

ECONOMIC AND FINANCIAL PROBLEMS IN THE ANTI-JAPANESE WAR

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[This is a report delivered by Comrade Mao Tse-tung at a conference of senior cadres of the Shensi-Kansu-Ningsia Border Region. The years 1941 and 1942 were the hardest for the Liberated Areas in the war of Resistance Against Japan. The savage attacks by the Japanese invaders and the encirclement and blockade by the Kuomintang created enormous financial difficulties for the Liberated Areas. Comrade Mao Tse-tung pointed out that in order to overcome these difficulties it was necessary for the Party to exert itself in leading the people in developing agriculture and other branches of production, and he called upon the government and other organizations, the schools and the army in the Liberated Areas to produce as much as possible for their own support. Comrade Mao Tse-tung's 'Economic and Financial Problems' and his articles 'Spread the Campaigns to Reduce Rent, Increase Production and Support the Government and Cherish the people' in the Base Areas' and 'Get Organized!' formed the Party's basic programme for leading the production campaign in the Liberated Areas. Comrade Mao Tse-tung here severely criticizes the mistaken notion of concentrating on public revenue and expenditure to the neglect of economic development, and the wrong working style of making demands on the people without mobilizing and helping them to develop production and surmount difficulties, and he set forth the Party's correct policy of "developing the economy and ensuring supplies". With this policy great successes were achieved in the production campaign which was unfolded in the Shensi-Kansu-Ningsia Border Region and in the Liberated Areas behind the enemy lines. It not only enabled the armed forces and the people of the Liberated Areas successfully to tide over the most difficult period of the war, but also provided the Party with a rich store of experience for guiding economic construction in later years. The first Chapter of this report was published in the 'Selected Works of Mao Tse-tung', Volume 3, pp. 111-116.]

1. A BASIC SUMMARY OF OUR PAST WORK

The general policy guiding our economic and financial work is to develop the economy and ensure supplies. But many of our comrades place one-sided stress on public finance and do not understand the importance of the economy as a whole; engrossed in matters of revenue and expenditure as such they cannot find solutions to any problem hard as they try. The reason is that an outmoded and conservative notion is doing mischief in their minds. They do not know that while a good or a bad financial policy affects the economy, it is the economy that determines finance. Without a well-based economy it is impossible to solve financial difficulties, and without a growing economy it is impossible to attain financial sufficiency. The financial problem in the Shensi-Kansu-Ningsia Border Region is that of supplying funds for the living and operating expenses of tens of thousands of troops and civilian personnel, in other words, the problem of supplying funds for waging the war. These funds come partly from taxes paid by the people and partly from production carried on by the tens of thousands of troops and civilian personnel themselves. We shall simply be resigning ourselves to extinction unless we develop both the private and the public sectors of the economy. Financial difficulties can be overcome only by down-to-earth and effective economic development. To neglect economic development and the opening up of sources of finance, and instead to hope for the solution of financial difficulties by curtailing indispensable expenditures, is a conservative notion which cannot solve any problem.

In the last five years we have passed through several stages. Our worst difficulties occurred in 1940 and 1941, when, the Kuomintang created friction by its two anti-Communist drives. For a time we had a very acute scarcity of clothing, cooking oil, paper and vegetables, of footwear for our soldiers and of winter bedding for our civilian personnel. The Kuomintang tried to strangle us by cutting off the funds due to us and imposing an economic blockade; we were indeed in dire straits. But we pulled through. Not only did the people of the Border Region provide us with grain but, in particular, we resolutely built up the public sector of our economy with our own hands. The government established many industries to meet the needs of the Border Region, the troops engaged in an extensive production campaign and expanded agriculture, industry and commerce to supply their own needs, and the tens of thousands of people in the various organizations and schools also developed similar economic activities for their own support. This self-supporting economy, which has been developed by the troops and the various organizations and schools, is a special product of the special conditions of today. It would be unreasonable and incomprehensible in other historical conditions, but it is perfectly reasonable and necessary at present. It is by such means that we have been overcoming our difficulties. Do not these indisputable historical facts prove the truth that supplies can be ensured only through economic development? While we still face many difficulties, the foundation of the public sector of our economy has already been laid. In another year, by the end of 1943, this foundation will be even firmer.

Developing the economy is the correct line, but development does not mean reckless or ill-founded expansion. Some comrades who disregard the specific conditions here and now are setting up an empty clamour for development, for example, they are demanding the establishment of heavy industry and putting forward plans for huge salt and armament industries, all of which are unrealistic and unacceptable. The Party's line is the correct line for development; it opposes outmoded and conservative notions on the one hand and grandiose, empty and unrealistic plans on the other. This is the Party's struggle on two fronts in financial and economic work.

