

**NOT FOR PUBLICATION**

INSTITUTE OF CURRENT WORLD AFFAIRS

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4 Hsi Ch'ueh Hutung  
Peiping, China  
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Mr. Walter S. Rogers  
Institute of Current World Affairs  
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New York 18, N.Y.

Dear Mr. Rogers:

A major reorientation of domestic policy has been carried out by the Chinese Communist Party during the past three months. The Communists have shifted their attention and emphasis from rural China to urban China.

The basic change in approach which this reorientation entails is extremely significant, one might even say historic, because it marks the beginning of a new phase in the history of the Communist movement in China. In the twenty-eight years since the Communist Party in China was first organized in 1921 there have been only a few radical changes in party line of comparable importance. The 1923 Communist-Kuomintang entente initiated a period of joint revolutionary effort which lasted until 1927. The next phase of Communist policy began after the split with the Kuomintang and after Li Li-san had succeeded Ch'en Tu-hsiu as leader of the party. The general line during this period, subsequently labelled as "putschism" and "leftist adventurism", emphasized a violent struggle to capture control of the urban proletariat and cities, and organized labor was considered the foundation of party strength. When this policy resulted in disastrous defeats the Communists retreated into the countryside, and the line which had already been advocated for several years by Mao Tse-tung became party doctrine. The Communists dedicated themselves to the task of building strength upon the basis of China's peasantry and upon a policy of rural reform and land revolution. There have been modifications of method since then (that is, since about 1930, although the policy was started even earlier in isolated areas), such as the change of policy from land confiscation to rent reduction in 1937 and the return to land redistribution after the Sino-Japanese War, but Mao Tse-tung has adhered undeviatingly to the proposition that the party had to climb to power primarily on the basis of agrarian reform. The present shift of emphasis, therefore, reverses a line which has been basic Communist policy in China for almost twenty years.

The new policy is described in a document entitled "Present Conditions in North China and Duties For 1949" which contains decisions passed by the January meeting of the Communist Party Central Committee Political Bureau and subsequently passed by the party's North China Bureau on January 29. "In accordance with directions from the Central Committee", the document states, "the center of party leadership must be gradually moved from the villages to the cities. From

now on we must do our city work well, and then we can go back and lead the villages forward. Because of this, all leading organizations and especially high-ranking party members and party members in the big cities must become completely familiar with all policies regarding city work which have been decided by the Central Committee. We must depend upon the unpropertied classes and unite all other working people, democratic parties and democratic groups to struggle against imperialism, the Kuomintang reactionaries and bureaucratic capitalism in order to reform and develop the cities. We must get rid of the evils of subservience, toadying to foreigners and lack of self-confidence which have been nurtured by imperialism's invasion of China during the past century. We must hold on to the original spirit of the unpropertied and working classes and oppose subservient thought. We must do our financial and economic work well, learn how to manage factories and carry on commerce and diligently and economically develop a New Democratic economy. We must learn how to combat the secret agents of imperialism and the Kuomintang reactionaries. Cities are much more complicated than villages, so we must learn well in order to be able to do the job well."

The adoption of this new line by the Central Committee came at approximately the same time as the capture of Tientsin and the capitulation of Peiping in January of this year. The acquisition of these two cities by the Communists climaxed a concerted drive against the remaining Kuomintang-held large cities in North China which began in September 1948 with the capture of Tsinan and was followed by the surrender of Mukden, Kalgan and other key urban centers. Prior to their capture of Shihchiachuang in November 1947 the Communists did not attempt to take and hold large cities, but since that time they have taken an increasingly large number of them, and with a few exceptions they have held them. During this period they have gradually formulated a "city policy" which emphasizes the desirability of establishing Communist control over big cities with a minimum disruption of normal economic activities, the necessity of allowing private economic enterprise, both industrial and commercial, to continue operating under Communist control and supervision, the importance of gradual rather than radical change in cities, and the imperative necessity of "restoring and developing production" (particularly industrial production) to "support the revolutionary struggle". The formulation of a general city policy of this sort has, of course, been a natural outgrowth of the logic of military developments in the Civil War and of the fact that the Communists have gradually extended their power over a growing number of cities. The January reorientation of party policy goes far beyond the requirement of formulating a general policy applicable to cities, however, because it orders a complete reorientation of party emphasis.

