An Essay on Chinese NEP (New Economic Policy): The formation of physical conditions of Xi Jinping’s Network Socialism (网络社会主义)

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I. Two lessons from Russian socialism: economic calculation debate and the way of controlling bureaucrats’ selfish behavior

I・1. Economic calculation debate in Soviet socialism

The Austrians entered the fray under with a cannonade by Ludwig von Mises. In a famous 1920 article "Economic Calculation in the Socialist Commonwealth", Mises went on the attack – arguing that pricing systems in socialist economies were necessarily deficient because if government owned the means of production, then no prices could be obtained for capital goods as they were merely internal transfers of goods in a Socialist system and not "objects of exchange" – thus they were unpriced and hence the system would be necessarily inefficient. But Mises’s argument was erroneously construed – as H.D. Dickinson (1933) was quick to point out. After all, as Barone and Taylor had shown, if we see the world as a system of Walrasian equations which need "solutions", there is no issue about not being able to price internal products. The ball was back in the Austrian court, and it was up to Friedrich von Hayek (1935) to construct an argument.

Oskar Lange’s argument was particularly compelling. Prices, he argued, are merely rates of exchange of one good for another. Even if we see them as parameters for decision-makers, then whether they are provided by a central planner or by a market is irrelevant as long as managers of state enterprises are given instructions to act as cost-minimizers. Lange’s solution to the issue of "finding" correct prices and the stability of the market was remarkable: let the government act as the mythical Walrasian "auctioneer" – searching for prices via tatonnement. Furthermore, on the issue of socialist economies' lack of incentives, Lange reiterated that in a modern capitalist

http://www.hetwebsite.net/het/essays/paretian/socialcalc.htm

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economy, with the growing division between ownership and managers, the incentives were just as twisted.

Friedrich Hayek refined his position in response to this new argument. He did this in a series of seminal articles (1937, 1940 and 1945) where he essentially argued that a state-run economy could not achieve greater efficiency in resource allocation than a capitalist one largely because the information conveyed by the price-mechanism of a market economy was greater than the information any planner could possibly acquire. This led on to the work on information and self-organization that dominated the second half of Hayek's career. Among the more interesting results of this debate was the adoption of the techniques suggested by Lange. This led to the development of linear programming by Leonid Kantorovich which demonstrated that efficient allocation in a planned economy required effectively the same of use of prices as in a competitive market economy. In their conclusion, that a collectivist economy could do no better than a private market system in the idealized Walrasian world—but it might also do no worse.

In short, Hayek concluded: under socialist planned, as long as they cannot collect all price information, economic calculation will be incomplete, especially lack of private information which belong to every citizen who join economic activity. However, present day Artificial Intelligence can collect big data and analyse them simultaneously. Therefore 21century China has already, the physical conditions of planned socialist economy with regulated market. China is now collecting big data and studying how to use it for the planned economy.

I '2. How to control bureaucrats' selfish usages of the means of production?

1. Leon Trotsky's criticism

Trotsky appealed in July 1938, “It Is Necessary to Drive the Bureaucracy and the New Aristocracy Out of the Soviets”. On the subject of the slogan which appears at the head of this article I have received some critical remarks which are of a general interest and therefore merit an answer not in a private letter but in an article.

First of all let us cite the objections. The demand to drive the bureaucracy and the new aristocracy out of the Soviets disregards, in the words of my correspondent, the sharp social conflicts going on within the bureaucracy and aristocracy — sections of

which will go over to the camp of the proletariat as stated in another section of the same thesis (the draft program). The demand (to drive out the bureaucracy) establishes an incorrect ("ill-defined") basis for disfranchisement of tens of millions — including the skilled workers. The demand is in contradiction to that section of the thesis which states that the "democratization of the Soviets is impossible without the legalization of Soviet parties. The workers and peasants themselves by their own free vote will indicate what parties they recognize as Soviet parties." "In any case," continues the author of the letter, "there do not appear to be any valid political reasons to establish an a priori disfranchisement of entire social groupings of present day Russian society. Disfranchisement should be based on political acts of violence of groups or individuals against the new Soviet power." Finally, the author of the letter points out also that the slogan of "disfranchisement" is advanced for the first time, that there has been no discussion on this question, that it would be better to defer the question for thoroughgoing consideration subsequent to the international conference. Such are the reasons and arguments of my correspondent. Unfortunately I can by no means agree with them. They express a formal, juridical, purely constitutional attitude on a question which must be approached from the revolutionary-political point of view. It is not at all a question of whom the new Soviets will deprive of power once they are decisively established; we can calmly leave the elaboration of the new Soviet constitution to the future. The question is how to get rid of the Soviet bureaucracy which oppresses and robs the workers and peasants, leads the conquests of October to ruin, and is the chief obstacle on the road to the international revolution. We have long ago come to the conclusion that this can be attained only by the violent overthrow of the bureaucracy, that is, by means of a new political revolution. Of course, in the ranks of the bureaucracy there are sincere and revolutionary elements of the Reiss type. But they are not numerous and in any case they do not determine the political physiognomy of the bureaucracy which is a centralized Thermidorian caste crowned by the Bonapartist clique of Stalin. We may be sure that the more decisive the discontent of the toilers becomes the deeper will the differentiation within the bureaucracy penetrate. But in order to achieve this we must theoretically comprehend, politically mobilize and organize the hatred of the masses against the bureaucracy as the ruling caste. Real Soviets of workers and peasants can come forth only in the course of the uprising against the bureaucracy. Such Soviets will be bitterly pitted against the military-police apparatus of the bureaucracy. How then can we admit representatives into the Soviets from that camp against which the uprising itself is proceeding?
In short, Trotsky recognized bureaucrats’ control of means of production, but they only have managing rights of means of production, they don't own it, therefore Trotsky denied the formation of new exploiting classes.

