

ESTABLISHING A STATE MONOPOLY OF THE PURCHASE AND MARKETING OF GRAIN

October 10, 1953

The national grain problem is very serious. And if we do not take steps to solve it, it will grow even worse. This is clearly shown by the following facts.

First, we are selling more grain than we buy. From July through September this year, we bought 4.9 million tons of grain, which was 0.35 million tons more than we had planned. But we sold 6.2 million tons, or 0.95 million tons, more than planned. That is, even though we purchased more, we still sold more than we purchased. The reason is that since the peasants sell no grain to private merchants, who therefore have no grain to sell, we have a monopoly, and the volume of our sales accordingly increases. In other words, the peasants sell less, while we sell more.

This was not the case in 1951 and 1952. Before June 1951 grain was in short supply, but in July we began to purchase more than we sold. Again, before October 1952 we were selling more than we bought, but after November the situation changed, so that by and large, purchases exceeded sales. Is the same thing likely to happen after November this year? I'm afraid there is small chance of that.

Second, quite a few places are in turmoil. On the whole, the big and medium-sized cities remain calm, but in small cities and towns and in disaster areas and places where grain supplies are exhausted, chaos is approaching. Grain merchants are speculating without restraint, particularly in areas of shortage. There are hundreds of thousands of them, including peasants and small peddlers in towns. Some were not grain peddlers before but have now begun to buy and hoard grain. When prices fluctuate, the number of speculators can increase by hundreds of thousands overnight, or by several million in two or three months. All this naturally encourages the peasants to

Speech delivered at a national conference on grain convened by the Central Committee of the Chinese Communist Party.

hold on to their grain. Also, the mutual embargo on grain shipments between regions causes panic buying and price rises.

Third, northeast China has suffered natural disasters. Floods there were worse this year than in 1951, resulting in a poorer harvest, so the state's purchasing quota will not be fulfilled. According to this year's plan, northeast China was to produce 22 million tons of grain, of which 5 million would be purchased by the state. However, according to a recent estimate by the Northeast Bureau of the Central Committee, the output will be at most 18.5 million tons, of which only 3.8 million will be purchased. Northeast China was supposed to turn over to the central government 2.1 million tons of public grain, but in fact it will be able to deliver only 1.3 million, leaving a shortfall of 0.8 million. The central government's total stock of grain will be only 4.8 million tons, so a decrease of 0.8 million is by no means negligible.

Fourth, Beijing and Tianjin are short of flour. They have only 0.5 million tons in stock, and they need 0.8 million. Wheat is the staple grain for both cities, so we must find some way to solve their problem. Couldn't we bring in wheat from other parts of the country? I would have no objection to that solution—indeed, I would welcome it. But I don't think it would work. For one thing, the amount of grain to be transferred would be enormous. For another, much of it would be bought by private merchants and would end up elsewhere.

We have no choice but to ration flour in Beijing and Tianjin. Will this affect Shanghai, Hankou and perhaps even Guangzhou? I think it will. If flour is rationed in Beijing and Tianjin, private merchants in Shanghai will try to buy up flour and wheat. If we don't ration flour in Shanghai too, private merchants there will take advantage of the situation. Will rationing flour affect the purchase of autumn grain in the free markets? I think it will. That is why some degree of rationing must be introduced throughout the country.

Fifth, if such a serious grain problem remains unsolved, we shall be unable to buy as much as we planned, and at the same time we shall have to sell more. At the Conference on Financial and Economic Work held last August,¹³¹ we decided to purchase 17 million tons of grain. We are already short 1.2 million tons in the Northeast, and in some other places also the plan will not be fulfilled. The tighter the grain market, the harder it will be for us to buy grain.

So far we have purchased 4.9 to 5 million tons. From October through December this year, we plan to purchase 8 million, and from January through June next year another 4 million. Otherwise, we shall not fulfil the plan.

