

INSTITUTE OF CURRENT WORLD AFFAIRS

JYB-3

7-A Escondido Village
Stanford, Ca. 94305
August 22 1977

China: Change & Continuity -
Some Thoughts

Mr Richard H. Nolte
Executive Director
Institute of Current World Affairs
535 Fifth Avenue
New York, N.Y. 10017

Dear Mr Nolte

The succession of the deaths of Chou En-lai, Chu Teh and Mao Tse-tung, three key leaders of the People's Republic of China (PRC), and the removal from the political arena of the "Gang of Four" and their supporters, have substantially altered the Chinese political scene. We saw "old veterans", such as the Vice-Chairman of the Communist Party of China (CPC) Central Committee, Vice-Premier of the State Council, and Defence Minister Yeh Chien-ying, quickly occupy more prominent positions. We also saw the rise to power of Hua Kuo-feng as Chairman of the CPC Central Committee and Premier of the State Council. With the change of the guard there exists the need to assess previous national policies and their effects, formulate new ones, and prepare the bureaucratic machinery to implement them. The new Chinese leadership found itself doing just that. Both the implementation of newly formulated policies and the establishment of a new group of leaders' political power went hand-in-hand. Putting them into effect took a variety of forms including the political neutralization of highly placed national and provincial figures, launching a campaign against the "Gang of Four" to vehemently denounce their political line and deeds, the use of the army to control trouble spots, and a long succession of national conferences. While most of these developments earned their headlines in the Western press, little attention was paid to these conferences. A few lines about them could be of interest.

Any observer of China cannot but notice the

Joseph Y. Battat is an Institute Fellow interested in the social and economic development of Third World countries. He is currently studying the People's Republic of China's economic development policies.

frequency as well as the significance of the national conferences the CPC has convened since last December. More than 40 have taken place in the last eight months, and there are more to come. Their topic ranged from agricultural development and mechanization, industrial development, and management of crude oil enterprises, to science and technology for national defence. Each conference saw a large number of participants, usually in the thousands, representing party, government and other institutions from all over the country.

While a similar series of conferences has taken place in China before, as in the early 1960's, one must note the clever and efficient way the present Chinese leadership put them to use. The very fact that it called, organized and ran these conferences as early as December 1976 showed its already secured position of strength, and its ability to exercise and broaden its power in both party and government apparatuses. Strong indications from these conferences that the leadership is getting down to the business of developing the national economy and science and technology, and building up national defence could not but reinforce the feeling that political stability was finally at hand following the upheavals of the last few months or even years. Moreover, these conferences provided perfect forums to promote and carry out the "central task for 1977" as Hua Kuo-feng referred to it in an important speech he delivered last December 25, at the Second National Conference on Learning from Tachai in Agriculture. Namely to "deepen the great mass movement to expose and criticize the "gang of four". New accusations of a political and personal nature were delivered against them, unfolding the strategy used to discredit them so as to eliminate them politically once and for all. In addition to these broad attacks, sharp criticisms were leveled against their policies and actions within the field of each particular conference. For example, during a national work conference of the Chinese Academy of Sciences held in Peking from June 20 to July 7, members of the gang were accused of having "actually trampled under foot the Party's principles and policies on scientific work, undermined scientific research, attacked and persecuted scientists and technicians". Furthermore, they equated "mechanisation with revisionism and capitalism", and "learning from advanced science and technology of foreign countries with worshipping things foreign and fawning upon foreigners". Finally, these conferences accomplished their usual function, namely, allowing the new leadership to present its

policies, have them examined and discussed in some detail, and eventually come up with specific goals and programs. They also gave the opportunity to initiate a two-way communication between national and regional leaders, the latter playing an important role in implementing these programs on the local level.

Since Hua Kuo-feng assumed power last October, it was clear, from all indications coming out of China, that the new leadership was dedicated to set the necessary environment and conditions for the country to resume building efficiently its economy and national defence, and developing science and technology. Indeed Chairman Hua himself has on numerous occasions quoted and interpreted (some people suggested not fully correctly) one of Mao Tsetung's sayings: "Great disorder across the land leads to great order". Now that the enemy "gang of four" has been thrown into disorder, stability and unity will be achieved bringing about great order across the land. This, he said, "accords with the general trend of events and the aspirations of the people; it is a strategic policy decision taken by our Party Central Committee in conformity with the fundamental interests and common wishes of the people throughout the country." The decision of the Plenary Session of the Tenth Central Committee of the CPC, held in Peking from July 16 to 21, to restore Teng Hsiao-ping to his posts, reaffirmed the above. Indeed, not only did it remove a bone of contention from among the Chinese leadership, it also strengthened the Party unity, broadened its base, and returned to power a brilliant administrator whose policies, strongly under attack less than a year ago, were in effect already adopted even before his official rehabilitation.