2 Milovan Đilas' *New Class*©

A theory of the new class was developed by Milovan Đilas the Vice President of the Federal People's Republic of Yugoslavia under Josip Broz Tito, who participated with Tito in the Yugoslav People's Liberation War, but was later purged by him as Đilas began to advocate democratic and egalitarian ideals (which he believed were more in line with the way socialism and communism should look like). However, there were also personal antagonisms between the two men, and Tito felt Đilas undermined his leadership. The theory of the new class can be considered to oppose the theories of certain ruling Communists, such as Joseph Stalin, who argued that their revolutions and/or social reforms would result in the extinction of any ruling class as such. It was Đilas' observation as a member of a Communist government that Party members stepped into the role of ruling class – a problem which he believed should be corrected through revolution. Đilas' completed his primary work on his new class theory in the mid-1950s. While Đilas was in prison, it was published in 1957 in the West under the title *The New Class: An Analysis of the Communist System.* Đilas claimed that the new class' specific relationship to the means of production was one of collective political control, and that the new class' property form was political control. Thus for Đilas the new class not only seeks expanded material reproduction to politically justify its existence to the working class, but it also seeks expanded reproduction of political control as a form of property in itself. This can be compared to the capitalist who seeks expanded value through increased share market values, even though the share market itself does not necessarily reflect an increase in the value of commodities produced. Đilas uses this argument about property forms to indicate why the new class sought parades, marches and spectacles despite this activity lowering the levels of material productivity. Đilas proposed that the new class only slowly came to self-consciousness of itself as a class. On arriving at a full self-consciousness the initial project undertaken would be massive industrialisation in order to cement the external security of the new class' rule against foreign or alternative ruling classes. In Đilas' schema this approximated the 1930s and 1940s in the Soviet Union. As the new class suborns all other interests to its own security during this period, it freely executes and purges its own members in order to achieve its major goal of security as a ruling class. After security has been achieved, the new class pursues a policy of moderation towards its own members, effectively granting material rewards and freedom of thought.

and action within the new class – so long as this freedom is not used to undermine the rule of the new class. Dilas identified this period as the period of Khrushchev's government in the Soviet Union. Due to the emergence of conflicts of policy within the new class, the potential for palace coups, or populist revolutions is possible (as experienced in Poland and Hungary respectively). Finally Dilas predicted a period of economic decline, as the political future of the new class was consolidated around a staid program of corruption and self-interest at the expense of other social classes. This can be interpreted as a prediction of the Leonid Brezhnev so-called Era of Stagnation by Dilas. While Dilas claimed that the new class was a social class with a distinct relationship to the means of production, he did not claim that this new class was associated with a self-sustaining mode of production. This claim, within Marxist theory, argues that the Soviet-style societies must eventually either collapse backwards towards capitalism, or experience a social revolution towards real socialism. This can be seen as a prediction of the downfall of the Soviet Union. Although CCP did not publish the book, New Class, but the pirate version of the book were smuggled from Hong Kong to mainland China, and influenced to the youth or intellectuals. Confronting this tide Mao decided to campaign against anti-rightest movement which became the origin of the Cultural Revolution in the 1960s.
II. Mao Zedong faced two stumbling stones.

II-1. Mao's Philosophy and Political Economy: Mao's ideas on Subjective Initiative theory ignored the laws of economy

During Great Leap Forward period, Mao wrote a reading note on Soviet textbook of Political Economy edited by the Institute of Political Economy, Soviet Academy, under the leadership of Stalin. Yabuki translated Mao's reading notes into two Japanese books in the 70s.

The Great Leap Forward policy was the direct result of Mao's Subjective Initiative philosophy, and when the policy failed, China's economists Sun Yefang and Gu Zhun etc. criticized Mao's Subjective Initiative philosophy, by asserting the importance of the law of values proposed by Marx.

Sun and Gu and other party economists were imprisoned during the Great Cultural Revolution Period. Mao's forced introduction of People's Commune disputed economic order and led to twenty or thirty million deaths from starvation. Here we can see two causes of widespread starvation. The first is defiance of economic law, which should be attributed to Mao himself. A second cause was behavior of local bureaucrats, especially of province level and county level cadres. They reported fake big harvests for the sake of their own promotion in the party hierarchy. Such dishonest behavior was excoriated by Mao when it became apparent during the frenzy of People's Commune movement. Nevertheless, Mao could not control the situation and the result was widespread starvation.

The law of value which was propounded by Marx has a two-fold meaning. On one hand, it is the very core of capitalist production. On the other hand, the law can be utilized by socialist planned economy, because the price of each commodity carries information for both producers and consumers.

In a market economy, the price is decided after numerous transactions, ex post.

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© 毛泽东，<苏联<<政治经济学>>读书笔记 1961-1962>, <<毛泽东思想万岁>> (Mao's reading notes of Soviet text on Political Economy)

© Mou Takuto, Seiji-Keizaigaku wo kataru, Mou Takuto, Shakaishugi-kensetsu wo kataru, both published by Gendai Hyoronsha, Tokyo, 1974-75).

In old fashioned planned economy, the planned price level is often different from actual price standard, therefore the price information cannot be used for the distribution of material and parts. Modern big data collected by all kind of markets, can suggest and provide an actual demand and supply situation. This accurate information may be used fully in the process of planning and revising the adopted plan at necessary stages.

Deng Xiaoping’s *White Cat- Black Cat Theory*, is the best way for correcting Mao’s subjective initiative failure. In other words, Mao pursued *war communism* in the Cold War days, and Deng corrected the deviation of Mao’s leftist error, by using a *NEP policy* in the name of Open door-Economic reform policy (改革开放政策).

II -2. The reason why *shortage economy* is inevitable in the traditional planned economy: an analysis by János Kornai, Hungarian economist.

In the process of socialist construction, the role of bureaucrats is essential in organizing production. However, bureaucrats are ruled by their own achievement results which is valued by production norm. One of the Hungarian economists made an excellent analysis why so-called planned economy induce the shortage of good and service. The logic of shortage call shortage is as follow:

*Shortage economy* is a term coined by the Hungarian economist, János Kornai (1928-2010). He used this term to criticize the old centrally-planned economies of the communist states of the Central and Eastern Europe countries. In his article *Economics of Shortage* (1980), Kornai argued that the chronic shortages seen throughout Central and Eastern Europe in the late 1970s to 1980s were not the consequences of planners' errors or the wrong prices, but rather systemic flaws. A shortage of a certain item does not necessarily mean that the item is not being produced; rather, it means that the amount of the good demanded exceeds the amount supplied at a given price. This may be caused by a government-enforced low price which encourages consumers to demand a higher amount than is supplied. According to Kornai, shortage economies share several common characteristics. They occur in all spheres of the economy (consumer

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* On July 7, Deng Xiaoping instructed to the young cadres that we must increase food production at any cost, black cat, white cat, any cats are good, as long as they catch mice. Yabuki Susumu, *Deng Xiaoping*, Kodansha, 2003, p.77.

* Polish: gospodarka niedoboru, Hungarian: hiánygazdaság

* https://en.wikipedia.org/wiki/J%C3%A1nos_Kornai

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goods and services, means of production and producer goods). Kornai distinguishes between several different possible actions and individual outcomes that can occur in a shortage economy. It could happen that the item sought by the consumer is available in the shop. But there may be a limited amount of a sought-after good available, which means that consumers have to queue for it (theoretically, in a market economy such a situation would be eliminated by price adjustments). Queueing involves a considerable cost in terms of time spent in the queue for consumers. In the economies, this could have involved several hours a day spent in queues just to obtain basic products like food. Other consumer goods had explicit waiting lists for which potential buyers had to sign up months or even years in advance. Another possible situation is that the item is simply not available. According to Kornai the purchase of a substitute is compulsory. This has the effect of increasing demand for other goods, simply because they are there, and can lead to the spread of shortages throughout the economy.

