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The forum of WAPE is a truly grand celebration. It is a great pleasure to have so many distinguished friends and scholars meeting here.

My name is Zhang Xunhua, and I am 91 years old. Although due to my age I cannot attend the forum myself, I still look forward to it. I would like to ask the organizing committee of the forum to convey my gratitude for the prize awarded to me. I have experienced various social changes in China, and during the pursuit of my studies, I sailed through the endless sea of learning by hard work. I studied civil engineering in Suzhou Polytechnic School when I was in senior high school. I entered Fudan College of Agriculture in 1940, and then transferred to the Department of Economics in 1942.

When I read Capital during my study in the Department of Economics, I noticed two lessons in Marx. One is that his literature is an artistic whole, and only by using his methods this can be achieved. The other is that he pointed out that the ultimate purpose of Capital was to reveal the laws of economic movement of modern society. This combines the purpose and the method into a unity. Specifically speaking, he transformed Hegel’s idealistic dialectics into a materialistic dialectics, and revealed the economic laws of capitalism. It has long been pointed out by Lenin that “without delving into and understanding the entirety of Hegel’s Logic, one cannot fully understand Marx’s Capital.” Hegel moved from the absolute spirit to the concrete, i.e., in an idealistic dialectics, while Marx, absorbing Hegel’s dialectics,
reversed the process and ascended from the concrete to the abstract, forming a materialistic dialectics.

Hegel held the view that the development of logical ideas “begins from pure determinations, while the truth is always richer and more concrete. Because the result includes its beginning, and the process of beginning enriches the result by new determinations…making itself richer and thicker.” He also compared this type of development to a set of concentric circles, saying “The whole of philosophical science appears as a circle of circles. The Idea appears in each single circle, but, at the same time, the whole Idea is constituted by the totality of these peculiar phases, and each is a necessary member of its organization.” However, Hegel did not draw the full circle, neither did Marx. By the end of the 1970s, I tried to draw the circle according to the mechanism that seemed most relevant to me, which made me feel suddenly enlightened.

The object of economic research is the mode of production; the purpose is to reveal the underlying rules (economic laws) of the object; while the method is materialistic dialectics, i.e. proceeding from the material content of the mode of production (productive forces), to its social form (relations of production), and extending to the form of this form (the superstructure). In the *Contribution to the Critique of Political Economy*, Marx pointed out that “a certain mode of production and relations of production corresponding to it, i.e., the economic structure of a society, has a legal and political superstructure on top of it, which is the real basis of social life, with a certain social ideology corresponding to it.” This can be illustrated, as in Figure 1.

![Figure 1](image_url)

The inner circle is the content, and the outer circle is the form. Their dialectic relation is that the content determines the form, and the form reacts to the content.

Since the 1990s, the problem of the source of productive forces (environment, resources, population) has become more prominent, involving the question of whether the whole circle can develop on a sustainable basis; with respect to the relations of production, the question of combining socialism with the market has
been stressed. To keep up with the times, I further divide the above three circles into six levels with each circle containing two levels (Figure 2).

Figure 2

The source is rooted in the three circles of ecological environment (Figure 3). The inner circle provides life development with sunlight, water, air, land and compounds in them, and provides productive forces with inanimate resources. The intermediate circle provides animate resources. The outer circle provides human resources. The inner circle and the intermediate circle combine into the natural ecological environment, and the three circles combine into the human ecological environment. The inner circle determines the outer circle, while the outer circle reacts to the inner circle. According to the pyramid principle of the food chain among living things, various biological groups have their natural enemy to control the one tenth of living things in each level of the pyramid. Human beings, as a kind of animal, are certainly restricted by this. However, human beings, as social beings, have basically eliminated their natural enemy (beasts eating human beings), consequently the population of human beings can explode at any time and they can demand excessive resources from the Earth; the excessively low level of civility of human beings also leads to the abuse of resources which results in damage to
the ecological environment and makes it hard for mankind to achieve a sustainable development. It can be concluded from this that the ecological environment is the basis, and the reaction from human beings is the key. All the problems related to developing countries including China have something to do with population. In the past decade, environmental economics, ecological economics, resource economics, and population economics have developed rapidly, which has facilitated the combination of social science and natural science. This has also made us cherish the memory of initiatives by two pioneering economists. One is Yinchu Ma, whose *New Theory of Population* is still important for China’s development. We can recall that he adhered to the truth and refused to succumb to any authority, maintaining the proposition of “enhancing the quality of the population and controlling the quantity of the population,” which has become one of China’s basic state policies. The other is Dixin Xu, the first chairman of the Research Association of China on *Capital*, who supervised the publication of the first book of *Ecological Economics*. We should learn from their innovation spirit in economic research.

With the development of science and the increase in knowledge grasped by laborers, human beings will automatically restrict their own population, rationally utilize material resources, optimize the ecological environment, and make the social productive forces gain a healthy development. Certainly, there is still a long way to go.

In the two circles related to the relations of production, the market economy, is only concerned with who owns the commodity but not with who owns the factors to produce commodities, while the latter involves the public or private ownership over such factors. What *Capital* discusses is the capitalist market economy, a market economy in the crust of capitalism. If the crust of capitalism is removed and the core of market economy maintained, which is combined with the crust of socialism, the theory of socialist market economy can be created, which is the most important innovation to the theories in *Capital*.

The difficulty lies in how to express the first circle. Natural resources are not themselves the products of labor and, as such, have no value, but they circulate in the market economy in the form of commodities. There can be two cases. (1) Since “for the purpose of selling one thing, the only requirement is that it can be exclusively held and be transferable.” In this case, things with no value can have prices. Natural resources are public goods, and should be held by the state representing the public. The state should monopolize the primary market, and revenues from sales in this market should be owned by the state. (2) “The value of each commodity…is not determined by the necessary labor time embodied in this commodity itself, but by the social necessary labor-time required to reproduce it.” Although the original value of natural resources is equal to zero, excessive exploitation of resources requires their reproduction by labor, consequently, not only renewable resources have values,
the value of the original natural resources should also be calculated in accordance with the labor required to reproduce such renewable resources.

In the two circles related to superstructure, the former one demands autonomous management, responsibility for one’s own profit and loss and equivalent exchange thanks to market relations. This requires freedom and political equality; and requires the rule by law instead of the rule by men in legal force. In political institutions, the state is always representing the interests of class dominant position in the relations of production, which uses “the visible hand” to carry out macro regulations in various areas.

The five inner circles constitute the material being of society, while the outermost circle corresponds to its ideology. The social being determines the social consciousness, and the social consciousness reacts to the social being. Now, the problems in the core two circles—protecting the ecological environment and respecting science and talented persons to develop the productive forces—have been recognized by most people. The two circles in the middle are comparatively complex. The market economy emphasizes the microeconomic interests of people, breeds individualism, and causes commodity fetishism, and—as a result—money fetishism and capital fetishism, which are its negative aspects. Socialism emphasizes mainly the macroeconomic interests and advocates collectivism.

There is also a question of religion in ideology. This is because people still do not understand the laws of material movement in the inner circles. “Only when the relations of real daily life appear in front of people as very clear and rational relations among human beings and between human beings and nature, can the religious reflection of the real world disappear.”

To sum up, the direction of development of an advanced culture as ideology in the superstructure should reflect both the development requirements of the advanced productive forces, and the reform and innovation of relations of production, and should promote the improvement of thoughts, morals, science, and the cultural quality of the people.

Translated by Shan Tong

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