Does the fact that China is striving for consolidation and national construction mean that the moderates got the better over the radicals? The right over the left? To a number of people the answer is: "Yes it does". However, one should be very careful when labelling the various political groups in China, convenient as it may be. Unless one uses suitable criteria and clarifies points of reference when applying these labels, one might run the risk of looking at the Chinese political scene through a distorted glass. Though the current leadership is often referred to as moderate or rightist, it^{is} undoubtedly committed to a Marxist ideology and economy, and unreservedly maintains the country under a socialist system.

It perceives its main tasks as the consolidation and unification of the Party, the restoration of Party and government organs to their working conditions, and the resumption of the modernization of the armed forces and the economy. Also, it wants to do away with domestic policies that have led to excesses or failures since the Cultural Revolution. To attain these objectives, (notwithstanding the campaign against the "gang of four" which is turning out to be less disruptive than previous ones of lesser importance) and considering the upheavals China experienced in the last year or two, it sees fit to foster an environment of "great order" so as to resume the construction, the "socialist construction", of the country.

The present assessments result: not only from interpreting recent political developments in China, but also from examining policy pronouncements and adopted goals and programs, often made known during the national conferences. To illustrate the above, I have chosen one example: the present policy for the socialization and mechanization of agriculture. It was originally stated during a 5-week long "National Conference on Learning from Tachai in Agriculture" convened on September 15, 1975. (Both Mao Tsetung and Chou Enlai were alive then, and the "gang of four" still in power). It was reiterated during another 18-day long "Second National Conference on Learning from Tachai in Agriculture," which began on December 10, 1976. Hua Kuo-feng, then Member of the Political Bureau of the CPC Central Committee and Vice-Premier of the State Council, delivered, on October 15, 1975, the summing-up report to the first conference, in which building Tachai-type counties (see explanation below) and agricultural mechanization became the key points in the program for rural socialization and modernization. (It is interesting to note that at the same conference Teng Hsiao-ping and Chiang Ching each gave a speech that, to my knowledge, has yet to be published. The report contained two specific goals to be attained by the end of 1980: one third of China's counties to become Tachai-type counties, and to achieve basic country-wide mechanization of agriculture i.e. 70 per cent mechanization of farming, forestry, animal husbandry, side-occupations and fishing. Made on behalf of the CPC Central Committee and approved By Mao Tsetung, the report was issued the same year to the Party as Document No. 21.

What is the present agricultural policy? What are its main features and objectives? How does it

compare with Chinese agricultural policies in the past, as far as collectivization and mechanization are concerned? Before examining these questions it would be wise to review, briefly, the major stages of China's organizational development in the agricultural sector.

The systematic transformation of the PRC's rural sector followed a process that led, at each of its stages, to a higher degree of collectivization. While state-owned farms exist in China, they play a secondary role in her agrarian system. The socialization of the agricultural sector has instead taken the form of the collective system of the People's Communes, to which almost all peasant households belong.

The creation of the communes in 1958 was but one step in what the Chinese view as a long and complex process of transformation. This process began in the late 1940's with a sweeping land reform that redistributed 46 million hectares, or over 40% of China's cultivated land, to 300 million poor peasants. Although private land tenure was upheld at the time, the land reform played a vital role in the socialization of the national agriculture by shattering the centuries old social structure in the rural areas. It virtually eliminated the political and economic power of an entrenched and locally dominant landlord class which would have undoubtedly been a formidable obstacle to any move towards collectivization of land ownership. At the same time, it caused the less privileged rural classes to gradually assume power, under the tutelage of the CPC.

Soon after the implementation of land reform, peasant households began to get organized into mutual aid teams, a rudimentary form of agricultural socialization. Three to sometimes more than ten households would pool their labor, draft animals and implements on a voluntary and mutually beneficial basis, i.e. engaging in exchange of services at equal and preset values. As early as 1950, 10.7% of peasant households in China belonged to mutual aid teams. By the end of 1954, when agricultural production cooperatives began to appear all over the country, the proportion was as high as 58.3%. Originally the mutual aid teams were of a temporary and seasonal nature, being organized for the busy season. However, gradually, a good proportion of them ran on an annual basis, some with an elementary production plan, work point accounting system, and division of labor. Some teams even accumulated small public funds and owned a few draft animals and implements.