While we must develop the public sector of our economy we should not forget the importance of help from the people. They have given us grain, 90,000 tan in 1940, 200,000 in 1941 and 160,000 in 1942 [1], thus ensuring food for our troops and civilian personnel. Up to the end of 1941, the grain output of the public sector of our agriculture was meagre and we relied on the people for grain. We must urge the army to produce more grain, but for a time we shall still have to rely mainly on the people. Although the Shensi-Kansu-Ningsia Border Region is in the rear and has not suffered direct war damage it has only 1,500,000 inhabitants, a small population for so large an area, and the provision of such large quantities of grain is not easy. Besides, the people transport salt for us or pay a salt transport levy, and in 1941 they purchased five million yuan worth of government bonds; all of which represents no small burden. To meet the needs of the War of Resistance and national reconstruction, the people must shoulder such burdens, the necessity of which they very well realize. When the government is in very great difficulties, it is necessary to ask the people to bear a heavier burden, and they understand that too. But while taking from the people we must at the same time help them to replenish and expand their economy. That is to say, appropriate steps and methods must be adopted to help the people develop their agriculture, animal husbandry, handicrafts, salt industry and commerce, so that they gain at the same time as they give and, moreover, gain more than they give; only thus can we sustain a long war against Japan.

Disregarding the needs of the war, some comrades insist that the government should adopt a policy of "benevolence". This is a mistake. For unless we win the war against Japan such "benevolence" will mean nothing to the people and will benefit only the Japanese imperialists. Conversely, although the people have to carry rather heavy burdens for the time being, things will get better for them as the difficulties confronting the government and the troops are overcome, the War of Resistance is sustained and the enemy is defeated; and this is where the true benevolence of the revolutionary government lies.

Another mistake is "draining the pond to catch the fish", that is, making endless demands on the people, disregarding their hardships and considering only the needs of the government and the army. That is a Kuomintang mode of thinking which we must never adopt. Although we have temporarily added to the people's burden, we have immediately set to work building the public sector of our economy. In the years 1941 and 1942 the army, the government and other organizations and the schools met most of their needs by their own efforts. This is a wonderful achievement without precedent in Chinese history, and it contributes to the material basis of our invincibility. The greater our self-supporting economic activities, the more we shall be able to lighten the people's tax burdens. In the first stage from 1937 to 1939 we took very little from them; during this stage they were able to build up considerable strength. In the second stage, from 1940 to 1942, the burden on the people was increased. The third stage will begin in 1943. In the next two years, 1943 and 1944, if the public sector of our economy continues to grow and if all or most of our troops in the Shensi-Kansu-Ningsia Border Region are in a position to engage in farming, then by the end of 1944 the people's burden will again be lightened, and they will again be able to build up strength. This is a possibility which we should prepare to turn into actuality.

We must refute all one-sided views and advance the correct slogan of our Party, "Develop the economy and ensure supplies." With regard to the relation between public and private interests, our slogans are "Give consideration to both public and private interests" and "Give consideration to both troops and civilians." We consider only such slogans to be correct. We can guarantee our financial needs only by expanding both the public and the private sectors of our economy in a realistic and practical way. Even in difficult times we must take care to set a limit to taxation so that the burdens, though heavy, will not hurt the people. And as soon as we can, we should lighten the burdens so that the people can build up strength.

The Kuomintang die-hards regard construction in the Border region as a hopeless undertaking and the difficulties here as insurmountable; they are expecting the Border Region to collapse any day. It is not worth arguing with such people; they will never see the day of our "collapse" and we shall unquestionably grow more and more prosperous. They do not understand that under the leadership of the Communist Party and the Border Region revolutionary government the masses always give their support to the Party and government. And the Party and the government will always find ways to get over economic and financial difficulties, however serious. In fact we have already pulled through some of our recent difficulties and will soon overcome others. We encountered difficulties many times greater in the past and surmounted them all. With intense fighting going on every day, our base areas in northland and central China are now facing much greater difficulties than the Shensi-Kansu-Ningsia Border Region, but we have already held out for five and a half years in these

areas and can certainly continue to do so till victory. For us, there is no ground for pessimism; we can conquer any difficulty.

After the present conference of senior cadres of the Shensi-Kansu-Ningsia Border Region we shall put into effect the policy of "better troops and simpler administrations"[2]. It must be carried out strictly, thoroughly and universally, and not perfunctorily, superficially, or partially. In carrying it out we must attain the five objectives of simplification, unification, efficiency, economy and opposition to bureaucracy. These five objectives have a very important bearing on our economic and financial work. Simplification will reduce nonproductive expenditures and increase our income from production, it will not only have a direct and healthy effect on our finance but will lighten the people's burdens and benefit them economically. In our economic and financial set-up, we must overcome such evils as disunity, assertion of independence, lack of co-ordination, and must establish a working system which is unified and responsive to direction and which permits the full application of our policies and regulations. With the establishment of such a unified system working efficiency will rise. All our organizations, and particularly those engaged in economic and financial work, must pay attention to thrift. By practicing thrift we can cut out a great deal of unnecessary and wasteful expenditure, which amounts possibly to tens of millions of yuan. Finally, people engaged in economic and financial work must overcome surviving bureaucratic practices, some of which, such as corruption and graft, over-elaborate organization, meaningless "standardization" and red tape, are very serious. If we fully attain these five objectives in the Party the government and the army, our policy of "better troops and simpler administration" will achieve its purpose, our difficulties surely be overcome, and we shall silence the gibes about our approaching "collapse".

Below, we shall discuss separately various objectives of financial and economic work, concretely summarize experience in past work, and put forward the general policies for work that should be carried out in 1943.

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Selected Works of Mao Tse-tung