According to current estimates, the grain supply is bound to be tight after February and March next year, so there is still the question of how much we shall be able to buy after that time. I don't think it will be a great amount. According to the original plan, we were to sell 24 million tons of grain, a little more than last year's figure, which was just over 23 million tons (excluding the amount sold by private merchants). That figure is sure to be exceeded. It is estimated that we shall have to sell more than 27.5 million tons, perhaps even 30 million.

What is the difference between anticipated purchases and anticipated sales? If we sell 28.35 million tons of grain this year, that will be 4.35 million tons more than we planned. If our purchase falls short by 1.5 million tons, the difference will be 5.85 million. But even if the purchasing plan is fulfilled, a difference of 4.35 million tons is no small amount.

How are we to make up the difference? The amount of public grain collected can only be reduced; it would be difficult to increase it. Should we cut back, then, on expenditure? I have considered every possible way to do that, but none will work.

Can we reduce the amount of grain to be sold on the market? No, we cannot. The grain for urban populations must be supplied according to their numbers. In the countryside, people in disaster areas and households that have no grain must be supplied as well.

Can we export less grain? We should abandon that idea. Of the 1.6 million tons of grain to be exported, 1 million tons (soybeans) will be bartered for machines from the Soviet Union and other countries, and 0.27 million tons will be traded for rubber from Ceylon. The remainder will be exported to still other countries. All these exports are necessary.

Can the grain rations for soldiers and government employees be reduced? In addition to what they buy on the market themselves, the government supplies them with 1.65 million tons. That figure cannot be reduced.

Can we cut grain reserves or reduce the amount of grain to be stored for current use? No, we cannot do that either. The amount we should add to reserves in this grain year is 1.15 million tons, and the amount we should add to stores is 2.7 million tons.¹³⁷ That makes a total of 3.85 million tons. Even if we used this grain to make up the difference of 4.35 million tons, we would still be short 0.5 million tons. In other words, we would have to use 0.5 million tons of grain already in storage. Thus, the stores on hand this year would be reduced from 9.7 million tons to 9.2 million. If that happened, the situation next year would be even more critical, affecting more people, because if this year's stores are reduced to 9.2 million tons, of which 8.95 million must be set aside for use between harvests, only 0.25 million tons

will be left for use. If we consumed our total stores, the cupboard would be bare until the new harvest, and that would be very dangerous.

It seems as if 8.95 million tons is a large amount, but after analysing the situation, we can see that it is the minimum that should be kept on hand for use after the old grain has been consumed and the new harvest has not yet come on the market. In every greater administrative region¹¹ enough grain should be stored to last for three months, from the end of June to the time when the autumn harvest comes on the market. The new grain will enter the market, at the earliest, by the end of October in northeast China, in the first half of October in north China, by the end of October in northwest China, by the end of September in east China, by the end of August in south-central China, and by the end of September in southwest China.

We need at least 5.9 million tons of grain for this interim period. However, a certain portion of the grain we have on hand cannot be counted as available. For example, we have 1.05 million tons of wheat, but that is the supply for the whole year. Then, we have about 1 million tons of grain stored in remote areas from which it is too difficult or too expensive to transport it to market elsewhere.¹³⁸ Also, at any given time about 1 million tons are being processed or in transit. These four items together total 8.95 million tons. From this analysis we can see that 8.95 million tons of grain is not too much for us to keep on hand.

In the past we anticipated that difficulties in the supply of grain would arise from April to May or May to June, but it seems that they will come sooner than expected next year. It is estimated that just after Spring Festival [Lunar New Year, falling that year on February 3] the problem will be more widespread. At that time there will be still less grain available for us to buy, yet we shall have to sell more. If we have only a little grain in storage, severe problems will arise. In the past when difficulties arose, we reduced the supply in small and medium-sized cities to ensure supplies in major centres, such as Shanghai, Wuhan, Guangzhou, Beijing, Tianjin, Xi'an and industrial bases and mines in northeast China. Now, if we reduce the supply nationwide, the major centres themselves will undoubtedly be affected.

