheres of the economy, and their effects on proportionalities between different sectors and industries. But it also called for attention to how these proportionalities affected class relations within Chinese society. Industry required certain agricultural materials to produce goods in social demand. But getting the proportionalities right between these two branches of production (industry and agriculture), getting the right ratios of inputs (from agriculture) and outputs (what industry produced with them) was not simply a technical matter. It was also political: if the peasants were squeezed to achieve the “correct” input-output balance, or taxed too heavily to achieve financial balance, this could undermine the confidence of the peasants in the system and erode the worker-peasant alliance.

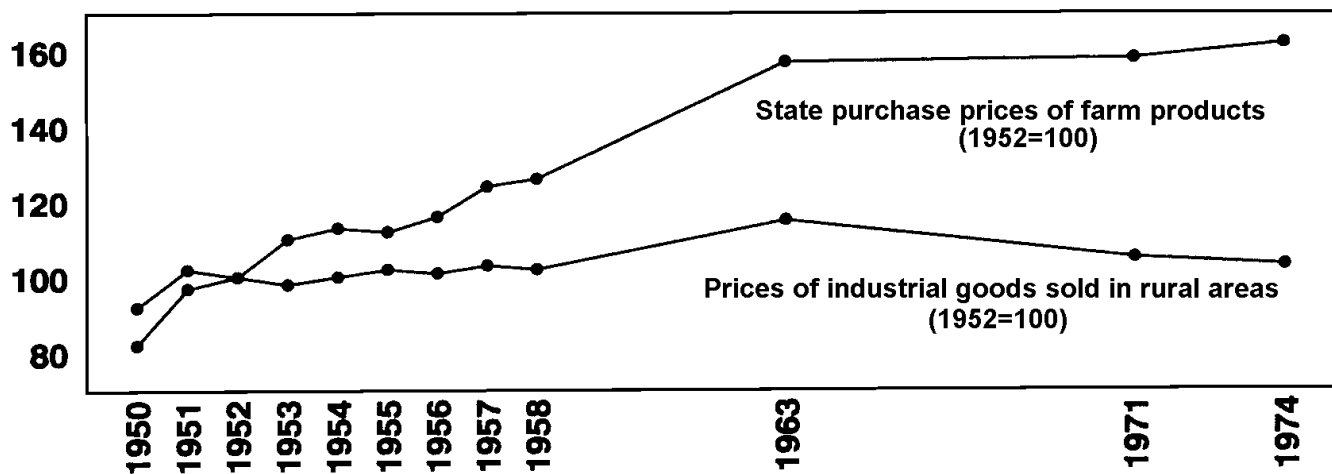
Maoist planning showed a profound concern with balance. But, as with every other aspect of Maoist political economy and strategy, this was seen through the filter of the advance to communist society. Balanced development hinged on three key elements: broad *sectoral balance*, fundamentally between agriculture, light industry, and heavy industry; *regional developmental balance*, that is, reducing the economic and social inequalities between regions; and *technological balance*, meaning there should be a balanced spectrum of techniques of production in society, not just the big, the modern, and the foreign.[35] The central planning system was more concerned with these kinds of balances than with detailed material balancing



and target setting. And in the 1949-76 period, the Chinese economy made notable gains in achieving this kind of balanced development.

Agriculture received major attention (as mentioned, it was the starting point in the planning process). Considerable resources in the industrial sector were devoted to supplying agriculture with modern industrial products; substantial direct state investment was made in agricultural infrastructure, like water conservancy projects; and mass run rural industries were developed. Earlier in this essay, the question of prices was discussed. During the Maoist years, the terms of trade between agricultural and industrial goods improved dramatically. Chart 1 provides dramatic evidence: between 1952 and 1974, the prices of farm products paid by the state increased by 64 percent while prices of industrial goods sold in rural areas increased by less than 1 percent. Concern with technological balance brought forward the policy of “walking on two legs,” or utilizing both advanced and simple (or traditional) technologies, and spreading technology and scientific know-how that people could master and apply (for example, peasants learned and practiced seed-selection and seed-crossing).

**CHART 1. IMPROVING THE TERMS OF TRADE BETWEEN AGRICULTURE AND INDUSTRY, 1950–1974**



Source: Nicholas Lardy, “Economic Planning and Income Distribution in China,” *Current Scene*, November 1976, p. 6.