Kolejka (queue) is a Polish board game with the theme of acquiring consumer goods while affected by the shortage economy. The common results of these shortages for consumers are forced substitutions between goods which are imperfect substitutes and forced savings as consumers are unable to fully utilize their current purchasing power. The institutional outcomes involve the so-called soft budget constraint, in which production units under a planned economy form expectations of always being bailed out by central authorities, paternalistic behavior on the part of the planners who blame the shortages on the fact that consumers demand "wrong things", and in macroeconomic terms, repressed inflation resulting from pent up demand.

In short, even if state production plan is perfect, and each factory receive necessary supply of material and parts, all factory managers try to keep more material and parts for the sake of surplus production over assigned quota, because it becomes the scores of the managers, and their bonus and status promotion of bureaucratic career depend on the surplus quota. Such kind of bureaucratic, selfish behavior of cadres spread the overall shortage phenomena of whole economy. Thus man-made shortage of goods and services call shortage of everything in national economy. Now in China, AI makes perfect plan of each level, and it doesn't allow any surplus material or parts. Therefore soft budget control problems and the logic of shortage call shortage phenomena would be overcome permanently.

II -3. Bureaucrats’ selfish behavior, Chinese case:
Mao was deceived by his subordinate cadres in the period of starvation years of 1959-1961. In March 1959, Mao Zedong made a long speech on the Second Zhengzhou conference and pointed out as follow:

This is the relationship of communist party and the lower cadres. What is the conflict? It is obvious that the national grain, cotton, oil products are not enough. In the spring of 1958, the mass production of grain and cotton were not enough. Mao Zedong pointed out in his speech that the problem is not the production, but the distribution and consumption. The national grain is not enough, but the production is enough. The problem is the distribution.

From 1958 to 1961, Mao believed that the problem was distributed in the area of distribution. Actually, Mao was deceived by the so-called fake report by county level and province level bureaucrats. This incurred time loss of revising of unrealistic leftist policy, and brought widespread starvation in 1959-1961.

Besides, there were many fake reports. In 1958, Mao believed that the problem was distributed in the area of distribution. Actually, Mao was deceived by the so-called fake report by county level and province level bureaucrats. This incurred time loss of revising of unrealistic leftist policy, and brought widespread starvation in 1959-1961.

* <in the second Zhengzhou meeting>, <<Mao Zedong's Thought>>, 281 page.
* In the same book, 284 page.
过谨慎的核查之后对中国的 GDP 总量做了一次大规模调整。他们发现，之前的统计漏计了 2850 亿美元的经济存量，这个数值大约相当于当时欧洲的奥地利或亚洲的印度尼西亚的经济总量，也相当于当时印度经济规模的 40%。第三，中国的统计的确存在不少问题，但主要出在技术方面。统计质量差是发展中国家的通病，中国还有额外的困难，就是处于转轨时期，统计方法也正在从苏联系统向国际通行系统转轨。但尽管如此，在所有的转轨国家中，中国的统计质量几乎是最好的。

综合起来看，至少在国家层面，中国现有的统计数据是基本可信的。

II-4．毛泽东的〈反右倾〉斗争

1964 年 5 月 11 日〈毛泽东对计委领导小组汇报〉时，说过如下的插话。

现在的苏联是资产阶级专政，大资产阶级专政，德国法西斯专政，希特勒式的专政，是一帮流氓，比戴高乐还坏。官僚主义者阶级与工人阶级和贫下中农两个尖锐对立的阶级。这些人是已经变成或者正在变成吸工人血的资产阶级分子，他们怎么会认识足呢？这些人是斗争对象，革命对象，社教运动不能依靠他们。我们依靠的，只有那些同工人没有仇恨又有革命精神的干部。

These short words express fully Mao’s condemnation of and attack against ‘Soviet Revisionism’. From present point of view, Mao’s view of the bureaucrat class is extremely pessimistic. However we can understand the reason why Mao started Cultural Revolution to defeat at any cost bureaucratic forces in China. In 21 China, AI will take over some power of economic administration and perform more efficient planning and distribution using big data.

在 2014 年的一项研究中，美银-美林经济学家发现，此前一两年里，中国地方政府公布的经济增长数据与国家统计局公布的数据之间的差距较以往正在大幅缩减。全国 31 个省、自治区和直辖市已经公布的 2014 年第一季度 GDP 增幅的加权平均数为 8%，而国家统计局公布的全国 GDP 增幅为 7.4%，两者之间的差距仅为 0.6 个百分点，可能是 20 多年来最低的。仅仅在 2013 年一季度，国家统计局公布的全国 GDP 增幅实际为 7.7%，但各省份的加权平均数高达 9.5%。在许多人看来，这种数据方面的显著变化说明了十八大以后上任的新一届领导班子倡导的摆脱“GDP 崇拜”、追求更为均衡协调的经济发展的“新政绩观”的理念已经开始显现功效。

* 1964.5.11. 〈在计委领导小组汇报时的一些插话〉，〈毛泽东思想万岁〉，496 页。Mou Takuto, Shakaishugi-kensetsu wo kataru, p.256.
* 1965.1.29. 〈对陈正人同志提点报告的批示〉，〈毛主席文选〉，34 页。
III. Deng Xiaoping’s policy as a New Economic Policy in the Period of Socialist construction

The New Economic Policy (NEP) was a policy adopted by Vladimir Lenin at an early stage of Russian socialist construction. According to the Britannica, brief expression as follows:

New Economic Policy (NEP), the economic policy of the government of the Soviet Union from 1921 to 1928, representing a temporary retreat from its previous policy of extreme centralization and doctrinaire socialism. The policy of War Communism, in effect since 1918, had by 1921 brought the national economy to the point of total breakdown. The Kronstadt Rebellion of March 1921 convinced the Communist Party and its leader, Vladimir Lenin, of the need to retreat from socialist policies in order to maintain the party’s hold on power. Accordingly, the 10th Party Congress in March 1921 introduced the measures of the New Economic Policy. These measures included the return of most agriculture, retail trade, and small-scale light industry to private ownership and management while the state retained control of heavy industry, transport, banking, and foreign trade. Money was reintroduced into the economy in 1922 (it had been abolished under War Communism). The peasantry were allowed to own and cultivate their own land, while paying taxes to the state. The New Economic Policy reintroduced a measure of stability to the economy and allowed the Soviet people to recover from years of war, civil war, and governmental mismanagement. The small businessmen and managers who flourished in this period became known as NEP men.⁰

I wrote a book on China’s new political economy 1999 with Stephen Harner, and analyzed Deng’s policy comparing with Mao’s policy as follows⁰:

The Mao Zedong and Deng Xiaoping Eras

Founded on October 1, 1949, the People's Republic of China in 1999 will celebrate the fiftieth anniversary of its birth. To use the metaphor of a human's life span, this is the age of robust strength. In the context of China's long history, however, it is hardly more than the blink of the eye. The PRC's history can be divided into the War Communism by Mao Zedong (1949-1976) and the NEP period by Deng Xiaoping (1979-1997, actually 1979-2012, when Xi Jinping gripped power).