An editorial in the March 17 issue of the "People's Daily", official Communist organ in Peiping, indicates how fundamental a change this new line is intended to be. "During the past twenty years the emphasis of our work has been first on villages and only secondarily on cities. This has been because in villages the anti-revolutionary forces are relatively weak, so it is easier for a revolutionary force to exist and

develop. Chairman Mao fixed this correct line, and as a result during the period of the soviet movement and the period of resistance against Japan a revolutionary base was created, great forces for the people's revolution were organized and now today's great victory has been achieved. But now the cities, which are changing from anti-revolutionary ramparts into revolutionary ramparts, are entering the period in which they belong forever to the people, so our old methods must be changed. Chairman Mao and our party's Central Committee have given us new directions: we must reverse our twenty-year-old method of working in villages before cities and adopt a method of working in cities before villages. If we cannot do our city work well and employ the cities to lead the villages, then it will be impossible to further the progress of the villages and impossible to transform China from an agricultural nation into an industrial nation, the people's revolutionary rights cannot be safeguarded and the Chinese people still wont be able to work toward a completely new life."

The editorial goes on to say that, "The most important step is to speedily restore and develop production in the cities and to transform consuming cities into producing cities." It analyses the relation between rural and urban centers in "old China, a semi-feudal and semi-colonial country", and asserts that the existence of cities along the old pattern depends upon "exploitation of the workers (and) also depends entirely upon exploitation of the villages", and it goes on to say that villages and cities must "be transformed from mutual enemies to mutual dependents". The editorial admits that there have been mistakes in the way cities have been taken over in the past and states that the job facing the Communists in the new historical stage before them is "very difficult" but "certainly not impossible".

In many respects the Chinese Communists are now entering the revolutionary stage which Li Li-san wanted to start with in 1927. They are beginning, however, with almost twenty years of revolutionary experience behind them, and they are supported by a powerful peasant army and have deep roots in a consolidated rural base which includes almost all of rural North China and Manchuria.

The transition from country to city will not be an easy one, however, and the Communists' success or failure in making the transition will be a fundamental factor in determining whether the revolutionary force of Communism in China is impeded or gains momentum in the months to come.

The Communists' dependence upon China's rural hinterland has been a source of strength to them in the past, but it may be a source of weakness in the future if it obstructs the necessary transition now that they are consolidating their urban position. (It will continue to be a source of strength, of course, if the present transition is successfully accomplished.) Their revolutionary experience has been primarily in villages where problems are neither as complex nor as urgent as in large cities. The cellular economic autonomy of

rural areas, the comparatively slow pace of rural life and the relative simplicity of social relations in the country have made it possible for them to experiment with policies and to concentrate on certain simple and direct lines of policy which have proven successful in practice. In large cities economic problems are more complicated, have infinitely more subtle ramifications and often require quick, coordinated action for solution. A breakdown of any key part of the structure of supply, production or distribution can lead to partial or complete paralysis of the whole economy in a city. The Communists are short of qualified personnel who have experience in solving the problems of large cities.

Some of the problems which the Communists appear to have been able to solve reasonably well in rural areas with simple solutions are much more serious in large cities. For example, budgetary, financial and monetary problems are, comparatively speaking, of minor importance in a "backward" agricultural environment, but they are fundamental in big urban centers, and the Communists will now face the same sort of inflationary pressures, to cite one example, that have plagued the Kuomintang. Even reducing the problem to simpler terms, there are innumerable problems of city administration which require organizational experience and knowledge of techniques which many Communists lack. For example, the Communists have not yet solved the problem of street cleaning and garbage disposal in Peiping in the month and a half they have been here. Until recently the Communists haven't had many streets to clean.

