

MAIN FINANCIAL AND ECONOMIC TASKS FOR 1951

April 4, 1951

Since the War to Resist U.S. Aggression and Aid Korea⁸⁸ is still under way, our principle for drawing up this year's national Budget Estimates should be to plan expenditures in order of importance: those for national defence first, for market stability second and for other purposes third. By expenditures for other purposes I mean a wide range of items, including cultural, educational and administrative expenses and investments for economic development projects. Why must we arrange expenditures in that order? The reason is obvious: If we do not give top priority to national defence, and if we do not frustrate the arrogant aggression of the U.S. imperialists, all our economic development will be at risk.

Market stability is second in importance, because it directly affects people's lives. If, under the threat of U.S. imperialism, our currency immediately depreciates and prices soar, the reputation of the people's government will decline. The People's Republic of China has a population of 450 million. If so large a country can be so easily intimidated, people will wonder whether it will be able to carry on the war. Price stability is therefore important not only economically but also politically. We shall be able to maintain a stable market, because we have the necessary reserves. To balance our budget, we have to increase production and practise economy instead of issuing more bank notes. There is less than nine months left until the end of this year. If the war continues throughout this period but does not escalate, we shall have no difficulty keeping the market stable.

However, if we want to make the necessary expenditures for national defence and to keep the market and prices from fluctuating, we cannot afford to invest as much in economic projects as we anticipated last July and August. This year's total investment in such projects will probably amount to only US \$400 million. If there were no war, we could spend much more.

Speech delivered at the First National Conference on Organizational Work of the Communist Party of China.

Compared to the sums we plan to devote to large-scale economic development in future, the total investment for this year is small, but compared to the figures for years past it is a significant amount. Moreover, it has been only a year and a half since the Central People's Government was established, yet its economic investments for the current fiscal year have exceeded any annual total during the time of the Qing Dynasty, the Northern Warlords⁸⁰ or the Chiang Kai-shek regime. This year our investments are concentrated mainly in such important sectors as water conservancy projects, railways and the textile industry.

In short, national defence, market stability and economic development are all very important. But since we have only limited financial resources, and since we cannot issue endless amounts of bank notes, we have to apportion our funds wisely. Otherwise we shall make mistakes.

Next, I should like to give you comrades a report on the main financial and economic tasks for this year. Because whatever work we are doing, we must focus on main tasks. Otherwise we shall be able to accomplish nothing. This year's financial and economic work involves six major tasks, as follows.

1. *To facilitate the flow of goods between town and country.*

Why do we give top priority to commodity exchange between town and country? Because the old China we have just taken over had a severely damaged economy, with agriculture as its dominant sector. By commodity exchange I mean the purchase of agricultural products and local specialties in the countryside to meet the needs of the urban population and the purchase of manufactured goods in the cities to meet the needs of the peasants. Such exchange will benefit not only the peasants and the urban industrialists and merchants but also the country as a whole.

Since this matter was first raised last year, discussions have been held in all provinces of north China, in Henan and Zhejiang provinces and in all counties of Hebei Province. Throughout Chinese history, no government has ever discussed this important matter, which has a vital bearing on the wellbeing of the Chinese people. If we do not solve this problem, how can the "people's government" be worthy of its name?

Right now receipts from local specialties such as hog bristles, tung oil, tea, eggs and medicinal materials account for an average of 10 per cent of total rural income, and 20 per cent or even more in some places. For example, the country's total grain yield last year amounted to 120 billion kg., while the total income from specialty products was the equivalent of 12 billion kg. of grain. Public grain¹⁸ collected last year totalled about 11 billion kg. If we had helped the peasants sell their specialties, their additional income would have been the equivalent of the public grain they had to deliver. But

as it was, those products were not sold, and the peasants had some difficulty delivering the required public grain. So we should try to help peasants sell their specialties.

Last year we curbed inflation by simultaneously collecting taxes, issuing government bonds, withdrawing currency from circulation and purchasing local specialties. In March prices were stable. Nevertheless, in mid-May industrialists and merchants throughout the country began complaining about sluggish sales. So we adopted two measures to promote sales—placing orders for more manufactured goods and purchasing more local specialties. The second measure had a decisive impact, because the peasants earned large amounts of money from their products and were thus able to buy manufactured goods. By September the national economic situation had improved so markedly that the streets in some cities were once again illuminated by neon lights.