What is the consequence of a grain crisis? When we say we have ensured an adequate supply of goods and raw materials and stabilized prices, we are talking about cotton yarn and cloth and grain. Grain is more important than cotton yarn and cloth; fluctuations in the price of grain will affect the prices of other goods. In 1950 and 1951 the price of cotton yarn and cloth rose 25 per cent, and that had a slight effect on the prices of other goods. If, however, the price of grain increases by 25 per cent, it will have much greater impact on the workers, because 60 to 70 per cent of their income is spent

on food and only about 10 per cent on clothing. The prices of vegetables, pork, eggs, etc. follow the price of grain. If the price of grain rises, it will cause a general increase in the prices of other goods. If commodity prices go up, wages will have to be increased. If wages are increased, the budget will be exceeded. And all this will create a panic. The price stability welcomed by the people after the establishment of the people's government will vanish. From this we can see that the grain question is crucial; we must take resolute measures to resolve it.

In addressing the grain problem, we have to handle four relationships: 1) between the state and the peasants, 2) between the state and urban consumers, 3) between the state and private merchants, and 4) between the central and local authorities and between local authorities themselves. Of these, the first two are the hardest to handle, especially the first. If we handle the first well, we shall be able to deal with everything else. So long as we can purchase grain, distribution will be easy.

In the present situation, the basic measures we should take to handle these relationships are: 1) to introduce state purchase quotas in rural areas, 2) to institute a system of rationing in urban areas, 3) to tighten control over private merchants, and 4) to readjust internal relations. I shall deal with each of these measures in turn.

1. Introducing state purchase quotas in rural areas.

The idea of introducing quotas for state purchases is shocking. You may find a better term for it, but you cannot change the idea. Why should we take this step? The basic reason is that we need more grain every day, but our sources are insufficient, so there is a gap between supply and demand. Over the last few years we have encouraged the flow of goods between town and country and the purchase of local specialty products. As a result, the peasants' income has increased and their standard of living has risen. Those who don't have enough grain want to buy more, and those who do have enough want to consume more and sell less. Consequently, although we need more and more all the time, they sell less and less.

Some comrades have suggested that we could purchase more grain if we prohibited private merchants from buying, but I don't think the peasants would necessarily sell more grain to the state in that case. In view of the tight supply, we must introduce quotas for state purchases. If we go on buying grain without quotas, the Central People's Government will just be asking for handouts, like a beggar on the eve of Spring Festival.

Is this measure too drastic? Can we buy all the grain we need without imposing quotas? Of course, it would be best if we could. I am a peaceable man, and I always hope to avoid trouble. But I am carrying two buckets of

different explosives on my shoulder pole, one type in front and another in back. If we can't buy enough grain, the price of everything will go up, but if we impose purchase quotas, the peasants will complain. We have to choose between two risky alternatives. Our problem now is to buy enough grain. If we fail, the grain market will go wild—that much I am certain of—and that is not something to be taken lightly.

Is there any alternative to purchase quotas? I have thought about many possible ways of solving the grain problem, starting with ones that would call for the least change and ending with the one that would be most effective. Let me present to you comrades, for your consideration, all the possibilities I have turned over in my mind.

1) *Introducing both purchase quotas and rationing.* This would mean imposing state purchase quotas in rural areas and rationing in urban areas. I am a little worried about doing this, because it would involve everybody. If trouble arose, the consequences would be even more serious than those resulting from implementation of the new tax system.¹³⁴ The new tax system affects only relations between us and the capitalists; this method would involve relations between us and the peasants.

2) *Introducing rationing without purchase quotas.* This would mean rationing in urban areas, but no quota system in rural areas. Comrades working in the countryside are frightened at the mention of state quotas and hope that such a system will not be introduced soon, but they like the idea of rationing in the cities. Yet if we chose this method, we would only be solving one side of the problem. That is, we would sell a fixed amount of grain to each city resident and prevent private merchants from hoarding grain or transporting it to the countryside for resale. However, having eyes and ears, and knowing that rationing was in effect in the cities, the peasants would not sell grain to the state. So if we enforce rationing in urban areas without imposing purchase quotas in rural areas, we probably won't be able to buy any grain.