This chart shows that in Maoist China prices of industrial goods (like equipment and fertilizer) held relatively constant from 1950 to 1974, whereas the state steadily increased the prices at which it purchased agricultural goods. This is totally opposite to the general situation of Third World countries both internally and in their relation to the world market—whereby the terms of trade for agricultural producers tend to be unfavorable and to deteriorate over considerable stretches of time. The Maoist price policy is an illustration of taking agriculture as the key link and the determination to overcome differences between industry and agriculture and between town and country.

**TABLE 2. SHARE OF TOTAL OUTPUT PRODUCED BY COASTAL PROVINCES, 1952–1970  
(in percentages)**

	1952	1957	1965	1970
Electric power	66	60	54	57
Coal	34	36	36	40
Crude oil	75	40	16	13
Steel	85	83	64	56
Chemical fertilizer	100	88	49	50
Cement	72	62	41	36
Paper	50	44	40	39
Machine tools	90	*	*	80
Cotton cloth	82	70	61	61
Sugar	40	33	47	47

*Source:* Charles R. Roll, Jr., and Kung-Chia Yeh, “Balance in Coastal and Inland Industrial Development,” *China: A Reassessment of the Economy*, Joint Economic Committee of the U.S. Congress, 1975, Table 4, p. 89.

One of the goals of socialist economic development in China was to effect a more balanced distribution of productive capacity between the coastal regions and the poorer interior of the country. Before 1949, most of China’s industry was concentrated in Shanghai and Tientsin (coastal areas) and Manchuria. The revolution rejected the capitalist logic of focusing investment resources on these already developed areas (“building on the best”) as well as the Soviet model of constructing highly centralized production complexes. Instead, the revolution set out to create a wide net of industry that could both supply basic necessities for the local population and meet local industrial needs. The table reveals that the relative share of output of key industrial items accounted for by noncoastal areas increased substantially over the 1952–1970 period.

Regional balance was aimed at avoiding what is sometimes called “air-bubble” development, wherein modern and fast-growing industry is concentrated in a few coastal areas cut off from the rest of the country, which is condemned to stagnation. (This kind of lopsided development is reasserting itself with chaotic vengeance in China today under the banner of reform and modernization.) A policy of rational dispersion of industrial capacity was pursued. New industrial centers appeared in the interior regions, and there was a steady increase in the share of industrial output by inland provinces. This can be seen in Table 2, which shows the declining share of output (with the slight exceptions of two categories) by China’s coastal provinces, which were the traditional centers of industrial development. The central government also made determined efforts to redistribute investment and financial resources from the rich to the poor areas. As illustrated by Table 3, highly industrialized areas sent well over half their revenues to the center while less developed areas received considerable subsidies. Skilled labor and technical labor power were systematically transferred from more developed to less developed regions. By the early 1970s Shanghai had supplied over half a million skilled workers to industry in the interior of the country.[36] As a result of these and other policies, the least industrialized regions had experienced the highest rates of growth (although their absolute level of development still remained considerably behind that of the advanced regions).[37]

For Maoist planning, the proper handling of key economic and social relationships was more important than growth or balance per se. In the long run this approach to balanced development promoted sustainable growth that both increased collective mastery over the economy and narrowed social, economic, and regional inequalities.



**TABLE 3. GOVERNMENT REDISTRIBUTION OF FINANCIAL RESOURCES TO POORER REGIONS:  
REVENUE SHARING BETWEEN THE CENTRAL GOVERNMENT AND PROVINCES**

Province (listed in descending order of industrial development)	<i>Percentage of Total Provincial Revenue Kept by Province*</i>	
	1959	Post-1960
Shanghai	19.8	10 (1972)
Liaoning	36.1	18 (1972)
Kiangsu	54.4	30 (1972)
Yunnan	11.8	115 (1974)
Inner Mongolia	88.5 (1957)	**
Kwangsi	108.6 (1957)	**
Sinkiang	125.9	135 (1955–72)
Ninghsia	**	152 (1958–74)
Tibet	183.5	150+ (1960–73)

\* Percentages above 100 indicate a net subsidy from the central government to the province. Those provinces receiving such subsidies could spend more to cover their expenditures than would have been possible given the revenues they could generate on their own.