In the past, to purchase Chinese specialty products and dump their manufactured goods in China, the imperialists built wharves, power plants, warehouses, railways and even banks in Qingdao, Dalian, Shanghai, Guangzhou and other port cities. They took advantage of these cities and of Chinese capitalists to buy native products and to sell their manufactured goods, and they called this process “economic exchange between China and foreign countries.” But the nature of the “exchange” showed that China was an agricultural country exploited by foreign powers.

After twelve years of war,²⁰ there has been a radical change in the political situation in China, and traditional patterns of exchange between town and country have been completely disrupted. If we underestimate the problem and concern ourselves only with balancing revenue and expenditure, the peasants who used to shout “Long live the Communist Party!” will not be so eager to support us, because our policy will have little to do with their immediate interests.

In China today there are several hundred million peasants, tens of millions of handicraftsmen and several million industrial workers. This is the true picture of the economy. So in any work we undertake we must consider their interests. If we do not provide the peasants with cheap manufactured goods and help them sell their specialties, we cannot expect to strengthen the alliance between workers and peasants. Then the peasants will say, “Well, it’s all very well to have overthrown imperialism, feudalism and bureaucrat capitalism, but it’s too bad we can’t sell our eggs and are losing money because the price of our tung oil has fallen.” Commodity exchange between town and country is therefore very important. The entire Party membership must be mobilized to solve this problem. When we say we must serve the

people, we mean we must solve their practical problems; otherwise it's all just empty talk.

In selling local specialties transportation is of vital importance. All persons who used to haul freight must be called into service to collect and transport those products that are not produced in any one place in sufficient quantities to fill a railway car or a truck. Under present circumstances, we have to make the best use of all traditional means of transport, because there are not many motor vehicles in China and most of them use charcoal for fuel. If we rely only on motor vehicles, we shall not be able to maintain commodity exchange between town and country. In the north, more goods are transported in horse-drawn carts than in motor vehicles, while in the south, more freight is carried on junks than on steamboats. If we ignore this fact, we shall never find the solution to the problem of transportation. Of course, this doesn't mean that there is no need to put more steamboats, motor vehicles and railway cars into operation.

The people in Guizhou Province used to have a hard time obtaining salt. Now the provincial government has helped them greatly by providing them with cheap salt, transported mostly by primitive means.

So, to facilitate the flow of goods between town and country, the Ministry of Communications must utilize all the old-fashioned means of transportation. We have to solve problems in the light of actual conditions. Right now, we can't produce automobiles on our own, nor can we supply large quantities of petrol. We can't begin manufacturing automobiles on a large scale until we have developed the iron and steel, machine-building and petroleum industries, and that will be five or ten years from now. For the next few years, therefore, we have to use all traditional modes of transport.

In May last year some people said that the country was producing too many manufactured goods. As I see it, China as a whole has only a limited industrial capacity. Actually, our industrial production cannot meet the growing demand of the peasants, whose purchasing power is bound to rise when the agrarian reform⁶⁴ is completed and the exchange of commodities with the cities increases. So the problem before us is not overproduction but, on the contrary, a shortage of manufactured goods. The solution is to increase industrial production.

To sum up, it is very important to provide outlets for local specialty products, to expand industrial production, and to maintain normal commodity exchange between town and country.

The twelve years of war crippled the national economy, and the Central People's Government, during its first year, worked hard to restore it. Thanks to its efforts, production is recovering rapidly, prices are stable, the flow of

goods between town and country is increasing, and the railways are running again. Ours is a great and beloved country. If goods continue to flow regularly between town and country for two more years, we shall be able to accomplish even more. That is why we must consider it our most important economic task to facilitate such exchange.