3) *Introducing purchase quotas without rationing.* This would please the comrades working in urban areas. They think that it is necessary to institute purchase quotas in the countryside but that rationing in the cities should be postponed. The Japanese imperialists imposed rationing in areas under their occupation, and so did the Kuomintang. People really hate to hear talk of rationing. However, if we impose purchase quotas in the countryside without rationing in the cities, the quota system will collapse. What will happen is that you purchase grain according to quotas in a rural area, giving the peasants bank notes, but then with that money they turn around and buy grain from grain companies in the city. Thus, the grain you have purchased

will flow back into the hands of the peasants. That is why this method won't work.

4) *Maintaining the present system.* This would mean that we continued selling and purchasing grain freely. The inevitable result would be disorder. Some comrades say we should allow a year of disorder and then decide what to do. But then it would be even harder for us to impose purchase quotas.

5) *"Waiting to dig the well until you are thirsty".* This would mean that at first we would buy grain freely, but when we had no other choice, we would go to the main grain-producing areas, where 15 to 20 per cent of the rural population is located, to buy more under a quota system. Before we decide to do this, we should consider two points. First, can we fulfil the purchase plan by buying freely? If not, we should be more prudent. Second, which is better: to introduce grain quotas now or next February-March or March-April when there is already a shortage? I think it's better to dig the well before you are desperate.

6) *Mobilizing people to sell grain.* This is the method we used in northeast China in 1951. The central government determines the amount of grain to be purchased in a given locality and passes that figure down through the province, the county and the district to the Party branch. The Party branch calls a meeting and asks everybody to sell grain. The meeting doesn't adjourn until everyone agrees to sell enough grain.

This is the method of coercion without command. Isn't it coercion to hold the meeting open until our demands are met? State purchase quotas should be imposed by issuing an administrative order. That would be better than resorting to coercion. *We* should persuade the peasants to sell grain instead of forcing them to do so.

7) *Signing contracts for purchases in advance.* This is a good method, but it is too late for us to put it into practice this year. Some comrades say that we have been able to buy cotton because we had signed contracts, but I think the main reason was that more than 1 million tons of cotton was picked last year. If there had been a poor harvest, the peasants would not have sold us cotton even though they had contracted to. Right now there is a shortage of grain. The contract method is a useful one, and we should not abandon it completely, but there is not enough grain available to make it feasible at this time.

8) *Letting local authorities decide.* This means that different local authorities would use different methods. *We* could try this system so long as the local governments accomplish the task and one does not damage the interests of another.

Of all these methods, the only feasible one seems to be the first

—imposing state purchase quotas in the countryside and rationing in the cities. The others simply are not workable. If you all agree with this assessment, we must seriously consider what problems the first method may cause.

China has about 260,000 townships and one million villages. If trouble occurs in one village out of ten, that will mean trouble in 100,000 villages, with people being hounded to death, fighting with shoulder poles or rising in rebellion. We shall pay money for the grain we buy, of course, but the peasants will not be able to dispose of the grain as they see fit, waiting for the highest bidder, and presumably that will dampen their enthusiasm for production. In order to raise their morale, we should not only pay them money but provide them with goods. Unfortunately, we are not in a position to do all this at present. Manufactured goods for daily use account for 30 per cent of the peasants' needs, and farm animals and implements 70 per cent. We cannot offer all those things at once.

I could list many more problems that may arise. We have no experience in this area, so something unexpected is bound to happen.

Nevertheless, we have to consider what we could do if we did not adopt this solution. The only possibility would be to spend all our foreign exchange to import grain. And if we did that, we should have no money to import machines and equipment; we should have to call a halt to capital construction and industrial development.