Class relationships, which have been fundamental in the Communist approach to political, social and economic problems, are different and more involved in large cities than in most rural areas. In the country the Communists have carried out a revolution by mobilizing landless laborers and poor and middle peasants, by offering them concrete rewards (land), to struggle against the landlords and to a lesser extent against the rich peasants. Class distinctions often are not so easily delineated (what is a small merchant?) in the cities in China, and at present the Communists, although they depend heavily upon intellectuals and certain organized labor groups for active support in the cities, are not declaring class war against any economic class except the so-called "bureaucratic capitalists" (high Kuomintang government or party members with extensive economic interests). Most of the bourgeoisie, including "national capitalists" (non-political private entrepreneurs), have been tolerated. Under these conditions it is not so easy for the Communists to mete out punishments and rewards in the cities, and not so clear which groups will support and which obstruct the Communists. The Communists will have a lot to learn about methods of dealing with urban groups.

The Communists lack technical skills as well as administrative skills. This deficiency becomes more serious with every factory taken over by their government, and they are taking over a great deal of large-scale industry because it falls into the category of "bureaucratic

capital". The Communists are drawing heavily upon non-Communist groups to fill in the gaps where their own experience and skills are limited, but implementation of policy by such people entails problems which might not arise if there were enough disciplined party members to fill all key posts.

Another major problem which the Communists now must face for the first time concerns international relations with the maritime powers of the West. The diplomatic aspects of this problem may not become acute for some time, but with a city such as Tientsin in their hands they have already been confronted with the economic aspects of the problem. China's major ports and industrial cities depend on foreign trade and will atrophy without it. The Communists have taken initial steps toward reopening some foreign trade at Tientsin, but there are numerous problems still to be ironed out before trade can revive to even the basic volume required for survival of the major cities as they exist today.

It is also well to remember that the Communist movement in China has developed on the basis of several prevailing trends or conditions. Three of the most important of these have been pressure for agrarian reform, growing nationalism and increasing acceptance of Marxist ideology. During the past twenty years the agrarian aspect of the movement has probably been the most important single one. It is possible that one or both of the other two will receive increased emphasis as a result of the present shift in general party line.

One of the most nebulous, but nevertheless perhaps one of the most important, problems which the Communists' new policy line may create is a psychological one. Part of the Communists' strength has come from their reputation for simplicity, austerity, devotion to ideals and lack of corruption. The maintenance of these characteristics is perhaps not easy anywhere but it's certainly easier to maintain party discipline in rural areas, where temptation is limited, than in cities where fleshpots are abundant and the opportunities for being led astray numerous. How long will soldiers and political workers who are paid a minimum allowance of millet and are issued cotton uniforms maintain their discipline and incorruptibility in the midst of ten-course meals and silk gowns? In Peiping, stories are already being whispered about soldiers who are buying fountain pens and watches, and people are wondering how they do it on their subsistence-level incomes. What the impact of urban comforts and luxuries will be on a movement which has grown up in loess caves and wheat fields remains to be seen, but it will be remarkable if the change in environment has no effect.

Although it is still in the realm of speculation, it is possible that the new orientation toward the cities may entail certain adjustments in party leadership. The qualifications required for leadership in urban reform are not necessarily identical with those required for leadership in rural revolution. On a practical operating level the former requires, perhaps, a more sophisticated type of person, and certainly a type of person acquainted with the specific

problems in large cities. This does not mean, of course, that the hierarchy of top-level party leaders will necessarily undergo important change, but some changes are possible even on this level. The influence of men such as Li Li-san, for example, may increase because of experience or association with city problems, organized labor and so on.