The twenty-seven years of the Mao Zedong's rule were marked by the periods of the Great Leap Forward (1958-1960) and the Cultural Revolution (1966-1976). During these, Mao Zedong took personal command in attempting to realize "utopian socialism." Preceding these two cataclysmic periods, in the mid-1950s and the first half of the 1960s, there were intervals of stable development in which Zhou Enlai, Liu Shaoqi, Chen Yun, Deng Xiaoping, and other moderates were collectively dominating policy. The radicalism advocated by Mao Zedong was in conflict with the policy of steady advance advocated by pragmatists. The situation was one in which Mao Zedong's influence was dominant, and the pragmatists found themselves in a position of opposition. Entering the Deng Xiaoping's NEP policy, the previously dominant utopian socialism ideology was abandoned, and in its place "seeking truth from facts" and "reform and liberalization" became the dominant lines. In the beginning this change occurred quietly, sometimes imperceptibly.

However, Deng Xiaoping's NEP line—abandoning central planning and moving toward a market economy became clear when the "theory of the early stage of socialism" was adopted at the Thirteenth Party Congress, convened in October 1987, yet further when the "Theory of the Market Socialism" was adopted by the Fourteenth Party Congress in 1992. In November 1993 the Third Plenum of the Fourteenth Party Congress Central Committee convened and adopted the "Decision of the Party Central Concerning Some Issues with the Establishment of a Socialist Market Economic System" (the "Fifty Articles"). This was the grand design for conversion to a market economy and institutionalizing the Deng Xiaoping line.

Distinct Periods within the Mao Zedong Era

Let us attempt to explain the Mao Zedong era in very simple terms.

Phase One: Agricultural Collectivization

First, the agricultural collectivization campaign launched in the mid-1950s. Individual farms were reorganized into low-level cooperatives, high-level cooperatives, and finally into people's communes. The system was enforced for more than twenty years before the communes were broken up during the early 1980s, the farmlands being returned to individual family units under a "production responsibility system."

Phase Two: The Great Leap Forward Campaign (1958-1960)

In the din of voices shouting "overtake and surpass Britain" and "the road to communism is in sight" the people's communes were organized; crude technologies called "traditional Chinese methods" and mass mobilization of labor were employed all
in a frenetic pursuit of increased production. Mistakes in policy and natural disasters combined to create extreme food shortages, and deaths from starvation were recorded on a massive scale.

Phase Three: Period of Readjustment

Readjustment policies were implemented in response to the food and economic crises. Deng Xiaoping's famous "White Cat, Black Cat" doctrine (the cat that can catch a mouse is a good cat; the method that can raise production is a good method) expressed in vivid terms the essence of the readjustment policies. (It may be said that the "early stage of socialism" theory of the 1980s is actually a restatement of Deng Xiaoping's "theory of productive forces." At the same time, we know that the 1980s theory is more profound, having been evoked and informed by awareness of the gap in economic power compared with Taiwan and Hong Kong.)

Phase Four: The "Great Proletarian Cultural Revolution" (1966-1976)

"Pure socialism" — involving theories of "class struggle" and "priority of productive relations" was pursued by Mao's adherents as a counterattack against revisionism; The ensuing turmoil and the extremes that were reached greatly impeded economic development.

Distinct Periods in the Deng Xiaoping Era

Broadly speaking, the Deng Xiaoping era extended for eighteen years, from December 1978 to February 1997. Narrowly speaking, it extended for fifteen years, from 1979 to 1994. In the former, the period began with Deng Xiaoping's assuming leadership of the dominant faction at the Third Plenum of the Eleventh Party Congress Central Committee and ended with his death on February 19, 1997. The latter covers the period when Deng Xiaoping was directly orchestrating political and economic affairs. The Southern Inspection Tour Talks during the spring of 1992 were Deng's "last call to battle for market socialism," after which he gradually withdrew from the political scene, but he continued to have a strong influence on economic affairs.

The Deng Xiaoping era is divided into four phases: the five years of reform in the countryside; the five years of high growth in the mid-1980s; three years of economic adjustment; and the high growth period of the 1990s. The first phase was a reform effort carried out primarily in the countryside during the first half of the 1980s. The main element was the dismantling of the people's communes. The people's commune system, organized along lines of "socialist collective agriculture," was touted as "a shortcut to communism." After collective agriculture floundered for more than twenty years, however, the decision was taken to return to a family based "production
responsibility system." In the beginning this contributed to township and village enterprise development and to the revitalization of the countryside. During the second phase, in the second half of the 1980s, reform and liberalization were begun in the cities and in industry.

The most important component was the introduction of foreign capital through the establishment of foreign-invested enterprises (FIEs), principally in the coastal region. A large volume of capital was received from Hong Kong, the United States, Japan, and other sources. This funded the production of high-quality goods that were exported in exchange for foreign currency, and also satisfied a certain volume of domestic demand. The third period was the interval of tightening during the economic adjustment following the Tiananmen Incident. The fourth period is that of high continuous growth during the first half of the 1990s. Such was the advance of China's economy during the 1990s that China actually became an engine of growth for the world economy.

The era of Mao Zedong's first generation and its special characteristics are well known. It is possible to characterize the Deng Xiaoping generation as one that renounced the Cultural Revolution and launched reform and liberalization. During this period a major incident was the fall (in the context of student demonstrations demanding democracy) of Hu Yaobang in January 1987 and (following the Tiananmen Incident) the purge of Zhao Ziyang in June 1989. In each case we observed the conservative faction applying a brake to the progress of reform and liberalization.

For about three years after the Tiananmen Incident the process of reform and liberalization was arrested. The Southern Inspection Tour Talks by Deng Xiaoping during an inspection of the Shenzhen and Zhuhai special economic zones in Guangdong province just before the 1992 Spring Festival were exploited as a basis upon which to revive the reform and liberalization policy. This ushered in high growth from 1992 to 1997. Deng Xiaoping observed firsthand the problem of succession to Mao Zedong, and he suffered in the process. After the Southern Inspection Tour Talks, Jiang's political stance changed, and he emerged as a proponent of the reform and liberalization program, eventually consolidating his leadership position in the post-Deng Xiaoping era. This leadership position was further buttressed by result of the Fifteenth Party Congress in September 1997.