\*\* Expenditures in these provinces were greater than anticipated revenues, resulting in a subsidy from the central government. However, the size of this subsidy in relation to expenditures is not known.

Source: Adapted from Nicholas Lardy, *Economic Growth and Distribution in China* (Cambridge: Cambridge University Press, 1978), Table 4.3, p. 162.

This table illustrates one way in which the planning system in China sought to overcome differences between the more industrially developed and urbanized regions and provinces and the more rural, agricultural, and backward areas of the country. The areas of highest industrial development, like Shanghai, sent the vast majority of their revenues to the center. The poorest areas, like Tibet, received subsidies from the center that amounted to over half of their spending requirements. These poorer areas received other kinds of support as well. This policy of redistributing financial resources from the richer to the poorer areas was strengthened by the Cultural Revolution. After a socialist revolution in a country like the United States, the application of such a policy would involve a vast redistribution of resources towards the inner cities and poorer rural areas.

## IV. It Worked and Opened New Possibilities

Revolutionary China scored great economic successes. It can be seen from Table 4 that in the 1952-1966 and 1966-76 subperiods agricultural and industrial output grew steadily. In the countryside, the food problem was solved, mass hunger and disease wiped out. A basic consumption level was established below which people were not permitted to fall and living standards for the masses rose. During the years of the Cultural Revolution (1966-1976), when Maoist China was supposedly on the brink of economic disaster according to its detractors, industrial production achieved an impressive average annual rate of growth of over 11 percent. There were major industrial breakthroughs, like the development of a large machine-building industry and advances in ship construction capabilities, and major scientific breakthroughs, like the development of synthetic insulin. Consumption for both urban and rural inhabitants grew at a moderately good rate of over two percent a year. Revolutionary China's quantitative growth record as measured against that of other countries stood up well. Compared with the growth rate of contemporary advanced industrial countries during the periods between 1870-1900 and 1900-1971, only Japan's performance in growth of per capita income may have been better. Compared with other low-income Third World countries during the 1965-75 period, China's growth rate was quite high.[38]

But more important was the quality of this planned growth, its emphasis on reducing social inequality, its refusal to allow the market to determine the allocation of resources and the distribution of income, its insistence on growth on the basis of collective control by those on the bottom of society. And this was its reality. Urban income and consumption differentials were, by any standard, extremely low (no other low-income country came close). Within industry, the highest-paid managers and technical personnel were typically paid only about five times the wage of unskilled workers (a 5:1 pay ratio), whereas in many Third World countries of Africa and Asia it was not unusual for the ratios to range from 30:1 up to 50:1.[39]

Urban-rural inequality was addressed through a series of measures that included the previously mentioned efforts to improve the terms of trade in favor of agriculture, as well as the development of rural industrial and technical networks, expansion of secondary schooling, recruitment of peasants into the universities, sending down of university youth to the countryside, and vast expansion in rural health and welfare services (prior to the Cultural Revolution, two-thirds of budgetary funds for medical and health care were spent in urban areas; as a result of the Cultural Revolution, this proportion was reduced to 40 percent). A large, underdeveloped, and overwhelmingly rural society had an average life expectancy that ranked far above that of other low-income countries.[40] As for China's largest city, Shanghai, by 1975 its infant mortality rate was lower than New York City's.

This was a radically different kind of economy and society. Take the workplace. Social control was asserted over technology. The labor process and the social division of labor became the object of transformation. Administrative bureaucracy and technical hierarchy with their oppressive pecking orders, rules and regulations, and their institutionalized antagonisms between manual workers and "mental" experts were criticized, overhauled, and simplified. Management was made accountable to workers. And bold worker and peasant innovation was made the order of the day. Throughout society, base-level institutions of popular control developed. No authority was exempt from criticism by ordinary workers and peasants. Above all, the masses were drawn into debate and struggle around the cardinal political issues of the revolution. Imagine a society organized around the principle of serving the people. That was Maoist China.

