

WE CAN DEVELOP A MARKET ECONOMY UNDER SOCIALISM

Deng Xiaoping

November 26, 1979

<https://dengxiaopingworks.wordpress.com/2013/02/25/we-can-develop-a-market-economy-under-socialism/>

Excerpt from a talk with Frank B. Gibney, Vice-Chairman of the Compilation Committee of Encyclopaedia Britannica, Inc. of the United States, Paul T. K. Lin, Director of the Institute of East Asia at McGill University of Canada, and others.

Gibney: Over a fairly long period of time China has remained closed off from the United States. For such a country as China, it is really a big challenge to achieve rapid modernization. It seems that China has to carry out a new revolution.

Deng Xiaoping: Modernization does represent a great new revolution. The aim of our revolution is to liberate and expand the productive forces. Without expanding the productive forces, making our country prosperous and powerful, and improving the living standards of the people, our revolution is just empty talk. We oppose the old society and the old system because they oppressed the people and fettered the productive forces. We are clear about this problem now. The Gang of Four said it was better to be poor under socialism than to be rich under capitalism. This is absurd.

Of course, we do not want capitalism, but neither do we want to be poor under socialism. What we want is socialism in which the productive forces are developed and the country is prosperous and powerful. We believe that socialism is superior to capitalism. This superiority should be demonstrated in that socialism provides more favourable conditions for expanding the productive forces than capitalism does. This superiority should have become evident, but owing to our differing understanding of it, the development of the productive forces has been delayed, especially during the past ten-year period up to 1976. In the early 1960s, China was behind the developed countries, but the gap was not as wide as it is now. Over the past 11 or 12 years, from the end of the 1960s through the 1970s, the gap has widened because other countries have been vigorously developing their economies, science and technology, with the rate of development no longer being calculated in terms of years, not even in terms of months, but in terms of days. For a fairly long period of time since the founding of the People's Republic, we have been isolated from the rest of the world. For many years this isolation was not attributable to us; on the contrary, the international anti-Chinese and anti-socialist forces confined us to a state of isolation. However, in the 1960s when opportunities to increase contact and cooperation with other countries presented themselves to us, we isolated ourselves. At last, we have learned to make use of favourable international conditions.

We must realize the four modernizations. To attain this objective, we must rely on our own efforts, on correct principles and policies, and on specific effective measures. Some people doubt whether we can accomplish the modernization drive and ask us on what basis we can achieve the four modernizations. We enjoy four favourable conditions for attaining the goal of modernization as follows.

First, we have abundant natural resources. China is a country with vast territory and abundant energy and mineral resources, including almost all the ferrous, nonferrous and rare metals. If these resources are exploited, they will produce great economic power.

Second, over the past 30 years, regardless of the follies that we have committed, we have laid a preliminary material foundation for industry, agriculture, science and technology, thus creating a basis for achieving the four modernizations. We now have over 2 million machine tools, and produce more

than 100 million tons of oil, over 600 million tons of coal, and more than 30 million tons of steel annually. In short, we have laid the material foundation for realizing the four modernizations.

Third, we believe that the Chinese people are apt. For about ten years, the mental shackles imposed by Lin Biao and the Gang of Four fettered people's thinking and restrained them from bringing their wisdom and creativity into full play. But now we are encouraging people to emancipate their minds and reiterating the policy of "letting a hundred flowers blossom and a hundred schools of thought contend", as was proposed by Chairman Mao Zedong, so as to create the necessary conditions for arousing the Chinese people's initiative and bringing their intelligence and wisdom into full play. We are strengthening and promoting democracy for the same purpose. But some people mistake our expanding democracy for advocating anarchy. In fact, anarchy was practised in the days of Lin Biao and the Gang of Four. Development is out of the question under anarchy. If you had come to China in the 1950s or in the early 1960s, you would have found that our social conduct was good. During those hard times, people observed discipline, took the overall situation into consideration, combined personal interest with the overall interests of the collective, the state and society, and conscientiously overcame difficulties with the government. It was in this way that we passed through the three years of economic difficulties beginning in 1959. However, Lin Biao and the Gang of Four completely corrupted this good social conduct. Now, the "Xidan Wall" in Beijing has for some time been a place where those people, who do not work, often create disturbances. They are perniciously influenced by the ideology of the Gang of Four and gather to make trouble and even to engage in espionage. Although a few of them are well-intentioned, actually they are imbued with the ideology of the Gang of Four. They practise ultra-individualism and anarchy. Although these young people are few in number, they have enormous influence. We have adopted a serious attitude towards them for the purpose of educating the younger generation. Therefore, we maintain that while strengthening democracy, we should improve the socialist legal system. We should emancipate our minds and restore the good social conduct that prevailed for a long time. We shall try to fully arouse the initiative of the people in order to accomplish the four modernizations, but we have a precondition, that is, we need to create a political situation characterized by social stability and unity. Meanwhile, we should also pay attention to training personnel. For many years, we have neglected scientific research and education, resulting in great losses in this area. Therefore, we must strengthen science and education, discover capable personnel and make good use of them. To sum up, we should arouse the initiative of our people. As long as we put to use the wisdom and intelligence of the people, China has high hopes.