2. To increase agricultural production.

We have spent a large amount of money on water conservancy projects. This was worthwhile, because the people's government has the responsibility to prevent food shortages, which used to occur frequently in past years, when the ruling authorities paid no attention at all to the conservation of water. In its second year, the people's government has allocated considerable sums for construction of water conservancy projects, the total amounting to the equivalent of 1.35 billion kg. of grain. From now on, we have both the duty and the capability to prevent the frequent flooding of previous years. Two years ago about 8 million hectares of farmland were overwhelmed by floods. Again, last year, 5.4 million hectares were inundated. If the figure can be reduced to 3.4 million, we should be able to gather in an additional 5 billion kg. of grain, worth about \$500 million. That will be a great accomplishment. Therefore, to ensure a good harvest, it is of first importance to improve water conservancy facilities.

More land should be devoted to cash crops such as cotton and tobacco. Last year we picked a total of 710 million kg. of cotton. This year we expect to produce 1,050 million kg. If we can reach that goal, we shall have become self-sufficient in cotton. China is a vast, agricultural country, yet strangely enough, it has had to import cotton and grain. If this situation remains unchanged, we shall have to export bristles and tung oil in exchange for grain rather than for machines. Only when we are able to produce enough cotton and grain for domestic consumption will it be possible for us to buy machines from abroad. Indeed, we should try not only to be self-sufficient in cotton but also to produce a surplus for export.

What should we do if, following a good harvest, some regions, such as northeast China, or Hubei, Hunan and Jiangxi provinces, have a surplus of grain? I think some of the grain-producing areas may shift to the cultivation of cash crops. Meanwhile, we can encourage the 300 million peasants living close to railway lines to store a total of 2.5 billion kg. of grain, that is, an average of about 9 kg. per person. In addition, our trading companies must always have 2.5 billion kg. of grain available in their warehouses. All together, these grain reserves will total 5 billion kg., an amount that will have great political significance for our country. Grain has strategic importance. If we always have on hand 5 billion kg. of grain, we need not be afraid of

[Harry S.] Truman or any other U.S. president. So long as we have large reserves of grain, we can live through a famine year, even if tens of millions of starving people must depend on the state for food.

3. *To introduce business accounting.*

Having spent a long time working in the countryside, most of our cadres know very little about economic matters. Last year we began to unify financial and economic work,⁸³ stabilized the markets and established trading companies and cooperatives. Nevertheless, compared with the capitalists, many of our cadres who deal with economic affairs are still quite inexperienced. True, they can do useful work, but they are dependent on the collective wisdom, the leadership of the Party and the guidance of the government's economic agencies. On an individual basis, they are no match for the capitalists.

Last year we emphasized the need to unify financial and economic work. That means that the banks should be responsible for such matters as collecting taxes, receiving savings deposits and granting loans. This is quite different from our practice during the war. In those days, wherever our troops fought, a county Party secretary, a county magistrate and the head of the local tax bureau had to be responsible for monetary matters such as revenue and expenditure. Many of our cadres now working in banks used to serve as grain carriers, orderlies or bodyguards. For example, we would say to the treasury guards, "You can sleep on the bank notes, if you like. Just make sure not to lose any of them." But we can't work that way now that we have more than two thousand counties across the country to deal with and our financial affairs are much more complex.

Trading companies should also introduce business accounting. We should tell them, "Your business is economics not politics." For example, goods manufactured in Shanghai and bound for Shijiazhuang used to be sent first to Tianjin, then to Beijing and Baoding, and finally to Shijiazhuang. A route like that was chosen not for economic reasons but for political reasons. If we conduct business that way, we are bound to lose money. We had goods traipsing around the country like tourists. Fur coats destined for Tianjin, Shanghai or Beijing were sent instead to Xi'an, where they could not be sold. Summer shirts were delivered to the stores in the big cities when it was snowing. No capitalist would have allowed that to happen. If we had been private merchants without the government to fall back on, we would have been operating at a loss.

So far as industry is concerned, we are all very enthusiastic about building factories and other projects. But we often forget that they have to be planned. Once, before liberation, we started building a railroad in the

Taihang Mountains, but we didn't make a construction plan or survey the terrain in advance. We began building from both ends at once, and it was not until the two sections were about to meet that we found a high mountain blocking our way. As a result, we had no choice but to undo what we had done. There were other similar cases. For example, when we opened coal mines in certain places, it was only after we had finished building workshops and installing machines that we found the coal veins were too thin to be worth the effort. So we had to abandon the project. Another example: once, when we had finished digging a canal and water was discharging into it, we found that in the middle section of the canal, the bottom was made of sand, so the water leaked out. Again, in Tianjin not long after liberation, some people chose a site for building warehouses the way they might have selected a favourable terrain for fighting a battle. But because some of the warehouses were not built on solid ground, they collapsed in the first heavy rain. Thus, incalculable sums of money have been wasted.