We have only two alternatives: to institute purchase quotas or not to institute them. If we do not, we can expect great disorder in the grain supply and the grain market. If we do, we can expect minor or even major disturbances in the countryside. But through the long revolutionary struggle we Communists have established close ties with the peasants. So long as we are determined to do the work well, we can keep disturbances to a minimum. Moreover, this is a long-term strategy. We shall have to use this method until there is a significant increase in agricultural production.

Now I should like to say a few words about the time schedule, the specific figures for purchase quotas, and concrete measures we must take to put the system into practice.

At first I was doubtful about adopting the new system this year. I thought it was too late, because the public grain was about to be collected. Later, Comrade Deng Xiaoping proposed that to avoid possible problems, we should postpone the collection until we were ready to introduce the purchase quotas.¹³⁹ After discussion, the Central Committee agreed to Comrade Deng Xiaoping's proposal and decided to postpone collecting the public grain until this November.

How about specific figures for grain quotas? The list you have before you provides for a total of 17 million tons, broken down by greater administrative regions. These figures are only rough estimates for you to discuss.

What standard should we use for establishing state purchase quotas? It would be best to follow the standard for collecting public grain. In other words, in any given locality the purchase quotas might be set at 0.2, 0.4, 0.5 or 2 times the amount of public grain collected there. That would be a convenient way to make the calculation.

We should not apply purchase quotas in remote areas from which grain cannot be transported to market. Since in those places they still have stores of grain from previous harvests, there is no need for us to institute the purchase quota system. We should, however, apply the quota system in all places where grain can be transported to market.

We should set a fair price for the grain we buy. What is a fair price? Not the black market price, but one that is beneficial both to us and to the peasants. Middle and rich peasants are often unwilling to sell us grain because they would rather hold on to it until the season when the price rises. Comrade Mao Zedong has urged us to find a way of enabling them to benefit from the seasonal price differential. I think we might try an arrangement by which the peasants would sell us grain and deposit the proceeds in the bank. Four or five months later they could withdraw both the principal and interest earned on it.

Now about the problem of supplying goods and controlling currency. We are unable to provide the huge quantity of goods that would be required to pay for all state purchases of grain, and in any event, many types of goods are simply not available. However, after calculation, I am convinced that it will cause no great problem in the market if we issue more currency to pay for these purchases.

We planned to buy 10 million tons of grain between now and the end of February. We can surely supply enough goods to exchange for that amount. The problem is that from next February to the end of June we originally planned to buy 2 million tons of grain, but we now intend to raise that to 7 million. That means we shall have to issue an additional 12 trillion yuan.² Can the market withstand the impact of such an increase? According to my analysis, it can. There are five reasons, as follows.

1. After selling their grain, the peasants will sell a smaller amount of local specialties, such as peanuts, green gram and sesame seed. But having just earned money from the grain, they will be in no hurry to sell these products. On the contrary, they will delay for a while, and that will mean a

reduced amount of currency in circulation by about ¥3 trillion.

2. Next year's budget lists ¥6 trillion of government bonds, of which ¥4 trillion will be sold in cities and ¥2 trillion in rural areas. The ¥2 trillion of bonds sold in rural areas plus the saved ¥3 trillion mentioned above will total ¥5 trillion.

3. We estimate that by raising the interest rate, the banks will attract ¥3 trillion of deposits by peasants. It does not matter if we pay higher interest. Even if the rate is fixed at 10 per cent, it will cost us only ¥300 billion. It is well worth spending ¥300 billion to secure a stable market. However, the higher interest rate should apply only to deposits of earnings from the sale of grain, not to other kinds of savings.

4. State-owned stores and cooperatives have already stocked goods worth ¥4 trillion. Not all of them may be suitable for the peasants, but in any case we have stocked some.

5. Winter is the time when peasants repay their farm loans and borrow new money. If they repay more than they borrow, or borrow a little later than usual, we shall save about ¥1 trillion.

On the whole, therefore, increasing the amount of currency issued by ¥12 billion will not mean that a large sum is put into the market. The whole nation should try to provide manufactured goods for the rural market (and city people should not rush to buy from the peasants). Thus, some of the peasants' money will be absorbed in the cities.

