

## ON THE ESTABLISHMENT OF THE CENTRAL FINANCIAL AND ECONOMIC COMMISSION

*June 4, 1949*

Not long after I came to Beijing from the Northeast, the Military Commission<sup>372</sup> charged me with the preparations for setting up a central financial and economic commission. A draft outline<sup>373</sup> on the establishment of this commission has been distributed to you for your consideration.

We have had regional financial and economic organs in the Northeast, North China, the Northwest and in other liberated areas. But it is now necessary to establish a central financial and economic organ. Why? The number of financial and economic concerns, which are often of nationwide significance, has been gradually increasing with our continuing victories in the War of Liberation. We now need an organ to deal with many previously nonexistent concerns. For example, after Shanghai was liberated, concerns relating to Jiangsu, Zhejiang, Anhui, Jiangxi, Hubei, Hunan and Sichuan provinces importing and exporting goods by way of Shanghai have cropped up. Similar concerns arose about northwest China importing and exporting goods by way of Tianjin after Tianjin was liberated. This organ is to be provisional. It will be temporarily placed in the charge of the Military Commission for a number of months only and will be taken over by the Central People's Government after the founding of New China. The establishment of a central financial and economic commission is of great importance and requires the cooperation of comrades both inside and outside the Party, the cooperation of comrades working for the Financial and Economic Commission, as well as the mutual cooperation of different sectors such as

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In mid-May 1949 Comrade Chen Yun left Shenyang for Beijing to assist in establishing a central financial and economic commission and to direct its work. He presented this report at a meeting held by Comrade Zhou Enlai and attended by democratic parties, non-party democrats and by leading comrades of Party and government organs in Beijing.

industry, agriculture and communications. We have had relatively little or no relevant experience with many of these issues. Dating back to the time of the early Red Army, we had only one or two chief stewards in charge of economic affairs, which was a far cry from actively engaging in economic work. Later on we created base areas, border region governments, people's governments and also supply departments and trading companies, thereby experiencing a step-by-step financial and economic expansion. But we did not yet have any big cities under our control. At present we control large urban areas and this has brought up various issues relating to foreign trade. One day at ten o'clock at night I had to detain Mr Zhang Naiqi<sup>374</sup> in order that he might lecture me on foreign currency. In short, we cannot achieve success in our work unless we cooperate with each other.

I will not explain in detail the draft outline for setting up a central financial and economic commission. I will discuss only two issues.

First, the organizational structure of the central financial and economic commission will consist of six bureaus<sup>375</sup> and a secretariat under which there will be 13 subordinate departments<sup>376</sup>. Some aspects of that organizational structure are still undecided. The salt industry will temporarily be placed under the financial department. It needs to be further considered which departments should take charge of the fishery, wine and tobacco industries. The industrial department has been divided extensively. We used to call the industrial department the Ministry of Agriculture, Industry and Commerce; this was later divided into a Ministry of Communications and a Ministry of Industry and Commerce. Now we will have departments for fuels, metals, textiles and for industries other than railways and communications. The reason for this extensive division is that each department has a special role to play in meeting the needs of industrial development.

Can these six bureaus and one secretariat be set up in a single day? Can we formulate a national plan in one day? No, we cannot. We have to do this work step by step. We must carry out economic construction in a planned way.

Second, although we are stressing centralization and unification, the last part of the outline still places the local economies in an essential position and there is a financial and economic commission for each of the greater administrative areas<sup>377</sup>, provinces and large cities. Is this contradictory? Our answer to this question is that it does involve a contradiction. But because we are in a military period and China is a vast country with inefficient means of communication, we need to facilitate cooperation between local organs and the central government. There are two aspects to consider in centralization and unification. One relates to needs and the other to possibilities.

Neither can be disregarded. Just as our railways have been under unified management, foreign trade too must be placed under unified management. It will not do to have one provision for Shanghai and another for Tianjin. However, much of what we are undertaking cannot be placed under unified management at present. The most serious problem we face is that about two million of our three million soldiers are currently stationed at the front. Can the rear areas supply their material needs? No, this is not being done. This job can only be done locally through purchasing, borrowing and requisitioning. The army must under no circumstances go hungry. But we should not drive civilians into rebellion, either. As an example, if it requires one bolt of cloth to clothe one soldier each year, then every year we will need to come up with three million bolts. This has to come from the areas in which the soldiers are actually situated. Supply of food and clothing should be a unified effort, but it cannot be completely unified. This situation will extend for a rather long period of time. Not until the war is over and communications are restored can these problems gradually be solved. For the present, some matters cannot be taken over by the central government. We can let local governments attend to them. The China Merchants Steam Navigation Company,<sup>378</sup> for example, is managed by Chen Yi<sup>146</sup> and his colleagues, but it is owned by the central government and, if conditions warrant, it can be completely taken over.

To sum up then, the financial and economic commission is to be a provisional organ requiring cooperation inside and outside the Party. This work has to be done gradually and local financial and economic organs will continue to maintain an appropriate position.