

## Capitalism in Communist China

EDITORIAL:

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The full text of the Chinese Communist Party's economic reform repeatedly stresses that henceforth economic policy will observe the "law of value." But considering the ideological pitfalls involved, the authors were wise not to reveal which particular law of value they were talking about.

The Chinese want to move away from central planning—they remind us that even V.I. Lenin had doubts here—so the law of value they refer to surely cannot be the one embraced by Karl Marx. Marx adhered to the notion—espoused much earlier by Adam Smith, among others—that the value of a product stems from the labor that produced it. But Marx didn't stop there. He went on to a corollary that became the touchstone of Marxist revolution, that if a capitalist sold the product for more than labor value, he was exploiting labor. "Working men of all countries unite!"

The Chinese seem to know by now, even if the Russians don't, that there is no good way of making the labor theory of value conform to the marketplace reality. Given the presence of hostile knights, a Richard III might offer an unbelievably high price for a fast horse, totally ignoring whatever labor value goes into developing such a mount. Values vary with the changing moods and circumstances of potential buyers.

A would-be capitalist exploiter might not be able to exploit at all if a gasoline shortage catches him with an inventory of

gas guzzlers. He has become the victim of diminishing marginal utility, yet another law of value. Russian Communist non-exploiters constantly run afoul of this law, which is why their system works so badly.

Or maybe a potential buyer has a whole range of products available to him that would offer about equal satisfaction, in which case something called the "indifference curve" becomes the law of value. But let's not go into that.

The Chinese document drafters, without belaboring the law of value, simply say they are going to "reform the over-centralized system of price control, gradually reducing the scope of uniform prices set by the state and appropriately enlarging the scope of floating prices within certain limits and of free prices. Thus prices will respond rather quickly to changes in labor productivity and the relation between market supply and demand and better meet the needs of national economic development."

This is the key to their economic reform, they say. They still have to bring it off, but if they are discarding outdated value determination theories they have come a long way for communists, and even for some professed capitalists.

### *Village Advertiser Commentary:*

American labor, already buffeted by Japanese labor practices, will do well to look to its laurels as China awakens from its long economic coma. People of the world's most populous nation, given permission and incentives to better their condition, will respond with typical Oriental singlemindedness and innovation. To meet the Chinese challenge, Americans are going to have to hustle.