The problem is that we are experts in handling political and military affairs, but novices when it comes to managing enterprises. And if you try to do something when you don't have the necessary expertise, you will always get into trouble. People may forgive us if we waste small sums of money occasionally, but not if we waste money every year. We must be careful how we use our revenue, because it comes from the people themselves.

Before we start a capital construction project, we must draw up a practicable design. Generally, will take more than a year to design a factory, because we have to consider whether the chosen site is geologically suitable, whether there is enough water, whether chemicals in the water might damage boilers, and so on. Since we come from the countryside, we are quite ignorant of these matters. We have to start learning from the very beginning.

For example, we should learn how to do business accounting and how to achieve the desired results at low cost through careful calculations. We have to calculate the exact cost of our finished products and estimate the prices we should sell them for. We used to practise the supply system, which was quite different from business accounting.⁹⁶ But circumstances have changed, and we must adapt to them. During wartime it was difficult for us to follow normal business practice, but now that we are running many factories, we must overcome the tendency to continue the old supply system and adopt an accounting system instead. Many comrades who have not adapted to the new circumstances say, "Don't you trust me? Just let me control the money, and I'll account for every cent." They don't understand that when we were in the countryside, we ran only very small enterprises, such as spinning mills and munitions factories, all of which could be managed

like handicraft industries. Now, however, we are running large factories that cannot operate efficiently without a system of accounting.

When Chairman Mao and Premier Zhou were in Moscow last year, they signed an agreement with the Soviet Union under which we invited Soviet specialists to China to help design an automobile factory.⁹⁷ When the experts arrived in Beijing, we found ourselves greatly divided on the question of where the factory should be located. Some people were in favour of Beijing, others preferred Shijiazhuang, and still others Taiyuan. As for me, I suggested that the factory be built in the interior, in Xi'an for example. Later on we discovered that none of our proposals was feasible. If the factory was designed to produce 30,000 automobiles annually, it would need 24,000 kw of electricity. Since, at the time, Xi'an could generate an annual total of only 9,000 kw, it would take several years to build power plants capable of providing this vast amount. Moreover, it was expected that every year the factory would require more than 200,000 tons of steel, an amount which the Shijingshan Iron and Steel Plant in Beijing would need five or six years to produce. In addition, to provide the factory with some 20,000 cubic metres of timber, it seemed we would have to fell all the trees in the northwestern mountains. There was also the question of transportation. The railway from Xi'an to Tongguan, which has an annual freight capacity of only 2 million tons, would have a hard time coping with the factory's annual volume of 1 million tons. After much discussion we reached an agreement: China's first automobile factory could be built only in the Northeast. After having spent two months in Beijing, the Soviet specialists went to the Northeast to select a site. Altogether, formal discussions about the site were held on three separate occasions.

Comrades, we must make up our minds to learn, because we now have to do many things requiring skills and knowledge we do not possess. If we don't study, we shall never know how to go about economic development, and we shall never accomplish anything.

4. To unify administration, while delegating necessary powers to local authorities.

Administration should remain centralized, but our experience of the past year has shown that we can let local authorities manage some factories. In short, centralization and decentralization are both necessary. Last year we had to centralize our financial and economic work; otherwise it would have been hard for us to continue. We used to have huge deficits, which we made up by printing bank notes. Since March of last year, when we began introducing a system of unified administration, things have been much better. In all financial and economic work, our policy has been to keep a

firm hold on centralized administration, and to maintain balanced revenue and expenditure and stable prices.

Now, we want to delegate certain powers to local governments, which will benefit them without diminishing the authority of the central government. At a meeting held in February, we decided to establish a three-tiered system of financial administration—by governments at the central, regional and provincial levels.⁹⁸ Next year we shall introduce a fourth tier—the county level. Local governments will be responsible for their own taxes and expenditures, but receipts from major sources, such as salt taxes and customs duties, will be turned over to the central government. Local governments will, of course, be required to prepare workable budgets. If the taxes collected are in excess of the planned quotas, after delivering a certain portion of the surplus to the central government, local governments may retain the rest. This will give them more room for manoeuvre.