Fourth, to realize the four modernizations¹, we must follow the correct foreign policy of opening to the outside world. Although we rely primarily on our own efforts, on our own resources and on our own foundations to realize the four modernizations, it would be impossible for us to achieve this objective without international cooperation. We should make full use of advanced scientific and technological achievements from around the world and also of potential funding from abroad so that we can accelerate the four modernizations. This opportunity did not exist for us in the past. Later, when

¹ Explanatory note by SO'C: The Four Modernizations as laid out by Premier Zhou Enlai in 1963 and reiterated by Deng Xiaoping starting in 1978 refer to agriculture, industry, scientific and technological development and national defense. In 1979, Deng articulated Four Cardinal Principles for achieving the Four Modernizations. These were: (1) We must keep to the socialist road; (2) We must uphold the dictatorship of the proletariat; (3) We must uphold the leadership of the Communist Party; and (4) We must uphold Marxism-Leninism and Mao Zedong Thought. See Deng Xiaoping (1979) "Uphold the Four Cardinal Principles"

(<https://dengxiaopingworks.wordpress.com/2013/02/25/uphold-the-four-cardinal-principles/>)

conditions changed, we failed to make use of them for some time. It is high time that we learn to utilize this opportunity.

The principles and objectives of the four modernizations were formulated by Chairman Mao Zedong and Premier Zhou Enlai, but owing to the interference of the Gang of Four, we could not actually implement them. After the downfall of the Gang of Four, we made great efforts to solve the numerous problems they had caused. It was not until last year that we began to shift our focus onto the drive for modernization.

What is the most significant political task for China? It is the achievement of the four modernizations. During the drive for modernization we are bound to solve complicated problems and encounter difficulties. For instance, our departments are overstaffed. Also, we must master modern science and technology, but we do not yet have enough competent personnel. We need the political situation of stability and unity that we have basically already created, but still, many problems remain to be solved. We participate in international cooperation, but still we need experience in learning to absorb advanced foreign science and technology and foreign capital. However, despite various difficulties and problems, I am convinced that we have taken the correct road towards modernization. We are confident that we can gradually remove the obstacles and overcome our difficulties and shortcomings. Perhaps we shall not score any notable achievements in two or three years, but a great change will take place in a few more years. Although some people still doubt whether we can achieve the four modernizations, the Chinese leaders and the majority of the Chinese people are convinced that we shall succeed in our modernization programme.

Gibney: The United States made a big mistake when it interpreted the socialism of China as a copy of that of the Soviet Union. Could China have been so ideologically confused initially as to have completely imitated and adopted the socialist style of the Soviet Union, failing to make it into a Chinese-style socialist road?

Deng: The socialist road of China is not the same as that of the Soviet Union. They were different from each other from the very start in that China's socialism had its own characteristics ever since the founding of the People's Republic. For instance, we adopted the policy of redemption instead of that of deprivation in our socialist transformation of capitalist enterprises. As a result, we succeeded in abolishing the bourgeoisie and carrying out the socialist transformation without affecting the national economy. Besides, the political situation characterized by both centralism and democracy, both discipline and freedom, both unity of will and personal ease of mind and liveliness, as advocated by Chairman Mao Zedong, is not similar to that of the Soviet Union. However, some of our economic systems, especially enterprise management and organization, have been greatly influenced by the Soviet Union. For this reason, it is advantageous that we inherit the advanced methods of operation, management, and scientific development from advanced capitalist countries. We are still having many difficulties reforming these aspects of our economy.

Gibney: It is wonderful that the initiative of the Chinese people is being aroused. But someday in the future, with China remaining a socialist country and operating within the limits of socialism, will China develop some kind of market economy?

Deng: Market economy involves only the foreign-funded enterprises. Taking the country as a whole, this is not a problem. The state-owned sector and collectively owned sector are still the mainstay of our economy. Although in our economy there may be some investment from overseas Chinese which might be in the form of capitalism, it is different from regular foreign investment because the majority of these

overseas Chinese come to China with reverence, hoping to develop their socialist motherland. Some people are afraid that China will take the capitalist road if it tries to achieve the four modernizations with the help of foreign investment. No, we will not take the capitalist road. The bourgeoisie no longer exist in China. There are still former capitalists, but their class status has changed. Although foreign investment, which belongs to the capitalist economy, occupies a place in our economy, it accounts for only a small portion of it and thus will not change China's social system. Achievement of common prosperity characterizes socialism, which cannot produce an exploiting class.

Paul T. K. Lin: China made a mistake when it placed restrictions on its socialist market economy too early and too rapidly. Because of this, do you think China needs to make its socialist market economy play a bigger role under the guidance of a planned socialist economy.

Deng: It is wrong to maintain that a market economy exists only in capitalist society and that there is only "capitalist" market economy. Why can't we develop a market economy under socialism? Developing a market economy does not mean practising capitalism. While maintaining a planned economy as the mainstay of our economic system, we are also introducing a market economy. But it is a socialist market economy. Although a socialist market economy is similar to a capitalist one in method, there are also differences between them. The socialist market economy mainly regulates interrelations between state-owned enterprises, between collectively owned enterprises and even between foreign capitalist enterprises. But in the final analysis, this is all done under socialism in a socialist society. We cannot say that market economy exists only under capitalism. Market economy was in its embryonic stages as early as feudal society. We can surely develop it under socialism. Similarly, taking advantage of the useful aspects of capitalist countries, including their methods of operation and management, does not mean that we will adopt capitalism. Instead, we use those methods in order to develop the productive forces under socialism. As long as learning from capitalism is regarded as no more than a means to an end, it will not change the structure of socialism or bring China back to capitalism.