

THE ONLY ROAD FOR THE TRANSFORMATION OF CAPITALIST INDUSTRY AND COMMERCE

September 7, 1953

[Outline for a talk to representative personages from the democratic parties and industrial and commercial circles on September 7, 1953.]

The transformation of capitalism into socialism is to be accomplished through state capitalism.

1. In the last three years or so we have done some work on this, but as we were otherwise occupied, we didn't exert ourselves enough. From now on we should make a bigger effort.
2. With more than three years of experience behind us, we can say with certainty that accomplishing the socialist transformation of private industry and commerce by means of state capitalism is a relatively sound policy and method.
3. The policy laid down in Article 31 of the Common Programme [1] should now be clearly understood and concretely applied step by step. "Clearly understood" means that people in positions of leadership at the central and local levels should first of all have the firm conviction that state capitalism is the only road for the transformation of capitalist industry and commerce and for the gradual completion of the transition to socialism. So far this has not been the case either with members of the Communist Party or with democratic personages. The present meeting [2] is being held to achieve that end.
4. Make steady progress and avoid being too hasty. It will take at least three to five years to lead the country's private industry and commerce basically onto the path of state capitalism, so there should be no cause for alarm or uneasiness.
5. Joint state-private management; orders placed by the state with private enterprises to process materials or manufacture goods, with the state providing all the raw materials and taking all the finished products; and similarly placed orders, with the state taking not all but most of the finished products -- these are the three forms of state capitalism to be adopted in the case of private industry.
6. State capitalism can also be applied in the case of private commerce which cannot possibly be dismissed by "excluding it". Here our experience is limited and further study is needed.
7. With approximately 3,800,000 workers and shop assistants, private industry and commerce are a big asset to the state and play a large part in the nation's economy and the people's livelihood. Not only do they provide the state with goods, but they can also accumulate capital and train cadres for the state.
8. Some capitalists keep themselves at a great distance from the state and have not changed their profits-before-everything mentality. Some workers are advancing too fast and won't allow the capitalists to make any profit at all. We should try to educate these workers and capitalists and help them gradually (but the sooner the better) adapt themselves to our state policy, namely, to make China's private industry and commerce mainly serve the nation's economy and the people's livelihood and partly earn profits for the capitalists and in this way embark on the path of state capitalism.

The following table shows the distribution of profits in state-capitalist enterprises:

Income tax 34.5%
Welfare fund 15.0%
Accumulation fund 30.0%
Dividends to capitalists 20.5%

Total 100.0%

9. It is necessary to go on educating the capitalists in patriotism, and to this end we should systematically cultivate a number of them who have a broader vision and are ready to lean towards the Communist Party and the People's Government, so that most of the other capitalists may be convinced through them.

10. Not only must the implementation of state capitalism be based on what is necessary and feasible (see the Common Programme), but it must also be voluntary on the part of the capitalists, because it is a co-operative undertaking and co-operation admits of no coercion. This is different from the way we dealt with the landlords.

11. Considerable progress has been made in the last few years by the various nationalities, democratic classes, democratic parties and people's organizations, and still greater progress will, in my opinion, be made in the next three to five years. So it is possible basically to accomplish the task of leading private industry and commerce onto the path of state capitalism in three to five years. The preponderance of state enterprises affords the material guarantee for the fulfilment of this task.

12. As for the completion of the task for the entire transition period, which consists of the basic accomplishment of the country's industrialization and the socialist transformation of agriculture, handicrafts and capitalist industry and commerce, this cannot be done in three to five years, but will instead take a period of several five-year plans. On this question it is necessary to oppose both the idea of leaving things to the indefinite future and the idea of rushing things through.

13. One is the leader while the other is the led; one seeks no private profit while the other still seeks a certain amount of private profit, and so on and so forth; that's where the differences lie. But under our present conditions, private industry and commerce in the main serve the nation's economy and the people's livelihood (which as far as the distribution of profits is concerned, take roughly three-fourths of the total). Therefore we can and should persuade the workers in private enterprises to act in the same way as those in state enterprises, namely, to increase production and practice economy emulate one another in labour, raise labour productivity, reduce costs of production and raise both quantity and quality, thus serving the interest of both the state sector and the private sector and that of labour and capital.

NOTES

1. Article 31 of the Common Programme stipulates. "Enterprises jointly operated by state and private capital are enterprises of a state-capitalist character. Whenever necessary and feasible, private capital shall be encouraged to develop in the direction of state capitalism by such means as undertaking processing work for state enterprises, operating enterprises jointly with the state, or, in the form of concessions, operating state enterprises and exploiting national resources, etc."

2. This refers to the forty-ninth meeting (enlarged) of the Standing Committee of the National Committee of the Political Consultative Conference, September 8-11, 1953.