

1949, February 3. - Recording of a conversation between A. I. Mikoyan and members of the Politburo of the CPC Central Committee Liu Shaoqi and Ren Bishi on the economic policy of the CPC

On February 3, 1949, in the afternoon, a conversation was held with members of the Politburo of the CPC Central Committee Liu Shaoqi and Ren Bishi on issues of the CPC economic policy.

Present at the conversation were: translator Shi Zhe and comrades Kovalev I.V. and Kovalev E.F.*

ON THE CONFISCATION OF ENTERPRISES OF 4 FAMILIES, IMPERIALISTS, WAR CRIMINALS AND FOREIGN ENTERPRISES

The conversation began with Liu Shaoqi's statement that their economic policy primarily envisages the confiscation of property and industrial enterprises of 4 families (Chiang Kai-shek, Kong Xiangxi, Song Ziwen, Chen Lifu)¹.

To my question whether they have data on the volume of capital of 4 families, Liu Shaoqi answered in the negative. Continuing, Liu Shaoqi said

that they are also going to confiscate part of the property of imperialists and

war criminals. With regard to foreign enterprises, they are going to pursue a policy of confiscation and redemption of enterprises. Liu Shaoqi stressed that it would be difficult to implement the policy of confiscating foreign enterprises at once, so they would implement it gradually. Perhaps, he said, we will confiscate foreign military enterprises, for example, in Qingdao, more quickly. On this issue, Liu Shaoqi said, we would like to get your advice.

ON STATE-CAPITALIST ECONOMY

He then said that the confiscated foreign enterprises, as well as the enterprises of the four families, would be included in the state-capitalist economies. Touching on the English Kailan coal mines, Liu Shaoqi said that they produce about 5 million tons of coal per year. About 6,000 workers work in the mines. This year, the contract with England on the exploitation of these mines expires. In connection with this, the English sent a letter to Comrade Mao Zedong with a request to help them settle the situation with the mines and to assist in the export of coal from there. // This indicated that the English are trying to establish economic contact with us. But this contact is possible in Shanghai, where the Kuomintang is located, but not with us.

When I asked how they distinguish state-capitalist enterprises from state-owned enterprises, Liu Shaoqi replied that the difference is that state-capitalist enterprises include concessions that use state-owned raw materials, but hand over the products to the state. There are private tobacco factories in Manchuria, and since we have a tobacco monopoly, all their products go to the state. This is also a form of state-capitalist economy. We will try to transform foreign enterprises into state-capitalist enterprises through agreements. If foreigners do not sell their enterprises, we will act according to the law. We believe that we should buy out the banks and the Kunming-Haiphong railway, which is about 600 km long. To my question whether there were any foreign military enterprises, Liu Shaoqi answered that there were none that directly produced weapons, but there were quite a few that were indirectly related to the military industry, in particular metallurgical, chemical and other enterprises. The military-type enterprises should include the American radio station in Shanghai and the cable running from China to the USA. The majority of foreign enterprises should be transferred to state-capitalist economies.

ON POLICY TOWARDS THE COMPRADOR BOURGEOISIE

To my question about what policy, they were going to establish toward the national comprador bourgeoisie, Liu Shaoqi replied that they had not yet thought about it, but believed that for now it was necessary to treat it with caution and not to touch it too much. Later, when we become stronger, we will go on the offensive against it as well. At the present stage, our general policy toward the national bourgeoisie is not to disperse it.

In the future, when we have captured the coastal provinces, our cadres have grown up, and the general situation in the country has become clearer, we are planning to attack the national comprador bourgeoisie as well. By that time, a list of its enterprises subject to confiscation will be compiled. But at present we believe that the comprador bourgeoisie should be treated with caution.

Liu Shaoqi said that they would confiscate the enterprises of the comprador bourgeoisie under the guise of confiscating bureaucratic capital. As for the private enterprises of the national bourgeoisie, in

1 / 2 years the question of their fate in terms of nationalization can be raised.

I said that a cautious policy towards the national bourgeoisie is correct. For now, there is no need to talk about nationalizing its enterprises, it is better to take a closer look at it and, when power becomes stronger, raise the question of it. I emphasized that as the situation changes, the policy also changes, although the goals remain the same.

Liu Shaoqi completely agreed with me and once again emphasized that the question of confiscating the capital of the comprador bourgeoisie should be further thought out. When I asked him who they considered to be the comprador bourgeoisie, Liu Shaoqi replied that they also considered bureaucratic capital.

