

## TURNING CHINA INTO A POWERFUL, MODERN, SOCIALIST, INDUSTRIALIZED COUNTRY

*September 23, 1954*

The fundamental aim of this great people's revolution of ours is to liberate the productive forces of our country from the oppression of imperialism, feudalism and bureaucrat-capitalism and, eventually, from the shackles of capitalism and the limitations of small-scale production. That will make it possible for the economy to advance rapidly and according to plan along the road to socialism, thus improving the people's material welfare and cultural life and strengthening the nation's independence and security. China's economy has been very backward. Unless we establish powerful, modern industry, modern agriculture, modern communications and transport and a modern national defence, we shall neither shake off backwardness and poverty nor attain our revolutionary goals. During the years from 1949 to 1952 the Central People's Government, in accordance with provisions of the Common Programme of the Chinese People's Political Consultative Conference,<sup>1</sup> completed the unification of the mainland, reformed the agrarian system,<sup>10</sup> launched extensive and intensive campaigns to suppress counter-revolutionaries<sup>64</sup> and effected various democratic reforms. It rehabilitated an economy long ravaged by war, fostered in particular the growth of the socialist state-owned sector of the economy and various types of co-operatives, and made initial readjustments in the relations between state and private industry and commerce. All this prepared the ground for planned economic development and the gradual transition to a socialist society. Then, in 1953, China embarked on its First Five-Year Plan of economic development. Gradually but systematically, it started on socialist industrialization and the socialist transformation of agriculture, handicrafts, capitalist

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Excerpt taken from the Report on the Work of the Government made at the First Session of the First National People's Congress.

industry and commerce. Economic development takes first place in the overall life of the nation.

The formulation of the First Five-Year Plan is still not complete, and many details are being added or modified. As is generally known, the basic elements of the Plan are as follows: to concentrate on the development of heavy industry as a foundation for the industrialization of the country and the modernization of national defence; to bring about a corresponding development of communications and transport, light industry, agriculture and commerce; to train the personnel needed for economic development; to promote the gradual co-operative transformation of agriculture and handicrafts; to continue the transformation of capitalist industry and commerce; to ensure the steady growth of the socialist sector of the economy and at the same time to enable individual farming, handicrafts and capitalist industry and commerce to play their proper role; and to ensure a gradual improvement in the people's material welfare and cultural life as the development of production permits. The First Five-Year Plan calls for concentrated efforts to build up heavy industry, that is, the metallurgical, fuel, power, machine-building and chemical industries. Only by relying on heavy industry can we ensure the development of the whole range of industry, of modern agriculture, communications, transport and national defence. And in the final analysis, only by relying on heavy industry can we ensure steady improvement of the material welfare and cultural life of the people. It is true, of course, that heavy industry needs more capital than other economic branches, that it takes longer to build and is slower to yield profits, and that most of its products are not for direct consumption by the people. Consequently, while the state is concentrating on developing heavy industry, the people have to bear some temporary hardships and inconveniences, notwithstanding the corresponding development of light industry and agriculture. But which is better: to bear some temporary hardships and inconveniences so that in the long run we can live in prosperity and happiness, or to seek immediate petty benefits and never be able to shake off poverty and backwardness? We believe that everyone would prefer the first option to the second.

From 1949 to 1952, while industry was being rapidly rehabilitated, the total value of industrial production increased at an average rate of 36.9 per cent a year. In the period of construction, of course, the growth rate will be lower, but the total value of industrial output in

1953 exceeded that of 1952 by 33 per cent. It is estimated that in 1954 the total output value of modern industry will be 4.2 times what it was in 1949. If both agriculture and handicrafts are included, then the total value of output this year will be 2.2 times that of 1949. This growth rate would have been inconceivable in old China.

Three aspects of the growth of industry deserve special mention. The first is the rapid increase, in terms of value, in the proportion of modern industrial output to total industrial and agricultural output. While in 1949 this proportion was about 17 per cent, by the end of 1954 it will reach an estimated 33 per cent. The second is the rapid increase, again in terms of value, in the proportion of output of means of production to total industrial output. While according to estimates, the output of means of subsistence for 1954 will be about 3.1 times that of 1949, the output of means of production will be about 5.7 times that of 1949. The proportion of the output of means of production to total industrial output will rise from 28.8 per cent in 1949 to an estimated 42.3 per cent in 1954. The third significant aspect of industrial growth is the rapid increase, still in terms of value, in the proportion of output by state, co-operative and joint state-private industries to total output. Because state and co-operative enterprises are expanding every year, and because large numbers of capitalist enterprises are beginning to reorganize into joint state-private enterprises, this proportion is expected to grow from 37 per cent in 1949 to about 71 per cent in 1954. This means that output of capitalist enterprises that have not been turned into joint state-private enterprises will constitute only about 29 per cent of the total industrial output.