**TABLE 4. REVOLUTIONARY CHINA'S ECONOMIC GROWTH, 1952–1976**

	Phase I (1952–1966)			Phase II (1966–1976)	
	1952	1966	Annual rate of growth, %	1976	Annual rate of growth, %
1. National income (net domestic material product)—billion yuan in 1970 prices	65.4	151.0	4.0	245.6	7.0
2. Total value of industrial output—billion yuan in 1970 prices	27.5	144.8	10.6	326.1	11.3
3. Of which, heavy industry production—billion yuan in 1970 prices	8.7	72.3	14.4	183.1	13.6
4. Of which, light industry production—billion yuan in 1970 prices	18.7	72.3	7.4	143.0	8.5
5. Total value of agricultural production—billion yuan in 1970 prices	63.6	94.7	1.4	131.7	3.8
6. Amount of food grain production—unprocessed, in millions of tons	163.9	213.9	0.6	286.3	3.4
7. Population—yearly average in millions of persons	568.2	735.6	1.7	926.19	2.4
8. Per capita national income—yuan in 1970 prices	115.0	205.3	2.3	265.2	4.4
9. Per capita food grain output—unprocessed, in kilograms	288.0	291.0	-1.0	309.0	1.0

*Source:* Ishikawa, “China’s Economic Growth Since 1949,” *China Quarterly*, June 1983, Table 1.

This table illustrates China’s growth during two periods. The first was the early phase of socialist construction, when China was laying the foundations of a planned socialist economy. The second covers the years of the Cultural Revolution, when there was enormous political upheaval and social experimentation. This table shows that the trends of growth for most of the agricultural and industrial indicators were quite high—especially as compared with other developing countries. It also shows that the economy performed quite well during the Cultural Revolution, which has often been attacked by critics as a total disaster. That success was not an accident but the result of the Maoist policy of Grasp Revolution, Promote Production.

The fact that Maoist China was a very poor country with a large peasantry has led some observers to conclude that while there is perhaps much to admire about revolutionary China's strategy for economic development, this is essentially only relevant to overcoming underdevelopment. These observers suggest that there is little else about the Maoist experience that is relevant to advanced industrial society. But this is quite mistaken and, it must be frankly stated, quite Eurocentric. To begin with, the proletarian revolution is a complex and world-embracing struggle that must, as one of its key objectives, overcome the existing (unequal) distribution and concentration of productive forces. The majority of the world's population live in a Third World dominated and penetrated by imperialism. In these neocolonial areas, revolution must completely recast the lines of dependent and distorted development that result from this domination. The Maoist road to socialism in the Third World, what it actually means to *delink* from the imperialist world economy and to achieve self-reliant and sustainable *socialist* growth, is of enormous relevance in the world today. (It might also be added that high on the agenda of any victorious revolution in an advanced capitalist country must be the dismantling of exploitative relations with the oppressed nations in the context of promoting world revolution.)

Secondly, the Maoist strategy of economic development has even wider applicability. Many of the particular issues of industrial development with which revolutionary China was grappling—such as location and scale of industry; forms of integration of residence with work, and industrial production with nonindustrial activities; pollution and waste management; and breaking with lopsided urban population-industrial transportation growth and consumption patterns—are certainly issues and experiences that matter very much, indeed urgently so, in Western industrial society.

There is a larger issue. To seriously confront and solve the kinds of problems that exist in advanced capitalist society—whether we are talking about health needs, education, pollution, or the condition of the inner cities—requires a revolution that will not only focus resources according to priorities based on human need, but a revolution that will catalyze total participation and emancipate people's minds. The experience of revolution in the 20th century has shown that a socialist society must develop and release human energy and creativity by promoting socialist values, raising consciousness, and encouraging mass initiative at all levels. The Maoist project in China was exemplary in this regard.

The experience of socialist revolution in the 20th century has also shown that a socialist economy must combine socialized productive forces, which require a significant degree of centralized coordination, with extensive decentralization and local initiative. The Soviet model of planned economy, as it evolved under Stalin, went way overboard with centralization. On the other hand, capitalist market mechanisms—erroneously construed by some as a counterweight to entrenched bureaucracy—lead inescapably to concentration of wealth and power, the subordination of living labor to the accumulation of capital, and anarchy of production. Maoist planning represents the most advanced synthesis of centralization and decentralization, of structural coordination and mass participation.