When I wrote this book, I could not definitely call Deng's Reform and Open Door policies a Chinese version of the NEP policy because I was not assured of the future
result. Now, after reading Xi Jinping’s political report on 19th Party Congress in October, 2017, I believe that we can conclude Deng’s NEP has been reversed, or superseded, in favor of a revival of the socialist economy.

In retrospect, "theory of the early stage of socialism" means, actually, the Chinese version of NEP which was maintained from 1979 to 2012; that is, until Xi Jinping took the power of CCP at the 18th Party Congress.
IV. Xi Jinping’s New Socialist Idea: Network Socialism based on sharing economy


October 18, 2017, Xi Jinping delivered a long speech at the 19th National Congress of the Communist Party of China, titled Secure a Decisive Victory in Building a Moderately Prosperous Society in All Respects and Strive for the Great Success of Socialism with Chinese Characteristics for a New Era.

Chapter V. of the speech reads as follow:

Applying a New Vision of Development and Developing a Modernized Economy

In developing a modernized economy, we must focus on the real economy, give priority to improving the quality of the supply system, and enhance our economy’s strength in terms of quality. We will work faster to build China into a manufacturer of quality and develop advanced manufacturing, promote further integration of the internet, big data, and artificial intelligence with the real economy, and foster new growth areas and drivers of growth in medium-high end consumption, innovation-driven development, the green and low-carbon economy, the sharing economy, modern supply chains, and human capital services. We will support traditional industries in upgrading themselves and accelerate development of modern service industries to elevate them to international standards. We will move Chinese industries up to the medium-high end of the global value chain, and foster a number of world-class advanced manufacturing clusters. We will strengthen infrastructure networks for water conservancy, railways, highways, waterways, aviation, pipelines, power grids, information, and logistics. We will continue efforts to cut overcapacity, reduce excess inventory, deleverage, lower costs, and strengthen areas of weakness, and work to achieve a dynamic balance between supply and demand by improving the allocation of available resources and increasing high-quality supply. We will inspire and protect entrepreneurship, and encourage more entities to make innovations and start businesses. We will build an educated, skilled, and innovative workforce, foster respect for model workers, promote quality workmanship, and see that taking pride in labor becomes a social norm and seeking excellence is valued as a good work ethic.

Making China a country of innovators

Innovation is the primary driving force behind development; it is the strategic underpinning for building a modernized economy. We should aim for the frontiers of science and technology, strengthen basic research, and make major breakthroughs in
pioneering basic research and groundbreaking and original innovations. We will strengthen basic research in applied sciences, launch major national science and technology projects, and prioritize innovation in key generic technologies, cutting-edge frontier technologies, modern engineering technologies, and disruptive technologies. These efforts will provide powerful support for building China’s strength in science and technology, product quality, aerospace, cyberspace, and transportation; and for building a digital China and a smart society. We will improve our national innovation system and boost our strategic scientific and technological strength. We will further reform the management system for science and technology, and develop a market-oriented system for technological innovation in which enterprises are the main players and synergy is created through the joint efforts of enterprises, universities, and research institutes. We will support innovation by small and medium-sized enterprises and encourage the application of advances in science and technology. We will foster a culture of innovation, and strengthen the creation, protection, and application of intellectual property. We should cultivate a large number of world-class scientists and technologists in strategically important fields, scientific and technological leaders, and young scientists and engineers, as well as high-performing innovation teams.

IV-2. Xi Jinping’s Cybersecurity and Informatization Work Conference®, Speech,

® The National Cybersecurity and Informatization Work Conference was convened on the 20th and 21st in Beijing. CCP Central Committee General Secretary, State President, Chair of the Central Military Commission and Chair of the Central Commission for Cybersecurity and Informatization Xi Jinping attended the Conference and gave an important speech. He stressed that informatization has brought extremely rare opportunities to the Chinese nation. We must acutely grasp the historical opportunity of informatization development, strengthen online positive propaganda, safeguard cybersecurity, promote breakthroughs in core technologies in the informatization area, give rein to the guiding role of informatization in economic development, strengthen civil-military convergence in the cybersecurity and informatization area, actively participate in international cyberspace governance processes, move forward the construction of a cyber power through indigenous innovation, and make new contributions to determine victory in comprehensively constructing a moderately prosperous society, seize new grand victories for Socialism with Chinese Characteristics in a new era, and realize the Chinese Dream of the Great Rejuvenation of the Chinese Nation. CCP Politburo Standing Committee Member, State Premier, and Central Commission for Cybersecurity and Informatization Vice-chair Li Keqiang chaired the Conference. CCP Politburo Standing Committee Member and National People’s Standing Committee Chair Li Zhanshu, CCP Politburo Standing Committee Member and Political Consultative Conference Chair Wang Yang, CCP Politburo Standing Committee

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April, 2018.

In his speech, Xi Jinping stressed that since the 18th Party Congress, the Party Centre has paid high regard to the Internet, developed the Internet and governed the Internet, it has comprehensively coordinated major informatization and cyber policy questions affecting politics, economics, culture, society, military matters and other such fields, it has produced a series of major policies, published a series of major measures, and promoted historical successes to be achieved in the cybersecurity and informatization undertaking. These successes fully demonstrate that the Party Centre's policy decisions since the 18th Party Congress, concerning strengthening uniform leadership of the Party Centre over cybersecurity and informatization work and a series of strategic arrangements made in cybersecurity and informatization work were completely correct. We incessantly move forward theoretical innovation and practical innovation, we do not only march a cyber governance path with Chinese characteristics, and furthermore, we have put forward a series of new ideas, new viewpoints and new theses, and created strategic thinking on a strong cyber power.

Xi Jinping pointed out that we must raise comprehensive network governance capabilities, and create a comprehensive cyber governance structure with participation from Party Committees who take the lead, government that manages, enterprises that carry out responsibilities, society that supervises, and netizens who are self-disciplinary, which integrates economic, legal and technological methods. We must strengthen online positive propaganda, persist in the correct political direction, public opinion orientation, and value trend with clear banners flying, use the Thought of Socialism with Chinese Characteristics for a New Era and the spirit of the 19th Party Centre to unite and bring together millions of netizens, deeply launch education on ideals and beliefs, deepen propaganda and education on Socialism with Chinese Characteristics for a New Era and the Chinese Dream, vigorously foster and practice the Socialist Core Value View, advance innovation in online propaganda ideas, concepts, forms, methods, measures, etc., grasp timeliness and effect well, build concentric circles online and offline, concentrate social consensus even better, and consolidate a common intellectual