The power to manage industrial enterprises should be divided between central and local authorities. If we entrust certain factories to the management of local authorities, instead of using their miscellaneous and special funds to buy carpets and sofas for their offices, they will invest them in industry. Under local management, funds will be used appropriately, and cadres will be assigned to places where they are urgently needed. That is, local authorities will consider it their responsibility to assign more capable cadres to factories where there are not enough of them. Local leaders will be obliged to focus on management of industrial enterprises. When a case of waste or an irrational production procedure is reported to them, they will be concerned and look into the matter. After all, local enterprises are on Chinese soil too, and their development can only benefit us.

In the field of trade also administrative power should be divided between central and local authorities. The central government has the right to set standard prices, but local governments must have authority to change those prices in the light of local conditions. Some time ago, during my stay in Hankou, Comrade Li Xiannian told me that peasants in the mountain areas of Hubei Province lived a hard life, because they had no way to transport their farm produce to market.⁹⁹ He said that if we built a wharf at Badong so that steamboats could dock there, it would greatly benefit the local people. I agree with him on the need to build such a wharf. Local governments should have some authority to act on such matters involving rail and water transport.

Local governments can also adjust certain taxes. They can lower rates somewhat, so long as it does not harm the national economy as a whole. Since small changes in taxes will not decrease state revenue or hamper the

flow of commodities between various parts of the country, local governments should have the power to make them, as necessary.

Comrades, we often say that some of our cadres in charge of economic work have a narrow view, focusing only on their own departments and neglecting the active role that local Party and government organizations should play in other areas as well. For example, in so large a country, it would be impossible to collect public grain without the assistance of many local cadres. In addition, other matters, such as tax collection, the freezing of certain funds and the assignment of cadres to suitable posts, are being handled not only by the personnel in local economic departments but also by the cadres in county and provincial governments and Party committees, whose decisions carry a hundred times more weight than do those of local professionals. In doing economic work we must depend on local governments—indeed, on all Party members. If we don't understand this, we shall get into trouble. In short, to succeed in economic work, central and local authorities must work together with one heart and one mind.

5. To prepare for economic development.

Chairman Mao has stressed the need for three years of preparation followed by ten years of economic development.¹⁰⁰ The three years of preparation are to be 1950, 1951 and 1952. When we have fulfilled the ten-year development programme, China's economy will have greatly improved, and industry will represent a much large proportion of it.

Of the three years of preparation there are now only twenty-one months left. In that short time there is a great deal to be done. By carrying out the agrarian reform, wiping out bandits, suppressing counter-revolutionaries and fighting the War to Resist U.S. Aggression and Aid Korea, we are preparing for our future economic development.¹⁰¹ Financial and economic institutions are expected to forecast revenue and expenditure for 1953. We must consider changes in the world situation and evaluate our defence capabilities to determine if we can cut back on some of our military expenses and invest more in economic projects. We must not study these matters only from a financial point of view, but from the perspective of the overall situation at home and abroad. We have to consider what projects are to be completed during the two forthcoming five-year-plan periods and how much we should invest every year in national defence, industry, agriculture and water conservancy.

At present our work in water conservancy is only designed to prevent floods and consists chiefly of repairing dikes. But from now on, we must plan projects not only for flood control but also for irrigation, transportation and hydroelectric power. Some specialists estimate that China does not have

enough water resources available for immediate use. When we draw up construction plans, we should bear this in mind. We must also plan the construction of transportation projects, calculating the total mileage of roads and railways to be built and the average cost per kilometre. In industry we have to refine petroleum, produce chemical fertilizers, manufacture electric generators, build power plants, and so on. If we can accomplish these things, our national economy will be able to expand. At first, we should manufacture small electric generators; later we can make big ones, like those now operating at the Xiaofengman power station.¹⁰² Later too, we can build tanks and airplanes and big automobile plants.

Before we begin to build a factory, we should calculate the exact amount of money to be invested, and plan what that money is to be used for and according to what priorities. Thereafter, we should keep records of all expenditures. Preparations must be made in good time. In machine-building, plans also need to be made for the purchase of machines, because some of them may not be delivered for eighteen months or even two or three years after we place the order.