Lastly, there is the question of planning itself. A plan is not an end as such but must serve and be evaluated from the standpoint of abolishing commodity production and classes. It must attack the material and social basis of exploitation and oppression, transform and ultimately eradicate the conditions and relations which give rise to class, national, and male-female divisions. It must, in association with deep-going political and ideological struggle, aim at breaking down the distinctions between mental and manual labor, between intellectual and worker, between state



functionary and ordinary member of society. This was the path of planned socialist economy in revolutionary China.

Is this to say there were no difficulties or problems in Maoist China? Of course not—society was, after all, being sprung in the air. Workers, peasants, women, and other former “nobodies” were entering and conquering the “forbidden” arenas of intellectual knowledge, technical expertise, and culture. There was not a lot of experience, there were not many models, to draw on. Much of what was being undertaken had a certain experimental quality to it; so lessons and mistakes had to be summed up and modifications made. And it cannot be forgotten that the changes brought about by the Cultural Revolution challenged the privileges and positions of those who had lorded over the masses...and they fought tooth and nail to prevent or undermine these changes.

As for the economy per se, despite the overall and quite positive thrust of economic development, there were problems and new challenges. The revolutionaries were keenly aware of them: structural weaknesses in certain sectors, like power, coal, iron ore, and transport; a static growth rate in agriculture; still significant differences in living standards between communes; difficulties in making most productive use of capital inputs; and new tasks in resource management and environmental control posed themselves with the further development of the economy. The Maoists were prepared to tackle these and other problems and challenges, and had the only approach for doing so.

But Maoist policies, including the planning principles discussed in this essay, were not implemented in a vacuum. They were being fought for and carried out in the context of two-line struggle within the Communist Party and a continuing contest for power. The mid-1970s saw a new round of class struggle shape up which, as it intensified, affected economic performance, spilling over to planning, enterprise management, struggle over discipline and forms of payment, and eventually the quantity and quality of output. The revisionist forces grouped around Zhou En-lai and Deng Xiaoping had a vast network of functionaries under their organized control and they resorted to bureaucratic intrigue and all kinds of disruptive tactics. The Maoist forces on the other hand sought support from below. This was the reality of the situation and owing to a variety of internal and external factors, the alignment of forces was not favorable to the revolutionaries. Socialism in China did not collapse in failure or wither away in utopian irrelevance but rather met defeat in a battle with the domestic and international forces of capitalism.

## **V. More Relevant than Ever**

At a time when capitalism’s triumph is trumpeted, the basest motives of human behavior glorified, and revolutionary hopes and dreams declared unrealistic, the ideological defense of socialist revolution assumes heightened importance. This is a world in which the organization of social production divides people from each other and from their creativity, a world that has never been more polarized into haves and have-nots, a world in which blind economic development threatens ecocide. And the reason is not hard to pinpoint: the world is dominated by a system that uses profit as measure and motor of social development. But the material basis exists to organize society on a planetary scale on a nonexploitative foundation, while the oppressiveness of this world system breeds resistance. At such a time in such a world, the struggle for socialism must not only be upheld in principle, but taken up and fought for in practice with renewed urgency.

The collapse of the Soviet Union proves not the failure of socialism but that nothing less than a liberatory socialism, a revolutionary communism, will challenge the structural and ideological foundations of exploitation and class rule. And that is why the experience of revolutionary China is so crucial. It demonstrates that socialism can and must be both visionary and viable, and charts a direction for defending and advancing revolution against would-be exploiters. The legacy of Maoist China is a storehouse of experience and insight, method and principle, and theory and practice for uprooting the old and forging the new. Can we learn from and build on it? Can we afford not to?

## Notes

[1] Mao's critical assessment of Soviet economics is discussed in the Introduction to this volume.

[2] See the discussion in Bob Avakian, "The End of A Stage—The Beginning of a New Stage," *Revolution*, Fall 1990.

[3] Lenin, "Once Again on the Trade Unions," *CW*, 32, p. 84.

[4] Bob Avakian, unpublished correspondence.

[5] See Stephen Andors, *China's Industrial Revolution* (New York: Pantheon, 1977), pp. 217-18.