These are merely suggestions of some of the problems and adjustments which may arise in connection with the new emphasis on cities in the party line recently adopted by the Chinese Communists. The Communists' land policy will not necessarily be modified as a result of the new line, and land policy will undoubtedly continue to be of fundamental importance in a country where eighty to ninety percent of the population is agricultural and where peasant rebellion is a basic factor in the revolutionary movement, but relatively speaking rural problems have definitely been pushed into the background. It is too early to make any judgements or generalizations about the new policy in operation, but the mere fact that a basic reorientation has taken place is significant, and the consequences of the change will bear watching in the future.

Sincerely yours,

*A. Doak Barnett*

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% U.S. Consulate  
Hongkong  
August 27, 1949

Mr. Walter S. Rogers  
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Dear Mr. Roger:

The Communists now possess a predominance of power in China, and they are setting up a "Peoples Government" to legalize and formalize their rule in the territory under the control of their People's Liberation Army. Local governments are being established step by step on a piecemeal basis, and two months ago the Communists issued an announcement which served notice to the Chinese public and to the world that the groundwork was being laid for an overall national government in Communist China. On June 20 in Peiping the People's Daily, official organ of the North China Bureau of the Chinese Communist Party, carried a prominent headline: "The Preparatory Committee of the New Political Consultative Conference is established in Peiping. It is preparing to convoke a New Political Consultative Conference and establish a Democratic Coalition Government." Prior to this announcement, the literate public in China had known of the Communists' intention to establish a government by means of a Political Consultative Conference, but no one outside of the inner circle of the Communists and their closest political allies knew of the steps being taken in that direction. Since the brief flurry of publicity in June, furthermore, the curtain has dropped again on the political stage in Communist territory.

At present secret high-level discussions are taking place in Peiping, and the New Political Consultative Conference is expected to convene in the near future. According to one prevalent rumor in Peiping, the Communists hope to have a new national government ready for formal inauguration on October 10, anniversary of the 1911 Wuchang Uprising which led to the collapse of the Manchu Dynasty. Some political observers believe that the machinery of government cannot be assembled, greased and started by that date but that it will be running before the end of this year. In any case, the establishment of a formal national regime in Communist territory is imminent, and when the new government comes into existence the Chinese Communist Party will have transformed itself from a party leading a revolutionary movement into a party running the government controlling a major part of the nation. This government will lay claim to recognition as the Government of China, superceding the Nationalist Government now scattered in refugee centers in Canton, Chungking and Formosa.

On the eve of this major political development, I will describe to you in this and subsequent letters some of the background of government and politics in Communist China. My information, like that of all foreign observers in China, is fragmentary, but I believe that during the six months I have spent in Communist Peiping I have gathered information and impressions which are difficult to obtain elsewhere.

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In the United States, "government" is a comparatively restricted term. It is generally used to refer to the elected representative bodies and the bureaucracy which together formulate and implement policies and laws. In China, however, the term must be given a much broader interpretation. The right to formulate policies, the power to make and enforce decisions with the binding force of law, and even actual administration are not concentrated solely in the hands of the civil government. One dramatic illustration of this is the fact that the Chinese Communists already govern roughly half of China and yet do not have a central government. The Communists will have a central government within a short period of time, but it is safe to predict that this government in itself will not possess a monopoly of governing authority even in the territory under its jurisdiction. There are in China, both in Nationalist and Communist territory, three parallel lines of authority -- the government, the army and the party -- and each of these carries out functions of a governmental nature. This division of power has never been completely eliminated since 1911, because social revolution, foreign invasion and civil war have created internal chaos and have prevented the stability necessary for a civil government to monopolize power and rule peacefully over the whole country. Generally these three centers of authority have been merged by the overlapping of personnel and the centralization of leadership and control, but centrifugal forces have constantly operated to keep them separate to a certain degree, and all three have carried out governmental functions through separate organizations. Almost always the party has been supreme, however, and has tried to be a power unto itself controlling both the army and the government. The supremacy of the party is striking in Communist territory, and I will therefore describe the characteristics of the Chinese Communist Party before going on to the army and governmental structure which it controls.

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