These figures show that China is advancing towards the goal of industrialization and towards the goal of socialism.

Although the original industrial foundation of our country was weak, it constitutes the main source of industrial products, profits and skilled personnel. It would be utterly wrong to ignore this foundation. We must utilize the original industrial bases and enterprises to their fullest capacity, and fully exploit their potential to increase both the quantity and variety of goods produced. Thus they can play an important part in national development, helping to accumulate capital, train personnel, supply equipment and provide for the people's needs. Nevertheless, such industries are, after all, very backward. They are scattered and unevenly developed. Therefore, to industrialize the country we shall have to depend mainly on building new industries, particularly heavy industry.

In our First Five-Year Plan period, some 600 important industrial projects are to be newly built or upgraded, the core group being, as we all know, the 141 projects that the Soviet Union is helping us to build. When they are completed, our country's industrial output and technological level will be greatly raised, and China will be able to produce metallurgical, power, oil-extraction and forging equipment, as well as motor vehicles, locomotives, tractors and aircraft. And we shall have new industrial regions and industrial bases, which will bring about a change in the present irrational distribution of industry in our country. Most of these projects will be completed by 1958, though a few will take nearly 10 years to finish.

From what I have said we can see that the Constitution of the People's Republic of China does not make empty promises when it provides that China will gradually achieve socialist industrialization, promote the development and transformation of the economy by planning for a constant increase in the productive forces, give priority to the state-owned sector of the economy, and encourage and guide the transformation of the capitalist economy so as to turn it into a state-capitalist sector. This is precisely what we have been doing. Through their heroic efforts, the working people of the whole country, under the guidance of the Communist Party and the people's government, are rapidly changing the face of our motherland. There is no doubt that in the course of several five-year plans we will be able to turn China into a powerful, modern, socialist, industrialized country.

Planned industrial production and construction are entirely new fields to us. He must therefore learn while we work. And as the experience of the past few years has shown, we have made progress both in our work and in learning. But we certainly have no grounds for complacency. Since we are only beginning to learn, we are bound to encounter difficulties — indeed, we have already met with quite a few — and we have many shortcomings to overcome in our work.

Inadequate planning is one of the pressing problems in industry at present. Many of our plans are not accurate enough or sufficiently well integrated. They are often badly co-ordinated and too frequently revised. Obviously, there are many objective difficulties that cannot easily be overcome in a short period. But many problems are caused by poor work and mistakes. For example, there are cases where supply, production and sales are not balanced, cases where types and specifications of products do not meet requirements, other cases where

there is no co-ordination among surveying, design and actual construction work, and still others where no consideration is given to municipal planning, industrial construction and communications and transport. This situation must be improved to reduce losses to the state.

Another vital problem in industry is the large amount of waste in many departments and enterprises. This stems from failure to economize on the use of funds and to control overhead costs. Every state-owned enterprise and construction unit, therefore, must strive not only to fulfil the state plans in every respect but also to exceed them, to introduce business accounting, to ensure strict economy and to lower production costs, in order to increase capital accumulation by the state and to eliminate waste.

Insufficient skilled manpower and poor technical management also present an important problem in industry. Without modern techniques, there can be no modern industry. Our industry inherited few technically skilled workers, and those being trained by existing institutions of higher education are insufficient in number, quality and range of specializations to meet the needs of industry and capital construction in the near future. That being the case, we must upgrade the skills of existing technical staff and use them more rationally and effectively. Skilled workers in the enterprises must be better organized, and greater efforts must be made to train more of them. In this way we shall be able to raise the present technical and managerial level of enterprises, improve the quality of their products and increase the quantity and variety of new products. We shall be able to build new, modern enterprises and see to it that the workers master new production techniques.

To strengthen planning, further economize our funds and improve technical management— those are the urgent tasks facing industrial departments, as well as departments of transport, post and telecommunications services, water conservancy, forestry, and others engaged in capital construction. Commercial departments and administrative organizations of state-owned agriculture also have responsibility for these tasks.