While mutual aid teams organized the labor of the collective on a voluntary cooperative basis, their foundation lay in an individual economy system. The introduction of the "semi-socialist" or "elementary" agricultural production cooperatives, often the size of a village, carried China's agriculture a step further in its socialization process. All the members' land, draft animals and implements were turned over to the cooperative for its own use. Thus the means of production fell under a centralized management, and labor was assigned according to a unified plan. The cooperative appropriated part of its income for its public reserve and welfare funds, and management costs. The rest was distributed among its members according to their contributions in capital and labor. China's "semi-socialist" agricultural production cooperative system was rather shortlived and not so extensive. It comprised 2% of peasant households in 1954 and a high of 14.2% the year after. In 1956, it died out with the upsurge of the "fully socialist" or "advanced" agricultural production cooperative system.

Though the "elementary" cooperative brought in a unified management of a socialist type, it carried with it important elements of a non-socialist economy. The peasants' private ownership of capital (land, animals and implements) was seen as an impediment to a socialized agriculture. As collective income was distributed according to individual input both in capital and labor, assets contributed to the cooperative not only favored financially the already well-off peasants but also gave them even more say in the cooperative unified management as they retained title to the means of production. To eliminate the unwanted features of the "elementary" cooperative, the "advanced" cooperative system was introduced in 1956, carrying China's agriculture to a new and important phase of its socialization process. In its first year of existence it included 87.8% of total peasant households. Each cooperative, composed of a few hundred peasant households, owned, as a collective, all major assets used for agricultural production including land. For the first time and on a national scale, Chinese peasants, as individuals, lost the ownership of their means of production, their labor thus becoming the principal basis for their income.

The cooperative retained part of its net income (after deduction of production costs and state taxes) for its public reserve funds, welfare funds and management expenses, the rest being divided among the members

according to its own work point system. Its size and economic power put the cooperative in an advantageous position to begin undertaking water management and conservancy projects, to improve farm implements, to bring in agriculture mechanization, and to profit from a more rational division of labor and development of expertise. Organizationally, it was set up to introduce and propagate improved production techniques.

In 1957 and 1958 tens of millions of mobilized peasants participated in capital construction, mainly water conservancy projects. This constituted the first major large-scale effort since 1949 to build up rural infrastructure, paving the way for agricultural modernization. The management, manpower and material resources for these huge undertakings came principally from localities directly affected by the construction projects. As a result of this mobilization, the peasants realized on the one hand the benefit of toiling collectively on such works but, on the other hand, that the cooperatives were ill prepared to handle projects of this magnitude or to introduce and develop rural industry, because of their small scale. Moreover, the Chinese leadership did not see the cooperatives suitable, as organizational units, on the long term, for a planned agricultural sector. In Summer 1958 at the beginning of the Great Leap Forward, a massive campaign was launched to establish communes in the countryside. By the end of the year, 99.1% of all peasant households belonged to the commune system which went through various changes and adjustments. At present there are over 50,000 communes, their population averaging 14,000 people.

The commune distinguishes itself from previous rural socialist institutions in two ways: the scope of its functions, and its organization. Not only is it an agricultural production unit but also one that deals with rural capital construction and industry, services such as transport, repair and maintenance, and trade. Furthermore, it merges commune management with government administration. As such, it takes charge of the welfare, cultural development, education and health of its members, and runs the militia as well. The Chinese countryside can be seen as a federation of 50,000 mini-states, each responsible for the political, social and economic life of its subjects.

The commune is organized on three levels: the commune, the production brigade and the production team, each playing its own particular role, yet with a great deal of interaction both horizontally and vertically.

The team, as the "basic accounting unit," owns most of the means of production needed for agriculture, including land, draft animals and implements, and constitutes the level at which its income is distributed. About 55% of its revenue is distributed among its members; less than 10% retained for accumulation. State taxes, production costs and welfare funds use up the remainder. It enjoys some autonomy in managing and organizing its production and the life of its members.

The brigade is the next highest level of organization. The number of teams under it varies widely from one region to another, the national average being seven. It carries out the production plan at its own level and supervises its implementation at the team level. It owns enterprises and provides services the scope and benefits of which extend those of the team. For example, it may run small power stations, machine repair shops, foundries, handicraft and small food processing factories, and undertakes small capital construction projects such as land reclamation.