Then too, we have to anticipate the needs of the people. If we concentrate only on heavy industry to the neglect of light industry so that there is a shortage of commodities, people will complain. China's industry has grown very slowly. In the old days the peasants did not consume many manufactured goods. However, there are now 70 to 80 million rural households, comprising a total of 380 million peasants. We have to anticipate that if every household wants just one pane of glass, the total will be 70 to 80 million. Right now we do not have factories capable of producing enough glass to meet their needs. Again, some people say that the 2 million cartons of cigarettes we produce every year are a little more than necessary. Most Chinese peasants smoke pipes. But if they all switch to cigarettes, there will be a great demand for them.

We can foresee a tremendous prospect of expanded light industry. But the problem is that state-owned enterprises now account for only a small proportion of light industry. For example, state enterprises have only 40 per cent of the nation's spindles, while 60 per cent belong to private enterprises. Some capitalists would like the government to engage solely in heavy industry and leave light industry to them. Moreover, they would like the government to produce only raw materials while they themselves manufacture goods. In short, they want to make money but to shift all the burdens onto the government. Of course, we don't intend to do as they wish.

We must anticipate that the peasants' purchasing power will increase substantially in the next few years, and in view of the present shortage of

manufactured goods, we have to try to produce more. Meanwhile, we should conduct surveys among the people to see what commodities they really want. We need a plan for the development of light industry. We must see to it that state-owned and private enterprises are in rational proportion, the former being preponderant, and that both grow at the same time.

There are now five different sectors of the economy,⁷⁷ but we must ensure that the state sector plays the leading role. It must be strong enough to control the private sector. Last year, because we had on hand stocks of important commodities like kerosene, grain and cotton yarn and cloth, the private merchants had no alternative but to obey our orders. The same is true in industry. We do not want to push the capitalists out of business. But they now have a greater share in the economy than we do, so we have to develop the state sector more rapidly than the private sector. To this end, we must build many more factories and produce large quantities of consumer goods.

We must also invest more in cultural and educational projects, because to run a factory we need not only workers and administrative personnel but also engineers and technicians. There must be a proper percentage of such people. At present we need large numbers of skilled workers and administrative personnel and, especially, experienced technicians. Generally, for every hundred workers there must be at least one technician. In China today there are not many intellectuals. Gone forever are the days when graduation meant unemployment. There are only a little more than a hundred thousand students in colleges and universities in all parts of the country, and only about twenty thousand graduate every year, far fewer than are needed in all fields. Only four hundred thousand students a year graduate from middle schools—again, not enough to meet the needs of the Party, the government, the army and the mass organizations. That is why there is a serious shortage of cadres.

For the past two years we have spent only small sums on education. Unless we devote more money to education in future, we shall find it hard to move ahead in other areas. We do not even have enough skilled workers to man the newly built factories. We have to train the workers.

We must estimate our current financial resources and calculate how much we shall need for economic and cultural projects, for national defence and for basic consumer goods. We shall soon establish a national planning commission to draw up a preliminary overall plan for construction projects.¹⁰³ We shall organize geological survey teams to determine the location of metallic ores, such as gold, silver, copper, iron and tin.¹⁰⁴ Very few data about our metallic reserves are now available. Before liberation only about two hundred geology students had graduated from our universities. We

need many more. There are many places in China where no geological survey has ever been carried out. People used to say that we didn't have this or that mineral in China. How could they know, since we had never prospected for those minerals? No doubt if we look for them, we shall find many mineral deposits.

For the present, we must rely on estimates, because we do not have accurate statistics. In the absence of statistics, however, estimates can be very useful. We have not yet begun to compile statistics. We still find it hard to make up a statistical table. The model drawn up for us by the Soviet experts seems too complicated. We should therefore use statistical means that suit our present conditions. In an agricultural country like China, we cannot expect to compile statistics reflecting the exact number of chickens and pigs in each peasant household. In this early stage of national construction, we can draw up just rough plans for our projects. In future we shall be able to prepare more detailed ones.