We have made fresh advances in agriculture since agrarian reform. The 1952 output of grain and cotton exceeded the peak annual level before liberation. The output of grain this year is expected to be 50 per cent higher and of cotton 180 per cent higher than in 1949.

The growth of agriculture has an impact on the growth of industry in many ways. Many industries, especially the textile and food in-

dustries, depend on agriculture for raw materials. The industrial and urban populations depend on agriculture for staples such as grain and edible oils and other foodstuffs. The imported machinery needed by industry has to be paid for mainly by the export of agricultural produce. The principal markets for a great number of industrial products are in the countryside. For this reason, during the past few years the Central People's Government has made great efforts in the fields of finance, technology and water conservancy to promote the development of agriculture. The peasants for their part have actively responded to the government's call to extend mutual aid and co-operation and to strive for increased output of grain and industrial crops, and they have enthusiastically supplied their produce to the state. In the last two years, our country has been able not only to deal effectively with natural disasters, but to increase agricultural production, thus consistently maintaining a stable market. For this, we must express our thanks to the 500 million peasants throughout the country.

But the expansion of agriculture obviously still lags behind the needs of the people and the state. In order that agriculture may develop more quickly and in a more planned way, we must gradually bring about its socialist transformation. That means gradually changing over from backward individual farming to collective farming, by getting the peasants to organize themselves voluntarily into mutual-aid teams and co-operatives.

In order to ensure an increase in agricultural production to meet the needs of our economic development as a whole, the expansion of co-operatives must be accompanied by the systematic introduction of new types of farm implements, water pumps, water wheels, improved seeds and better farming methods, by an increased use of fertilizer, prevention of insect pests, and the greatest possible increase in cultivated land. We must also enlarge the acreage of cotton and oil-yielding crops, so that the output of cotton meets industrial demands and oil production quickly teaches and surpasses the record of pre-liberation years.

To solve difficulties arising from shortages of draught animals, meat supplies and fertilizer, as well as to increase production of furs and hides, efforts must be made to develop animal husbandry and poultry farming. Attention should also be paid to the fishing industry.

In the field of water conservancy, in the past few years the state has built a considerable number of large-scale works, which have done a great deal to reduce flood and drought damage and to safeguard

agricultural production, especially in this year's fight against floods. The struggle against natural disasters is a long-term, arduous task for our people. So we must put more effort into water conservancy.

Afforestation is of great importance, for it supplies the timber needed for construction and serves to reduce the damage from floods, droughts, sandstorms and hurricanes. China's present timber resources are insufficient. Besides making greater efforts in afforestation and in planning the lumber industry, we must use restraint in felling trees and launch a nationwide mass movement to protect forests and plant trees.

The handicrafts industry, too, has an important part to play in our national economy. Like the peasants, handicraftsmen are rapidly forming producers' co-operatives among themselves. Such co-operatives should be actively promoted in a more planned way.

Transport and post and telecommunications services have also been restored and have made progress in the past five years. One of our main tasks in this area is to bring about a constant rise in transport capacity to meet the rapidly growing needs of the economy.

Domestic and foreign trade has made tremendous progress in the past five years. State-operated commerce has already attained a position in which it can handle the whole or the greater part of all principal commodities needed for the national welfare and the people's consumption. It has all foreign trade under its jurisdiction. At present, state-operated and co-operative commerce accounts for about half the total retail trade of the entire country and about 80 per cent of the wholesale trade.

To remedy the imbalance between supply and demand, which arose when the increase in the people's purchasing power outstripped the expansion in the production of consumer goods, the Central People's Government introduced a system of planned purchase and supply of grain, edible oils and cotton cloth, and planned purchase of cotton. These measures, designed to regulate relations between supply and demand, to stabilize market prices, to protect the people's standard of living and to provide materials for construction, are absolutely necessary and timely. They protect the interests not only of urban and rural consumers but also of agricultural producers. They are disadvantageous only to a small number of profiteers. That is why they have won the support of the people throughout the country.

In this period when the production of consumer goods has not yet been sufficiently developed, we shall not only continue the planned

supply of principal items but may also extend the system to include a wider range of products. As far as the planned purchase of staple products is concerned, it will be gradually extended as the socialist sector of the economy grows. Of course this is a complicated process, representing an enormous change in the life of the people and in the social economy. Hence, at the start, it is inevitable that temporary problems will crop up in the work and that people will experience certain inconveniences. But if we do not want to suffer from soaring commodity prices or from stagnating production caused by the speculation of unscrupulous merchants, and if we want capitalist, speculative trade to be replaced by socialist trade, which can ensure rational satisfaction of the needs of the whole population, then we must admit that planned purchase and supply are a necessity.