Member and Central Discipline Inspection Committee Secretary Zhao Leji, CCP Politburo Standing Committee
Member and State Council Vice-premier Han Zheng attended the Conference. CCP Politburo Standing Committee
Member, Central Committee Secretariat Secretary and Vice-Chair of the Central Committee for Cybersecurity and Informatization Wang Huning made a summarizing speech.
basis for the entire Party and the people in the entire country to unite in struggle. We must press to realize the dominant responsibilities of internet enterprises, we can absolutely not let the Internet become a platform for the dissemination of harmful information, or where rumors spread that create trouble. We must strengthen self-discipline in the Internet sector, muster the vigor of all netizens, and mobilize forces on all sides to participate in governance. Xi Jinping stressed that without cybersecurity, there is no national security, the economy and society will not operate in a stable manner, and the broad popular masses’ interests will be difficult to guarantee. We must establish a correct cybersecurity view, strengthen cybersecurity protection of information infrastructure, strengthen the construction of comprehensive cybersecurity information mechanisms, methods and platforms, strengthen the construction of cybersecurity incident response command capabilities, vigorously develop cybersecurity industries, ensure we move first to strategic passes, and prevent all possible trouble. We must implement critical information infrastructure protection responsibilities, as critical information infrastructure operators, sectors and enterprises bear a dominant protection responsibility, controlling departments are to implement their supervision and management responsibilities well. We must, according to the law, severely attack online hacking, telecommunications and network fraud, infringement of citizens’ personal privacy and other such unlawful and criminal conduct, sever cybercrime profit chains, continue to create a high-pressure situation, and safeguard the lawful rights and interests of the popular masses. We must deeply launch cybersecurity and knowledge technology propaganda and dissemination, and raise the broad popular masses’ cybersecurity consciousness and protection capabilities. Xi Jinping pointed out that core technology is a great matter of state. We must be determined, persevere, seek the right centre of gravity, and accelerate the promotion of breakthroughs in core technologies in the information area. We must grasp the construction of industrial systems, and jointly put forth efforts in technology, industry and policy. We must abide by the development laws of technology, systematize the technology structure, select the best from among the best, and focus on breakthroughs. We must strengthen concentrated and unified leadership, perfect financial, fiscal, international trade, talent, intellectual property rights protection and other such environmental elements, optimize the market environment, and ever better unleash the new vitality of all kinds of innovative subjects. We must foster a fair market environment, strengthen intellectual property rights protection, and oppose monopolist and improper competition. We must open up green channels for basic research and technological innovation linkages, and strive to drive breakthroughs in the
applied technology community through basic research. Xi Jinping stressed that the cybersecurity and informatization undertaking represents new productive forces and new development directions, we should step ahead first in practicing new development ideas, focus on building a modern economic system and realizing high-quality development, strengthen informatization development, comprehensively drive and enhance new kinds of developments in industrialization, urbanization and agricultural modernization. We must develop the digital economy, accelerate the promotion of digital industrialization, rely in information technology to drive innovation, incessantly give birth to new industries, new business forms and new models, and use new drivers to promote new developments. We must promote industrial digitization, use new Internet technologies and new applications to carry out a transformation of traditional industries from all directions, all angles and all linkages, raise the productivity of all factors, and unleash the role of the digital economy in expanding, accumulating and fostering economic development. We must promote the profound convergence of the Internet, big data, artificial intelligence and the real economy; accelerate the digitization, networking and smartification of manufacturing, agriculture and the service sector. We must unwaveringly support cybersecurity and informatization enterprises to grow large and strong, strengthen normative guidance, and stimulate their healthy and orderly development. Enterprise development must persist in the unity of economic effects and social effects, and ever better bear their social responsibilities and moral responsibilities. We must utilize information means and methods to move government affairs openness and Party affairs openness forward, accelerate e-government services, build online service platforms integrated along a complete value chain, and ever better resolve the problems that handling affairs is difficult, settling matters is difficult and settling matters is complicated, which enterprises and the masses take issue with. Developments in the cybersecurity and informatization development must implement the development idea of putting the people central, make improving the people’s welfare into a starting point and checkpoint, to let the popular masses have a greater sense of gain, sense of welfare and sense of security in informatization development. Xi Jinping pointed out that military-civil integration in cybersecurity and informatization is a focus area and an area for advance, it is also the area in military-civil integration with the most dynamism and potential. We must grasp the historical opportunity of the current information technology transformation and new military transformations, deeply understand the imminent relationships of productivity and fighting capability, the market and the battlefield, grasp working mechanisms and laws
of military-civil integration [Translator’s note, laws here, as well as higher up, does not refer to legislation, but to scientific laws of social development], promote the creation of a highly efficient and deeply converged development structure for military-civil integration covering all factors and multiple areas. Xi Jinping stressed that moving forward reform of the global Internet governance system is the general trend, and a common aspiration. International cyberspace governance should persist in multilateral participation and multi-party participation, giving rein to the roles of all kinds of subjects, including government, international organizations, Internet enterprises, the technical community, civil bodies, individual citizens, etc. We must both promote cyber governance within the United Nations framework, and ever better give rein to the positive role of all kinds of non-State actors. We must, with the construction of “One Belt One Road” as juncture, strengthen cooperation with countries along the line and especially developing countries, in areas such as basic network infrastructure construction, the digital economy, cybersecurity, etc., and build a Digital Silk Road for the 21st Century. Xi Jinping pointed out that we must strengthen the Party Centre’s concentrated and unified leadership over cybersecurity and informatization work, and guarantee that the cybersecurity and informatization undertaking advances in the correct direction from beginning to end. All localities and all departments must give high regard to cybersecurity and informatization work, enter it into the focus work plan and important matters agenda, and timely resolve new issues and new questions. We must full give rein to the advantages of the community organizations for workers, youth and women, give rein to the role of enterprises, scientific research institutes and think tanks, and assemble all of society to make concerted efforts in promotion of cybersecurity and informatization work. All levels’ leading cadres and especially higher-level leading cadres must actively adapt to the demands of informatization and strengthen their Internet thinking, incessantly raise their capability to gasp the laws of the Internet, their ability to guide online public opinion, their capacity to drive informatization development, and their capacity to protect cybersecurity. All levels’ Party and government bodies and leading cadres must raise their skills in organizing communities through the Internet, propagating to the community, guiding the community and serving the community. We must promote the lawful management, running and using of the Web, and ensure that the Internet works healthily, along rule of law tracks. We must research and formulate comprehensive plans for talent development in the cybersecurity and informatization area, promote the reform of talent development systems and mechanisms, let talent’s creative dynamism compete and
forge ahead, and let wisdom and talent gush forth fully. We must incessantly strengthen the “Four Consciousness’s”, persist in putting the Party’s political construction first, strengthen efforts to expand the ranks, comprehensively and strictly manage the ranks well, select and allocate leading cadres for cybersecurity and informatization at all levels well, and provide powerful organizational and personnel guarantees for the development of the cybersecurity and informatization undertaking. Li Keqiang, while chairing the Conference, pointed out that General Secretary Xi Jinping’s important speech started from the overall picture of the Party and State’s undertaking, comprehensively summarized the historical achievements that have been obtained in our country’s cybersecurity and informatization work, and the historic changes that have occurred, it systematically elucidated the rich content of thinking on the strong cyber power strategy, to scientifically answered a series of major theoretical and practical questions affecting the long-term development of the cybersecurity and informatization undertaking, it clarified the direction ahead and provided a fundamental path to follow for grasping the historic opportunity of the information revolution, strengthening cybersecurity and informatization work, and accelerating the construction of a cyber power, and has a major and profound significance. Everyone must earnestly study and comprehend it, deeply reflect on it, link it up with reality, thoroughly understand it, realistically unite their thoughts and actions around the spirit of the important speech of General Secretary Xi Jinping. Further raise political standpoints, realistically strengthen a sense of responsibility and a sense of mission from the heights of the Party’s long-term governance and the country’s long-term order and security, and push cybersecurity and informatization work to a new height. Wang Huning pointed out in his summarizing speech that the important speech of General Secretary Xi Jinping stood on the heights of human historical development and the overall picture of the Party and the country, scientifically analyzed changing trends in informatization and the historical mission we shoulder, it systematically elucidated the strong cyber power strategy thinking, profoundly answered a series of major theoretical and practical questions concerning cybersecurity and informatization development, and is a programmatic document to guide cybersecurity and informatization development in a new era. We must certainly earnestly study and comprehend it, unite thoughts and actions around the Party Centre’s strategic arrangements concerning cybersecurity and informatization work, and grasp the satisfactory implementation of all work items with a spirit of making the most of every available minute. Responsible comrades from the Cyberspace Administration of China, the Ministry of Industry and Information
Technology, the Ministry of Public Security, Beijing Municipality, Shanghai Municipality, Hubei Province, Guangdong Province, and Guizhou Province made statements in exchange. Politburo members, the Secretary of the Central Committee Secretariat, State Council members, the President of the Supreme People’s Court and the President of the Supreme People’s Procurator attended the Conference. The members of the Central Committee for Cybersecurity and Informatization, and responsible comrades from all provinces, autonomous regions, municipalities, plan-listed cities, the Xinjiang Production-Construction Corps, relevant departments in Central Committee and state bodies, relevant people’s organizations, relevant major State-owned enterprises, relevant military work units, major Central news work units, focus Central news websites, etc., participated in the Conference.