The commune fulfils many functions in agricultural production, as distinguished from its local government role. It makes recommendations for, and coordinates production planning of the brigades under its jurisdiction (fifteen on average). It is responsible for work beyond the scope of the brigade, such as water conservancy and other capital construction projects; the manufacturing, assembling and servicing of farm machines; transport and communications; power generation and light industries, e.g. food processing. Often the commune manages its forests, stock farms, fishing grounds and large-scale side-occupations.

Unlike that of the team, the rates of accumulation and investment of the brigade and commune are rather high. A portion of the revenues generated from their activities goes to pay production costs and to supply social funds for the collective education, health and welfare. The rest, usually more than half, is reinvested to expand present production and initiate new projects, and used to aid technically and financially those brigades and teams lagging behind.

It took less than a decade to transform drastically the organizational structure of the Chinese countryside. Characterized in 1949 by a small, scattered land tenure and backward modes of production, the Chinese agrarian system evolved gradually to rely on the commune system as of 1958 which is more suited to build rural infrastructure, paving the way for agricultural mechanization. This was the outcome of a long debate which took place

in China even before the CPC assumed national power: which should first be realized - collectivization or mechanization? The decision to collectivize first was taken in light of the country's conditions (a small peasant economy and an inadequate heavy industry), the adoption of a Marxist ideology which promotes socialist over private ownership, and finally the poor record of the Soviet Union's agricultural sector.

Mechanization was introduced slowly in the 1950's, the agricultural sector receiving substantially less investment than the industrial one. It was after the creation of the People's Communes and in light of the results of the Great Leap Forward that the policy of "taking agriculture as a base and industry as a leading factor" was finally adopted. This meant that more resources should be allocated to agricultural and light industrial production, and industry itself should be geared to serve and modernize agriculture. The result was a rapid increase in mechanization. In the 10-year period following the establishment of the Commune System ending in 1968, the production of tractors, calculated in horsepower, increased by the impressive annual rate of 45%. Yet, despite a growing introduction of farm machinery, work on the fields still basically relies on manpower and draft animals. With the above in mind let us look at the present agricultural policy, as it has been put forth.

As we have seen above, the cornerstone of this policy is to build Tachai-type counties and basically mechanize agricultural production. First, what is a Tachai-type county? Hsiyang county, Shansi Province, where the famous brigade is situated, was the first Tachai-type county. To become one, there is a set of six criteria a county must meet. The first is to have the county party organs assume the leading role in developing agriculture, taking responsibility for all works of capital construction, mechanization and agricultural scientific research. Secondly, the poor and lower-middle peasants, as a class, ought to dominate the local political and economic power structure to help ensure a socialist rural development. For instance, in Hsiyang County this class is favored when it comes to training people to handle machinery, putting it in a relatively privileged position in the rural economy. Thirdly, so as not to estrange them from the peasants and rural work, leaders on the county, commune

and brigade levels must participate in collective manual labor at the rate of 100, 200, and 300 days a year respectively. Fourthly, a high development rate of farmland capital construction, agricultural mechanization and scientific farming must be secured. Let us again take Hsiyang County as an example. From 1967 to 1974, with a total labor force of 75,000 people, 55,950,000 man-days, representing 30% of total available manpower, were spent on 7,452 water conservancy and farmland capital construction projects. They included the levelling of more than 100 hilltops to make room for "man-made plains". The fifth criterion is to expand the collective economy, principally at the commune and brigade levels, and to raise the production and income of the poor communes and brigades at least to the present averages in the locality. Whereas less than 10 years ago income from commune-run enterprises was negligible in Hsiyang County, now it accounts for between 30% to 50% of the total annual income of a good number of its communes. Finally, a balanced and diversified development of farming, forestry, animal husbandry, side-occupations and fishery should be made with increases in output and contributions to the state accompanied by improvement in the peasants living standards.

What effect will the decision to build Tachai-type counties have on rural socialization and mechanization? One is struck by the fact that relationship between the two is not seen as exclusive, either one or the other, but rather one complementing the other. Two features of the current agricultural development policy, the role of the county and the expansion of commune- and brigade- run enterprises, illustrate the point. The county's Party Committee is now in the driver's seat. Seen from the team, brigade or even commune level, this constitutes a sizeable centralization of administrative power. The county is considered to be in a better position to play an important role in building rural infrastructure and industry, in managing local resources, and in helping to bridge the income gap among its production units. On the other hand, if seen from higher levels, this policy means a degree of decentralization. The county, familiar with its own conditions, is in the best position to integrate local resources with local needs, and to ensure a socialist agricultural development such as stressing collective ownership and production, favoring economically less-privileged segments of the rural population, and ensuring the participation of its leaders in manual labor.