A fundamental change has taken place in the position of state-operated trade. This has been a result of several factors: the extension of the scope of planned purchase and supply, the increase in the orders placed by the state with private enterprises for manufacturing and processing, the marketing through state agencies of all or part of the products of private enterprises, and the purchasing by the state of part of their products. State-operated trade, which a few years back covered only a fraction of the market, has now grown to embrace the major part. It has become the leading force in every branch of trade throughout the country. The state trading department must now assume responsibility for planning and take full charge of the entire domestic market. It should draw up plans for the circulation of commodities and decide what steps should be taken to transform and manage all private trade, bearing in mind the need to maintain a balance between purchasing power and the volume of commodity production, as well as the relative proportions of trade handled by the state, co-operatives and private merchants.

The socialist transformation of capitalist industry and commerce is an important part of our fundamental task in the transition period. In the past few years we have already transformed a major section of capitalist industry into different forms of state-capitalist enterprise. Judging by present trends, the transformation will be brought about chiefly through joint state-private enterprises — an advanced form of state capitalism. An intermediate form is for private enterprises to manufacture or process goods to the order of the state, or to market all or part of their products through state agencies. The importance of this form lies in that it prepares the ground for joint operation by

state and private capital. This form has proved highly successful. With the introduction of planned purchase and supply of grain, edible oils and cotton cloth, large numbers of private shops dealing in these goods have been turned into marketing agencies for state trading organizations. This makes for rapid growth of the state-capitalist sector in private commerce, and has opened the path for the transformation of capitalist commerce trade by trade.

The transformation of capitalist industry and commerce is a process involving both struggle and education. To make a good job of it, we need to accumulate more experience. It should be pointed out here that in this process the transformation of capitalist enterprises should be combined with the re-education of capitalists. This means that on the one hand, we have to eventually transform capitalist enterprises into advanced socialist enterprises, and on the other, we have to remould the outlook of capitalists and their agents so as to make them, in so far as possible, play a positive role in the process of socialist transformation.

In the past five years, the financial position of the state has undergone a marked change. From a budget deficit, we rapidly moved to a balance of revenues and expenditures and now enjoy a certain annual surplus to swell the state's credit funds. This balanced budget was achieved while both revenues and expenditures were greatly increasing. At the same time, sources of revenue have changed greatly. From 1950 to 1954, the taxes paid by the peasants dropped from 29.6 per cent of total national revenue to 13.4 per cent, while the taxes paid and profits delivered to the state by state-operated enterprises and co-operatives of the socialist type increased from 34.1 per cent to 66.1 per cent. Our budgetary appropriations also increased greatly as revenue grew. In the 1954 budget, the allocation for economic development is 650 per cent that of 1950; the proportion of spending for economic development to total expenditure has also increased from 25.5 per cent in 1950 to 45.4 per cent in the 1954 budget. In the past five years, the state has allocated a total of 328,000 billion yuan for economic development, of which the figures for 1953 and 1954 account for 200,000 billion yuan. This shows that by relying on the support of the people of the whole country, we have already accumulated the necessary funds for industrialization. The imperialist prophets who gloated over our financial difficulties and declared that we could never overcome them have been completely discredited.

Our immediate financial tasks are to continue pursuing a fair tax policy, to encourage people to bank their surplus capital or savings or buy bonds, to strengthen financial management in enterprises, to reduce state administrative expenditures and to enforce strict financial rules and regulations and close supervision, so as to ensure that the necessary reserves are available for economic development. In a word, we must make every effort to accumulate still greater reserve funds and employ them in a still more rational way for the sake of industrialization. In order to accomplish these tasks, we shall have to wage a series of struggles. Our budget is the people's budget: we collect revenues from the people and spend them on the people. Both the National People's Congress and the local people's congresses have the duty and power to scrutinize our revenues and expenditures. We hope you deputies will supervise the work of government functionaries and join with them in combating any bad tendencies such as waste of funds, inflated organizations, violation of financial rules and regulations, carelessness with state property, failure to practise strict economy, failure to strive for the accumulation of funds, tax evasion, theft of state property and corruption. To combat these things is to uphold socialism and to work for the early realization of a socialist society.

All our work is done in the interests of the people. Everything we do in regard to the economy and finance is aimed, directly or indirectly, at improving their material well-being and cultural life. Everyone can see what we have accomplished in these respects.