[6] See "Planning and Urbanism in China," special issue of *Progress in Planning*, Vol. 8, Part 2 (1977); Charles Bettelheim, *Cultural Revolution and Industrial Organization in China* (New York: Monthly Review Press, 1974), pp. 87-89; Dwight Perkins (ed.), *Rural Small-Scale Industry in the People's Republic of China* (Berkeley: University of California Press, 1977), pp. 218-22; Leo Orleans, "China's Environomics," in Joint Economic Committee, Congress of the United States, *China: A Reassessment of the Economy* (Washington, D.C.: U.S. Government Printing Office, 1975), pp. 116-44; and the earlier but quite valuable book by Keith Buchanan, *The Transformation of the Chinese Earth* (New York: Praeger, 1970).

[7] Christopher Howe, *China's Economy* (New York: Harper, 1978), p. 128, Table 47. The proportional figure for hydroelectric generating capacity tends to be lower in other studies owing to definitional differences.

The data cited here is derived from official Chinese sources and Western studies that generally made use of figures provided by Chinese statistical bureaus. Is this data trustworthy? Thomas Wiens's "Agricultural Statistics in the People's Republic of China," in Alexander Eckstein (ed.), *Quantitative Measures of China's Economic Output* (Ann Arbor: University of Michigan Press, 1980), argues that aggregate figures in agriculture are, for the most part, dependable. As for official reporting of economic performance during the Cultural Revolution, even the current anti-Mao, anti-Cultural Revolution leadership of China has had to acknowledge that the data generated in that period is basically reliable. See Li Chengrui, "Are the 1967-76 Statistics on China's Economy Reliable," *Beijing Review* (12), 19 March 1984. These references are cited in a useful discussion in Stephen Endicott, *Red Earth* (New York: New Amsterdam, 1991), pp. 222, 258.

[8] Hua Ching-yuan, "In Multipurpose Utilization of Materials, It is Necessary to Promote What is Beneficial and Eliminate What is Harmful," *People's Daily* (7 September 1971), quoted in K. William Kapp, "'Recycling' in Contemporary China," *Kyklos*, Vol. XXVII (1974).

[9] One of the weaknesses in the planning system under Stalin was that the overwhelming pressure to meet quantity targets sometimes resulted in a decline in the quality of products; the lower quality of goods forced factories to consume them in greater quantity; and this prompted planners to intensify the pressure to increase quantity. Mao emphasized that this vicious circle could only be broken by grasping the interconnection between quantity and quality (neither one nor the other could be negated) and by grasping that the key to handling these contradictions was to arouse and rely on the activism of the masses to correctly combine quantity, speed, quality and cost in order to push the economy forward.

[10] Quoted in Han Suyin, *Wind in the Tower* (Boston: Little, Brown and Company, 1976), p. 55. Mao was dealing more broadly with solving problems of right and wrong among the people in socialist society. But this orientation clearly applies to matters of economic administration as well.

[11] See Bob Avakian, *There's Nothing More Revolutionary Than Marxism-Leninism, Mao Tsetung Thought* (Chicago: RCP Publications, 1982), p. 111.

[12] Writing Group of the Kirin Provincial Revolutionary Committee, "Socialist Construction and Class Struggle in the Field of Economics," *Peking Review* (16), 17 April 1970, p. 9.

[13] Mao Tsetung, *Critique of Soviet Economics* (New York: Monthly Review Press, 1977), p. 79.

[14] Some socialist theorists have attempted to answer the bourgeois critique on its own terms, arguing that developments in computer and telecommunications technology will effectively enable central planning authority to have all the information necessary to carry out this kind of micromanagement. In effect, the illusory guiding hand of

“perfect competition” is replaced by the illusory guiding hand of “perfect computation.” The pivotal question of the role of the masses, and of the class struggle, in the planning process is passed over.

[15] See Nicholas Costello, et al., *Beyond the Casino Economy* (London: Verso, 1989), pp. 68-70.

[16] Liao Jili, “Discussing the ‘Double Track System,’ ” *Jibua jingji* (1958), No.8, reprinted in Christopher Howe and Kenneth R. Walker, (eds.), *The Foundations of the Chinese Planned Economy* (London: Macmillan, 1989), p. 74. The critique developed during the Cultural Revolution of what came to be known as the “trust system” of industrial organization and planning is summarized in Andors, *China’s Industrial Revolution*, pp. 187-95. Vertical planning was resurrected by the forces grouped around Deng Xiaoping and Zhou En-lai as they made their bid for power against Mao and revolutionary forces. What may be the last critique by Maoism in power of an emergent state-capitalist “trust system” can be found in Kao Lu and Chang Ko, “Comments on Teng Hsiao-ping’s Economic Ideas of the Comprador Bourgeoisie,” in Lotta, *And Mao Makes Five*, pp. 301-08.