On whom should we rely to institute the system of state purchase quotas? On cadres at the district and township levels and on Party and Youth League members. Many of our rural cadres have become middle peasants. If they are persuaded to set an example, they will help a great deal in this work. In the meantime, we should help those households that are short of grain. If this problem remains unsolved, we shall lose the support of the people, and that will hamper our efforts to implement the quota system. In instituting the new system, we should take full advantage of the people's representative conferences to rally support through democratic discussion. Also, senior cadres should go down to the countryside, both to help the grass-roots units and to provide overall guidance for the work by summing up experience.

It is going to be difficult to institute a system of state purchase quotas for grain, even more difficult than dealing with capitalists. To make the system work, we shall have to adopt many economic measures and, at the same time, conduct a thorough and extensive political mobilization among the people. So we are faced with an enormous political task as well as an enormous economic task. Given our inexperience in such work and the pressure of time, we shall inevitably make mistakes, not only in the first year,

but also in the second and third. I don't think this sort of work can be done well on the first try; it will take us two or three years to learn how to do it properly. After all the years we have been collecting public grain, we still make mistakes in that work. How can we expect to make no mistakes in this completely new endeavour?

Nevertheless, I feel certain that we can make the quota system work. In each of the last two years the peasants delivered more than 30 million tons of grain. We now need to buy only 17 million tons, which we can surely do. So long as we set a fair purchase price, we should be able to buy all the grain we need. Quantity and price are the two decisive factors. Moreover, of the 30 million tons of grain delivered to the government, nearly one-fourth returned to the countryside, mainly to cash crop areas and disaster areas. In fact, this amount of grain has served to make up for rural shortages.

2. Instituting a system of rationing in urban areas.

The term "rationing" sounds bad. It reminds people of the time of the Japanese invaders and their puppet regime. At the suggestion of Comrade Zhang Naiqi, head of the Ministry of Grain, we have changed this term to "planned supply". The present rationing system is quite different from the one imposed by the Japanese invaders and their puppet regime. Under the occupation cooking oil, salt, soy sauce and vinegar were all rationed in addition to grain, but now only grain will be. Under the old system people went hungry, but that will no longer be the case. In terms of the types of foods rationed and the quantity of grain allowed each person, the two systems are entirely different.

We should introduce rationing promptly throughout the country. It will be easier to do so in the towns than in Beijing, Shanghai and other big cities. A town has a population of only two or three thousand, and usually there are a couple of grain shops that can take charge of the work. Rationing is scheduled to begin in Tianjin and Beijing on November 1. If there isn't time to issue ration cards, people can use their residence booklets instead. You comrades must consider whether rationing should be introduced in other cities simultaneously. In some places, such as Shanghai, the situation is quite complicated. We may have to delay the start of rationing there, so as to give ourselves more time to prepare.

Do we have to divide people into different classifications? I don't think that's necessary at first. Yesterday, when the Central Financial and Economic Commission⁷ discussed flour rationing in Beijing, I said that every person, adult or child, engaged in heavy labour or light, should receive the same monthly ration of four to five kg., in addition to whatever coarse grain [corn, sorghum, millet, etc.] they wished to buy. I don't think we need classifica-

tions at first. We can refine the system later.

The introduction of rationing will inevitably give rise to a black market. Why? Some people may not have enough to eat, while others have grain to spare. Southerners like to eat rice, but northerners prefer wheat. Thus, there will be buying and selling. We should arrange a place where this trade can be conducted under our supervision. That's not such a terrible thing, and it's much better than having speculators engage in black market transactions because of the shortage.

The great advantages of rationing are that it will reassure the public, prevent grain from flowing to other places and prevent city merchants from hoarding.

3. Tightening control over private merchants.

Basically, grain is managed by the state; private merchants should serve only as agents. In big cities the people who speculate in grain are the proprietors of grain mills, private merchants who sell grain either exclusively or along with other commodities, owners of private bakeries and itinerant grain peddlers.