One of the most important things we have done in the last few years to improve the life of the people has been to stabilize national finances and commodity prices. This has stabilized the people's standard of living. The state must continue to keep prices stable so that the people's life can be further improved.

More and more people are employed every year to meet the needs of national construction and increased production. The severe unemployment inherited from old China has now been greatly reduced. For one thing, the people's government adopted a policy of taking over all personnel in the former Kuomintang government offices and all workers and other employees in bureaucrat-capitalist enterprises, thus preventing a rise in unemployment. For another, it did a great deal to help the unemployed find work. However, since our country's production has yet to be developed and since it has a large population, employment will remain a problem over a comparatively long

period. We shall continue the policies that have already proved effective, and gradually this problem will be solved.

In the past few years, the living standards of workers and other employees have greatly improved and so have their working conditions and welfare facilities. The state has spent vast sums of money to improve health and safety in industries and mines. As a result, the rate of accidents at work has been steadily decreasing from year to year.

Obviously, economic development in our country must be reflected in an improved life for the people, because the sole aim of a socialist economy is to satisfy the people's material and cultural needs. A socialist economy must constantly grow if it is to fully satisfy those needs. It is wrong, therefore, to emphasize either one — economic growth or people's needs — at the expense of the other. It is a manifestation of economism to raise wages and expand welfare measures too quickly, without taking into consideration the present level of production, and thus to impair the long-term interests of the working class. On the other hand, it is a manifestation of bureaucratism to be indifferent to the welfare and safety of workers and other employees, to neglect their problems or be unwilling to solve them when they must and can be solved. We must combat both of these mistakes at the same time.

Improvements have been made in the wage system during the past few years. But some confusion still exists, and egalitarianism has not yet been overcome. Egalitarianism is a petty-bourgeois concept that encourages backwardness and hinders progress. It has nothing in common with Marxism and a socialist system. It dampens the enthusiasm of workers and other employees for acquiring technical skills and raising productivity. It hampers economic development. We must therefore resolutely oppose egalitarianism. There is also considerable confusion, which must be clarified, regarding the system of merit grants in enterprises. In our government offices and certain state-owned enterprises, the wage system exists side by side with the supply system [payment in kind — *Tr.*]. The supply system played an important part during the revolutionary war years, but it conflicts both with the principle "to each according to his work" and with business accounting. Today it does more harm than good. We must therefore work out an appropriate plan, based on the requirements of socialist construction, for instituting a uniform and reasonable system

of wages and merit grants throughout the country, so that in the next few years it will gradually replace the supply system.

During the past few years the standard of living of the peasants has markedly improved as regards clothing, food, housing and so forth. This is a result of the completion of agrarian reform, the recovery and growth of agricultural production, higher prices offered by the state for agricultural produce, improvements in the agricultural tax system, and increases in agricultural loans and in the number of agricultural credit co-operatives.

Fellow Deputies! As I said before, to gradually improve the material well-being and cultural life of the people is a fundamental task that calls for constant endeavour and, of course, what we have achieved is not enough. We must make still greater efforts. However, at the present time we must consider this question in relation to the socialist construction that is now under way. It is common knowledge that China has been a backward agricultural country, and it is now our great and difficult task to turn it into a powerful, modern, socialist, industrialized country. There can be no doubt that we shall face many difficulties, both economic and financial, in carrying out this task, and we must not ignore them. How shall we surmount these difficulties? Fundamentally, by relying on the united will and hard work of our entire people. At this time, when our country needs to concentrate its main strength on building heavy industry — that is, on laying the foundation for socialism — the people must focus their attention on long-term interests. We must not see only immediate interests and overlook long-range ones. For the happiness of generations and generations to come, we shall have to put up with many temporary difficulties and hardships, but we are completely confident that we can overcome them all. We must make every effort to accomplish the fundamental task of the state during the transition period as set out in the Constitution, the most essential thing being that each one of us should concern himself with increasing the country's productive forces. We must realize that increasing production is of decisive importance to our people and our country. Only by constantly increasing production can we gradually end the poverty of our people, consolidate the victory of our revolution and assure ourselves of a happy future. We will not tolerate any breach of labour discipline or of economic and financial regulations, or any damage to public property or squandering of state funds. We must oppose all ideas and acts reflecting a concern for personal

interests but not public interests, for departmental but not general interests, for the immediate present but not the future, for one's rights but not one's duties, for consumption but not production. All these things impede the development of production and consequently jeopardize our future.