[17] The discussion of planning principles in this section draws on Joan Robinson, *Economic Management in China, 1972* (London: Anglo-Chinese Educational Institute, 1973).

[18] Thomas P. Lyons, *Economic Integration in China* (New York: Columbia University Press, 1987), p. 213.

[19] Christine P.W. Wong, “Ownership and Control in Chinese Industry: The Maoist Legacy and Prospects for the 1980s,” in Joint Economic Committee, U.S. Congress, *China’s Economy Looks Toward the Year 2000* (Washington, D.C.: U.S. Government Printing Office, 1986), p. 577 and Table 7, p. 603.

[20] See “Socialist Commerce, Not for Profits,” *Peking Review*, 30 July 1976, pp. 13-15. For a more detailed explanation of the conference system of materials allocation in revolutionary China, see Michael Ellman, *Socialist Planning* (Cambridge: Cambridge University Press, 1979), pp. 36-37, and Robinson, *Economic Management*, pp. 20-21.

[21] Fred Block, *Post-Industrial Possibilities* (Berkeley: University of California Press, 1989), p. 208.

[22] See Perkins, *Rural Small-Scale Industry*, and Jon Sigurdson, “Rural Industrialization in China: Approaches and Prospects,” *World Development*, Vol. 3, Nos. 7 & 8, July-August 1975. One of socialist China’s great technical accomplishments was the pioneering, and wide diffusion, of high-yielding varieties of grain.

[23] This point is made in John Gurley, *China’s Economy and the Maoist Strategy* (New York: Monthly Review Press, 1976), p. 18.

[24] Roland Berger, “Economic Planning in China,” *World Development*, Vol. 3, Nos. 7 & 8, July-August 1975.

[25] “Break the Old Balance: Establish New Balance,” *Renmin Ribao*, 28 February 1958, reprinted in Howe, *Foundations of Planned Economy*, p. 66.

[26] Philip Corrigan, et al., *For Mao* (Atlantic Highlands, New Jersey: Humanities Press, 1979), p. 132.

[27] Bob Avakian, *Mao Tsetung’s Immortal Contributions* (Chicago: RCP Publications, 1978), p. 119.

[28] Mao, *Critique of Soviet Economics*, pp. 80-81.

[29] Mao Tsetung (ed.), *Socialist Upsurge in China’s Countryside* (Peking: Foreign Languages Press, 1957), p. 253.

[30] Mao, *Critique of Soviet Economics*, p. 113. In this text (see p. 54), Mao emphasizes that economic categories and laws, such as distribution according to labor and the law of value, are not eternal and unchanging. They are historically relative and will cease to exist at some point as a result of societal development and transformation.

[31] Mao Tsetung, “Examples of Dialectics,” in *Miscellany of Mao Tsetung Thought (1949-68)*, Part I (Arlington: Joint Publications Research Service, 1974), p. 224. The translation here is different.

[32] Howe, *China’s Economy*, p. 53. An important statement of Mao’s approach to planning methods can be found in Mao Tsetung, “Talk on the Third Five Year Plan,” in Howe and Walker, *Foundations of Planned Economy*, pp. 131-34.

[33] *The Shanghai Textbook*, pp. 154-55.

[34] See Jan Prybyla, *The Chinese Economy* (Columbia, S.C.: University of South Carolina Press, 1978), p. 92; James Stepanek, "Plan Flexibility in the PRC," *Contemporary China*, Vol. I, No.3; and Howe, *China's Economy*, p. 42.

[35] See Suzanne Paine, "Balanced Development: Maoist Conception and Chinese Practice," *World Development*, Vol. 4, No.4, 1976.

[36] Alexander Eckstein, *China's Economic Revolution* (Cambridge: Cambridge University Press, 1977), p. 364.

[37] See Nicholas Lardy, *Economic Growth and Distribution in China* (Cambridge: Cambridge University Press, 1978), pp.153-64.