The most difficult to deal with are the peddlers. Carrying only a shoulder pole, they move easily from place to place. And there are a host of them; you can find tens of thousands when prices are fluctuating on a local grain market. They buy grain and then sell it again. They don't have much capital, but they make people anxious about supplies. That is the pernicious effect they have. There are two ways to deal with them: by cutting off their outlets to prevent them from selling the grain, or by mobilizing the people to denounce them publicly.

Grain merchants should be forbidden to engage in other trades. Anyone who hoards surplus grain should be punished severely. Grain mills should be allowed only to process grain, not to buy or sell it. State management of coarse grains can be delayed for a while.

As for retail grain shops, especially in big cities, our first step should be to make them our agents. Won't they hoard grain, waiting for the best price? No, because under the rationing system they won't be able to: the people will buy grain from them at regular intervals. But won't they try to deceive people by lowering the quality of the grain? Yes, but we have other ways of dealing with that problem. Besides, if we let private merchants act as state agents, that will provide employment for many city people.

4. Readjusting internal relations.

There are advantages to having both the central and local authorities share in the management of grain. Local authorities have been working hard and responsibly, making it possible for us to buy more and sell less.

Nevertheless, there are some drawbacks to the system. For one thing, in order to prevent grain from flowing out of their own areas, certain local authorities have raised the price. For another, now it is more difficult than ever for the authorities of a greater administrative region to transfer grain from one province to another, or for the central government to transfer grain from one place to another. It is also difficult to barter grain between regions and between provinces. Agreements often can't be reached because of mutual embargoes. In some areas disputes have arisen. During our discussions about the management of grain, we anticipated these problems, so we have been prepared for them.¹⁴⁰

Another drawback is that the central government has not fixed a national sale price for grain. And since the new system of management was instituted, it has become even harder to do so. Thus when local authorities set grain prices, they tend to consider only their own interests. In some places the price has been deliberately set very high, in order to prevent grain from flowing to other areas. How shall we fix the state purchase price under the quota system? If the state pays a high purchase price nationwide without raising the sale price, it will lose at least ¥10 trillion, which is no small figure. In some areas where prices have been raised, they should be lowered at once. If local authorities wait until state purchase quotas are introduced, it will be too late. Readjusting grain prices will be a major undertaking, but it is something that must be done. Otherwise, the state will lose a large sum of money, which is unacceptable.

Under the new system of dual management of grain, there are likely to be inequalities in the consumption of different types of grain. In areas where fine grain [rice, wheat] is produced, people will eat more fine grain, while in areas where it is not, people will have to rely on coarse grain. There are also likely to be discrepancies in the proportion of land devoted to cultivating cash crops as opposed to grain. We have said that each locality should be basically self-sufficient in grain, but some local governments stress self-sufficiency to the neglect of the needs of the state. In certain areas the local authorities have increased the amount of land devoted to cotton in spite of the fact that the per-unit yield of cotton there is relatively low. Take northeast China, for example: next year the authorities there plan to allocate an additional 67,000 hectares for cotton production. In fact, the area is not suited to growing cotton; it is good for growing coarse grain. If the region produces large amounts of coarse grain, some of it can be used to supply other areas.

In short, we must remedy not only the weaknesses in the old system of completely centralized management of grain, under which local authorities

could take no initiative or responsibility, but also the possible weaknesses in the new system of management, under which responsibility is shared by central and local authorities. At this conference, we should discuss and decide on the principles that will govern central planning and the division of responsibility among governments at different levels.

Of the four questions I have discussed, I have emphasized the importance of state purchase quotas. A shortage of grain will be a basic problem in China for a long time to come, so we have no choice but to adopt purchase quotas. The longer we delay, the more serious the situation will become, and the harder it will be for us to take the necessary action.

To sum up, we must institute state purchase quotas for grain in rural areas and rationing in cities and towns. This system can be called “planned purchase and supply” or “state monopoly of purchase and marketing”.¹⁴¹