There is a great deal to be done to prepare the country's development programme. But we do not have much time left, so both central and local authorities will have to work hard if we are to accomplish all our tasks.

6. To educate the personnel who deal with financial and economic matters.

The people who are now dealing with financial and economic matters are a mixture of senior cadres, new recruits and former personnel of the old regime. On the whole, the ones working in our factories are reliable, but that is not always true of the ones working in government organs, who often have complicated political backgrounds. Although some of the personnel held over from the old regime do not behave well, we should continue to employ them and to educate them. Our policy should be to try to educate them and, if that fails, to dismiss them. In the education process, we may find some people we can trust, and with their help, we can educate others and identify and expel the bad elements. This will be an effective way to approach the problem. I don't think this task can be completed by the end of the year.

Our financial and economic personnel are very busy with daily routine jobs—handling official letters, documents and telegrams and attending meetings. Because they don't have much experience, and because they have a heavy work load that does not leave them enough time to study problems carefully, they tend to work haphazardly and make mistakes. As a result, although they work very hard, they are accused of hard-working bureaucrats.

All government personnel have a great many things to deal with. They have to identify the most important tasks, or they will be at sea without a compass. Last year we concentrated on two major tasks: the unification of financial and economic work and the readjustment of industry and

commerce.⁷³ Thanks to unification, prices became stabilized, but sales of commodities remained sluggish. Only after we readjusted industry and commerce did business return to normal. By accomplishing these two tasks—the first before June, the other shortly afterwards—we were able to stabilize the national economy as a whole.

It is very important to provide political education for our economic personnel. Busy all day long making calculations on the abacus, many of them don't have an overall view of the country's situation. To overcome this shortcoming and avoid mistakes, they need to devote two or three hours a week to political study.

Our successes of the past year may make some of our economic cadres conceited. We should warn them against complacency and point out that it was the efforts of the whole Party that made our achievements possible. We should remind them that it would have been very difficult for us to succeed in economic work had there not been the successes in the agrarian reform, in the War to Resist U.S. Aggression and Aid Korea and in the campaign to suppress counter-revolutionaries. Just imagine, if bandits had been rampaging everywhere, how could we have collected taxes? And if the U.S. imperialists had been forcing their way into our country, how could industrialists and merchants have been persuaded to pay any? All cadres in charge of financial and economic work must be aware of this point.

We still have many heavy tasks ahead of us, there are still many shortcomings in our work and we are still far from proficient at it. We still have much to do to prepare for economic development, and there are only twenty-one months left. Therefore, we must always be careful about our work. If success makes people conceited, they tend to grow careless and to make mistakes. We must explain this clearly to all financial and economic personnel. Otherwise we shall be doing them a disservice.

Considering the nation's overall interests, we think it wise to postpone assigning more cadres to financial and economic departments until we have successfully completed the most pressing tasks—the agrarian reform, the War to Resist U.S. Aggression and Aid Korea and the campaign to suppress counter-revolutionaries. We don't have to worry about our cadres' inexperience; they will gain proficiency through practice. In terms of urgency and importance, the agrarian reform and the campaign to suppress counter-revolutionaries take precedence over financial and economic work. Still, we have to retain enough cadres to handle taxation, or it will be hard to keep markets stable.

Ninety per cent of our financial and economic cadres are working outside Beijing. This means that local authorities must take responsibility for

educating them, emphasizing the need to serve the people. Through criticism they should help the cadres overcome such ideological failings as individualism, selfish departmentalism, one-sided thinking and the belief that technical skill is more important than anything else. It is in the interest of the entire Party to educate our financial and economic personnel, but it will be a difficult task in which the entire Party must participate. We hope that all local Party organizations will cooperate in this endeavour.

If there is a good harvest this year, and if we can produce enough manufactured goods to match the peasants' increased purchasing power, there will be a greater flow of goods between town and country than there was last year. If that happens, people will believe that the government really wants to improve their lives, and they will call it the people's "devoted servant." The old regime proclaimed itself to be the "public servant", but it often rode roughshod over the people, and its officials were highly paid and lined their pockets besides. Now the people's government truly serves the people, because it is doing all it can to help them overcome their difficulties. People are fair-minded, and they support the government. So long as the government and the people are united, our country will be invincible and we can look to a bright future.