Part of the strategy to mechanize farm production is to develop and expand the commune- and brigade- run enterprises. They already play a major role in the modernization of the countryside. According to a recent article in the People's Daily, they accounted, in 1975, for half of the national output of chemical fertilizers and cement, and around a third of that of coal. However, they are not as wide-spread as one might think. A quick computation will make the point. The article put their number at a little more than 800,000. The combined approximate number of communes (50,000) and brigades (750,000) in China in 1975 means that on average there is one small enterprise per unit: a good start but still an extremely low figure. Moreover, although the precise distribution is unknown to us, a good number of units (10% of communes and 40% of brigades) do not run any at all. Thus considering the conflict between the enormous needs of an agricultural sector suffering from poor material conditions and the desire to modernize it by the end of the century as stated by Chou En-lai at the Fourth National People's Congress, it is imperative in the eyes of the Chinese leaders to bring into full play all possible factors for a favorable outcome. Following the policies of "walking on two legs" and of self-reliance, the communes and brigades should play a major role in mustering and making use of local resources, be they labor, material or financial. As collective organizations, they are in a position to allocate their manpower, depending on seasonal farmwork, between agricultural and industrial production, capital construction and other activities. They can utilize China's rich and varied natural resources, particularly small, scattered deposits. So by running their own enterprises, not only do they not compete for resources with industry, but are capable of rapidly generating necessary funds for projects such as water conservancy and agricultural mechanization, a large portion of their revenue being reinvested to further expand production. Moreover, they satisfy the peasants' production and consumption needs, e.g. providing items such as technical expertise, machine maintenance and repair, a varied diet, and consumer goods.

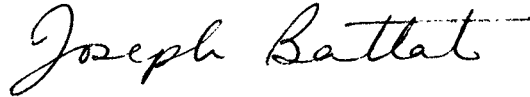
In addition to all the above economic advantages the commune- and brigade- run enterprises offer, their development is seen as a vehicle to realize a higher degree of collectivization in the countryside. Although some brigades, following the example of Tachai, distribute their revenues at their own level, the great majority of the communes still adopt the team as the "basic accounting unit." We have seen above that the percentage of

revenue reinvested for production is smaller at the team level (8% to 10%) than at the commune and brigade levels (often above 50%). Therefore, with a more favorable multiplier effect, the latter's assets and income, although starting from a small base, gradually occupy a larger share in the rural economy. Their increasing economic power is seen not only in terms of income generated but also as a conduit to modernize agriculture. This makes the Chinese peasant aware that he is becoming more dependent on his brigade or commune for his welfare. He would then tend to identify with these higher collectives and more readily accept the transition to them as a level for income distribution. Also, in cases where income disparity exists between teams, brigades and communes would provide the necessary aid to raise the production and income of the poor ones. In this way, resistance of the better-off teams to move to a higher degree of collectivization would be minimized.

In the above, I have attempted to convey to you that the new leadership's policies, as stated, are not necessarily a shift to the right. They intend to bring China to a new stage where it can become a powerful and modern socialist country. To illustrate this point, I chose their agricultural policy based on building Tachai-type counties throughout the countryside and on mechanizing farm production using the development of commune- and brigade- run enterprises as a key vehicle. The two features of this policy are expected to promote both the modernization and socialization of the rural sector. Thus the new leadership seems to abide by what Mao Tsetung pointed out: "There is absolutely no doubt about the unity of politics and economics, the unity of politics and technique. This is true now and will always be true." With the removal from power of the "Gang of Four," we ought to read substantially less rhetorical literature coming out of China than in the last few years. With the media under their control, they were quite vocal, but not too powerful. Indeed to some close observers of China, the surprise was not that they were ousted from the political scene, but that they were swept off their feet so soon and so swiftly. While in power, though they hindered the national economy, they were unable to penetrate and secure themselves in Party and government organs dealing with economic development. This

was the domaine of Chou En-lai and of the supporters of his policies, who are currently in power. History will look at the "Gang of Four" as one more twist in China's "long and tortuous road to socialism".

Sincerely yours

A handwritten signature in cursive script that reads "Joseph Battat". The signature is written in dark ink and has a fluid, connected style.

Joseph Y. Battat

Received in New York on September 1, 1977