IV-3. Digital Leninism, a new keyword by Sebastian Heilmann

A German researcher Sebastian Heilmann’s speech ‘Leninism Upgraded: Restoration and Innovation under Xi Jinping’ was highly welcomed, when he delivered it at Harvard University Fairbank center on April 13, 2017.® His view was introduced by WSJ columnist Mr. Brown.® Brown’s article was followed by some Japanese writers.®

In China, Prof ZHANG Zhi-an’s article® proposed some important issues on the theme. Prof ZHANG is now at Zhongshan University, as well as director of Internet Research and Governance. He argued that new public opinions expressed via Baidu, Alibaba, Tencent, etc. are now challenging to the society and give pressure to the society. Prof. Zhang asserted that government should allow more freedom, and let the market and society perform the initiative of governance.®

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® Leninism Upgraded: Restoration and Innovation Under Xi Jinping April 13, 2017, President of the Mercator Institute for China Studies (MERICS) in Berlin, former Visiting Fellow at the Fairbank Center for Chinese Studies
® WSJ, October 18, 2017.
® 土谷英夫（ジャーナリスト，元日経新聞記者副主幹）「デジタルで蘇るレーニン主義」（News Socra, 2017 年 11 月 16 日）、武田徹（専修大学教授）「仮想プレミアム」（2017 年 12 月 25 日）など。
® 2016 年 6 月，商務印書館「互聯網治理與國家治理」『網絡空間法治化——互聯網與國家治理年度報告（2015）』
® 類似的主張として、倉可平「全球治理引論」『馬克思主義與現實』2002 年 1 期、等がある。
has provided the general public a platform for expressing their free opinions, and these opinions could help monitor the mass media.

Government should change internet control into internet governance, such that authoritarian control will be superseded by tri-consultation by government, market and community. In short, the key word control should be replaced by governance. Among three factors, market power is most powerful in modern capitalism, public opinions are most powerful in populist democracy, and state power in totalitarian countries.

Prof. Zhang further proposed a right of freedom of information (中文＝信息自由權), a right of privacy (中文＝隱私權) and a right to be forgotten (中文＝被遺忘權).³

The non-symmetry problem of information

In modern society and modern politics, non-symmetry problems originate from a three level imbalance or disparity. First is an imbalance of legislative power and administrative power.⁴ Second, an imbalance of the governmental surveillance system and the guarantee of public rights. Third, an imbalance of social political forces.

Although by virtue of the reform and open door policy public consciousness of individual rights and community health community has gradually risen, its strength has remained vulnerable to a much stronger administrative power. Therefore the newly established community may be devoured by strong state power. The lack of countervailing power is a serious matter. I am afraid a digital Leviathan may devour the newly born Chinese community.

Another scholar Prof. Xiao Bang analyzed IT as a two-edged sword.⁵ Prof. Xiao point out as follow: the problem lies in the relation between the state’s monitoring and control system (原文＝監控体系) and the system of civil rights guarantees. There are three patterns. First, either state power uses information one-sidedly or state and community can use the information as equal partners. Second, in using information, both sides can use symmetry evenly or not. Third, whether or how the trap of non-symmetry and disparate use is avoided. Prof. Xiao Bang pursued the above questions.

Take concrete examples. In 1990, China instituted the Jinshui gongcheng (金税工

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³ 被遺忘權については、呉飛「大數據與被遺忘權」《浙江大学學報》2005 年 2 期。
⁴ 黃旭「互聯網、行政權與新利維坦 Leviathan」《南京社会科学》2003 年 3 期。
⁵ 肖貓教授是中山大學政治與公共事務管理學院院長。「一把雙刃劍——中國國家治理中的信息技術」
[網絡空間法治化——互聯網與國家治理年度報告（2015）] 商務印書館 2016 年 06 月.
and Jincai gongcheng (金财工程). Jinshui gongcheng is taxation system using IT, so citizen can watch how the tax will be used in administration. Jincai gongcheng is a system which citizen can watch national budget and legislative process, they can observe civil rights through these gongcheng (工程).

British sociologist Anthony Giddens analyzed characteristics of the modern nation state. He discerned the character of progressive concentration of power and deepening surveillance of the public. Another characteristic is state collection of all kinds of citizen’s information for sake of administration by police, taxation office, immigration and custom. Therefore, citizen’s struggle for civil rights must be enlarged every field of daily life. This is typical feature of modern society and nation state.