[38] See Carl Riskin, "Judging Economic Development: The Case of China," *Economic and Political Weekly* (India), 8 October 1977.

[39] Alexander Eckstein, *China's Economic Development* (Ann Arbor: University of Michigan Press, 1975), pp. 348-49. In 1974, the basic salary of the highest paid administrative official in Canton (chairman of the Provincial Revolutionary Committee) was eight times the basic wage of the least skilled worker in the province's modern industrial sector. (Prybyla, *The Chinese Economy*, p. 120.)

[40] Some of the relevant data is summarized in Carl Riskin, *China's Political Economy* (Oxford: Oxford University Press, 1987), chapter 10. Per capita consumption in China doubled between 1952 and 1975 (Eckstein, *China's Economic Revolution*, p. 305). But the rate of growth of consumption (of foodstuffs, clothing, and other material goods) per person, or of per capita income, is only one—and not always the most meaningful—measure of improved living standards. Trends in infant mortality, literacy, average life expectancy, and so forth are highly important indicators of social progress. As indicated, these improved astoundingly in China between 1949 and 1976—the result of the expansion and increasingly need-based allocation of health, education, and other social welfare "goods," as well as of the mass mobilization approach to dealing with social problems that had characterized socialism in China. On living standards, narrowing of social differentials, and "quality of life" issues in Maoist China, the literature is vast, but see, for example, Maria Antonietta Macciocchi, *Daily Life in Revolutionary China* (New York: Monthly Review Press, 1972); Wilfred Burchett and Rewi Alley, *China: The Quality of Life* (Middlesex: Penguin, 1976); and Jan Myrdal and Gun Kessle, *China: The Revolution Continued* (New York: Vintage Press, 1972).

## SUGGESTED READINGS ON SOCIALISM AND THE POLITICAL ECONOMY OF SOCIALISM

**Karl Marx**, *Critique of the Gotha Programme* (Peking: Foreign Languages Press, 1972).

Marx did not set down a systematic account of how a socialist economy would function. But in this brief work, written towards the end of his life, he does offer more extensive comments on the conditions of emergence and the economic and social organization of socialist and communist society.

**V.I. Lenin**, *The State and Revolution* (Peking: Foreign Languages Press, 1973).

Taking Marx's ideas further, and defending them against revisionist assault, Lenin discusses the nature of the proletarian state and the economic and political factors involved in the transition from socialism to communism.

**Joseph Stalin**, *Economic Problems of Socialism in the U.S.S.R.* (Peking: Foreign Languages Press, 1972).

In this essay, written in 1952, Stalin attempts to identify and address key problems arising from the remnants of capitalism still surviving under socialism. The discussion ranges over such issues as the law of value, commodity production, and their effects on the regulation of socialist production, and the continuing contradiction between the forces and relations of production. A serious work of socialist political economy, although also seriously flawed. See next reference.

**Mao Tsetung**, *A Critique of Soviet Economics* (New York: Monthly Review Press, 1977).

Pathbreaking writings dating from the late 1950s and early 1960s. Mao critically examines the Soviet model of socialist construction and its associated principles of socialist political economy. Set against the canvas of the Great Leap Forward, Mao probes the process of continuing revolution and the nature of the transition from socialism to communism-and in so doing stakes out new conceptual territory for Marxism.

**Chang Chun-chiao**, "On Exercising All-Round Dictatorship Over the Bourgeoisie," in Raymond Lotta, ed., *And Mao Makes Five* (Chicago: Banner Press, 1978); also in *Peking Review* (14),4 April 1975.

Chang was a key leader of the Cultural Revolution and part of the radical leadership core on whom Mao relied during his last great battle. This essay was written in 1975, as the struggle within the Chinese Communist Party over whether China would remain on the socialist road was coming to a fateful head. It is a highly important analysis of the relations of production under socialism, the contradictions within its ownership system, and the material and ideological conditions giving rise to new privileged and exploiting forces.

**Bob Avakian**, *Mao Tsetung's Immortal Contributions* (Chicago: RCP Publications, 1979).

A lucid synthesis of Mao's contributions to various fields of Marxism, including the political economy of socialism, that is also a stimulating survey of the development of Marxist theory. The work provides grounding as well for understanding key historical and developmental issues of the Chinese revolution.