Such kind of information collecting mechanism must be viewed from both sides: government and civil society. In China, Jinshui and Jincai gongcheng started in 1994, now the system can cover all taxation data, and made a relative data base. Besides industrial data, social insurance, custom, sanitary and health, medicine records, banking and financial information are now commonly shared by inter-disciplinary departments.

The Jinshui gongcheng comprised the following seven sub-systems: 1. Control sub-system, 2. Taxation sub-system, 3. Accounting audit sub-system, 4. Penalty sub-system, 5. Administration sub-system, 6. Salvation sub-system, 7. Super-indent sub-system. These seven sub-systems can be cross-checked through a combined data base mechanism.

The Chinese government received US.40 million dollar subsidy from the World Bank in 1995 for “electronicization” of 19 big cities including Beijing and Shanghai. In establishing the CTAIS, China Taxation Administration Information System, a Japanese YEN loan also used. At first, Guangdong province, Sichuan province, and Henan province were test pilots; now Shanghai City is the most advanced, typical smart city in terms of taxation, administration in general and especially inspection by the People’s Congress of Shanghai Municipality.


Concluding remark: Possibility of Network Socialism, Future of Chinese socialism

1. AI Spy reported by *The Economist*

Talking about big data in a Socialist society, people are easily think of the phrase ‘Big Brother is watching you’ from the novel 1984 written by British novelist George Orwell. However, in the present AI society in the developed countries being watched by somebody is the universal reality. For example, British magazine *The Economist* carried two articles in this year. One, the digital proletariat: should internet firms pay for the data users currently give away?[^3]

In the latter article, it analyzed the battle for digital supremacy, concluding that Artificial Intelligence is storming the workplace,[^2]

**ARTIFICIAL intelligence (AI) is barging its way into business.** As our special report this week explains, firms of all types are harnessing AI to forecast demand, hire workers and deal with customers. In 2017 companies spent around $22bn on AI-related

mergers and acquisitions, about 26 times more than in 2015. The McKinsey Global Institute, a think-tank within a consultancy, reckons that just applying AI to marketing, sales and supply chains could create economic value, including profits and efficiencies, of $2.7trn over the next 20 years. Google’s boss has gone so far as to declare that AI will do more for humanity than fire or electricity.//Less familiar, but just as important, is how AI will transform the workplace. Using AI, managers can gain extraordinary control over their employees. Amazon has patented a wristband that tracks the hand movements of warehouse workers and uses vibrations to nudge them into being more efficient. Workday, a software firm, crunches around 60 factors to predict which employees will leave. Humanyze, a startup, sells smart ID badges that can track employees around the office and reveal how well they interact with colleagues.//Surveillance at work is nothing new. Factory workers have long clocked in and out; bosses can already see what idle workers do on their computers. But AI makes ubiquitous surveillance worthwhile, because every bit of data is potentially valuable. Few laws govern how data are collected at work, and many employees unguardedly consent to surveillance when they sign their employment contract. Where does all this lead? //And surveillance may feel Orwellian—a sensitive matter now that people have begun to question how much Facebook and other tech giants know about their private lives. Companies are starting to monitor how much time employees spend on breaks. Veriato, a software firm, goes so far as to track and log every keystroke employees make on their computers in order to gauge how committed they are to their company. Firms can use AI to sift through not just employees’ professional communications but their social-media profiles, too. The clue is in Slack’s name, which stands for “searchable log of all conversation and knowledge”.

Introducing actual situation of present workplace, the Economist conclusion is as follow:

As regulators and employers weigh the pros and cons of AI in the workplace, three principles ought to guide its spread. First, data should be anonymized where possible. Microsoft, for example, has a product that shows individuals how they manage their time in the office, but gives managers information only in aggregated form. Second, the use of AI ought to be transparent. Employees should be told what technologies are being used in their workplaces and which data are being gathered. As a matter of routine, algorithms used by firms to hire, fire and promote should be tested for bias and unintended consequences. Last, countries should let individuals request their own
data, whether they are ex-workers wishing to contest a dismissal or jobseekers hoping to demonstrate their ability to prospective employers.

2. US big data increases inequality Cathy O’neil’s Weapons of Math Destruction

Regarding Orwellian style watching of people or working class, Chinese style and British style is quite similar, therefore how to use AI device or how to make counter-veiling power against state power is almost same task in China and western modernized countries.

I will show another example of New York Times best seller, Weapons of Math destruction, written by mathematician Cathy O’Neil.©Her conclusion is ‘how big data increases inequality and threatens democracy.’

In the U.S. as O’Neil analyzed by big data statistics, income inequality is increasing day by day, especially after the recovering process of Lehman Brothers collapse. She worked for the hedge fund as a data scientist before the crisis of US economy, so she can analyze whole income distribution.

In China, the income disparity broadened in the Deng’s NEP policy as GENI coefficient shows. Xi Jinping knows clearly of the situation and will adopt necessary income policies in the future step by step.

© Published in the U.S. by Broadway Books, a division of Penguin Random House LLC, New York, in 2016. "This is a manual for the twenty-first-century citizen, and it succeeds where other Big Data accounts have failed—it is accessible and refreshingly critical, and feels relevant and urgent." by Financial Times review, "O’Neil’s book offer a frightening look at how algorithms are increasingly regulating people...Her knowledge of the power and risks of mathematical models, coupled with a gift for analogy, makes her one of the most valuable observers of the continuing weaponization of big data," by The New York Times Book Review.
3. The ubiquity of smart phone payment in China has accelerated the distribution revolution and the sharing economy, thus changing Chinese society at large.

Kevin Kelly said in his book *The Inevitable* on Sharing Economy of modern community as follow:

'Ve have entered into a sharing economy or the new socialism. This new socialism does not operate in the domain of government or politics, but in culture and economy. Social interaction is what technologies today rely on. The word “social” in social media indicates social action. Sharing is the primary currency we deal in today.^

Let’s start from sharing of bicycle in Chinese cities. Bicycle sharing from home to metro or bus stop and office or factory, spread at high speed because of convenience. This means new type of social ownership of means of consumption. Bicycle sharing will lead to EV Car sharing in future. EV Car sharing will both contribute to reducing automobile CO2 and NOx in future, and satisfy desire of citizen’s happy life. This type of new sharing life will supersede bureaucratic planned economy. This model is good because it satisfy sustainable development of UN needs and also citizens’ needs. This model show 21century socialist model different from Soviet type planned socialism or Mao Zedong’s war communism.

Possible conversion of Chinese system and developed capitalist system

In the 21century global economy, the globally developing Chinese socialist economy and the rest of the world economy are mutually inter-acting. China’s new socialist economy and capitalist economies of the rest of the world, may pursue a common evolution to a different economic system. China will continue to perfect its regulated market economy, while Capitalist economies will introduce further planned elements in line with the UNSD (United Nations Sustainable Development) blueprint.

May 23, 2018 yabuki.

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