ECONOMIC STRUCTURES OF LIBERATED AREAS

Liu Shaoqi said that there are 5 economic structures in the economy of liberated China:

1. State.
2. Cooperative.
3. State-capitalist.
4. Private-capitalist.
5. Small-commodity with natural and semi-patriarchal forms of exchange.

They believe that small-commodity farming has the largest share. Cooperative farming occupies an insignificant share, but the prospects for its development are favorable. State-capitalism also has an insignificant share, but there is scope for its significant expansion. They believe that after the confiscation of bureaucratic capital, the state economy will account for about 10% of the entire economy, and despite the fact that this is a small share in relation to the entire economy, the state economy, in their opinion, will be the leading one. They include railroads, shipping companies, coal mines, the metallurgical industry and banks in the state economy.

Characterizing cooperation, Liu Shaoqi said that it is in the nature of mutual assistance among those cooperating.

To my question whether they have any digital data on the coverage of the population by cooperation, Liu Shaoqi answered that they do not have such data and they do not have a center that would deal with the cooperative movement. He stated that for now cooperation is of a bourgeois nature. As a priority measure to strengthen the cooperative movement, they are going to convene a cooperative congress. We, said Liu Shaoqi, have already developed a draft resolution on cooperation and are creating a school to train several thousand cooperative workers. In connection with the organization of this school, Liu Shaoqi asked for experienced Soviet cooperators to teach at this school.

Now, said Liu Shaoqi, we are developing the following types of cooperation:

- 1) Consumer.
- 2) Agricultural (supply and marketing).
- 3) Handicraft and industrial.

Explaining the primary forms of agricultural cooperation, he said

that they mean the simplest associations of peasants for joint cultivation of land under the conditions of private ownership of land and tools of production.

Handicraft and industrial cooperation are divided into agricultural, procurement and marketing, and urban, also procurement and marketing.

THE BASIC QUESTION OF THE CPC'S ECONOMIC POLICY

The basic question of our economic policy, said Liu Shaoqi, is

where China will go. A characteristic feature of the new democratic economy

is its transition period, which will be longer than the transition period in the people's democracies in Europe. The most difficult problem for China is the question of small producers: will they go along the cooperative path, i.e., to socialism, or to capitalism.

We, Liu Shaoqi emphasized, always remember Lenin's instructions that the petty-bourgeois economy is the source that gives rise to capitalism.

We believe that after the end of the civil war we should develop all branches of the economy and restrict only those that do not bring significant benefits to the people. In this case, we place the main emphasis on the development of the state economy. At the same time, we consider it necessary to support individual production, pushing it toward cooperation.

We also consider it useful, depending on the circumstances, to encourage state-capitalist enterprises that the country needs. The monopoly enterprises of bureaucratic capital must be taken under full state control.

Our goal is a gradual transition to socialism by strengthening the planning principle in the economy. The transition to socialism will be long in time and fierce in struggle. We also face the question of who will win, as Lenin once posed it.

According to our calculations, for a complete offensive against capitalist elements in our economy we will have to wait 10-15 years, after which we will take on the transfer of industrial and commercial enterprises into the hands of the state and thereby accelerate China's movement toward socialism.

We can only think about the transfer of agriculture to socialist rails, said Liu Shaoqi, on the condition of laying an industrial base for agriculture.

STATE TRADE

The issue of trade is becoming increasingly important. We currently have state trade, and in the agricultural regions it occupies an almost monopolistic position, but it is only now appearing in the cities. We are managing state trade poorly, there is competition between state cooperative and trade organizations, and unhealthy transactions are observed between state and cooperative trade organizations, on the one hand, and private trade enterprises, on the other. We believe that the supply of army workers will have to be organized using a rationing system, while simultaneously regulating prices and taking measures to oust private traders from trade.

CREATING AN INDUSTRIAL BASE WITH THE HELP OF THE USSR AND THE PEOPLE'S DEMOCRACY COUNTRIES

The creation of an industrial base in liberated China is unthinkable without the assistance of the Soviet] Union and the people's democracies. This assistance must play a decisive role for us. We imagine that the forms of this assistance could be:

- 1) Transfer of experience in the socialist reorganization of the economy.
- 2) Providing us with the appropriate literature, sending us advisers and technicians in various branches of the economy.
- 3) Providing us with capital.

We believe that the Soviet] Union, the people's democracies and China should provide each other with mutual economic assistance. With the help of the Soviet] Union, said Liu Shaoqi, we will arrive at socialism more quickly, if, of course, we do not make mistakes. It is clear to us that without the help of the Soviet Union we will not be able to restore the Anshan Combine in Manchuria. In this regard, we would like to know in advance the possible extent of assistance to us from the Soviet Union in order to provide for it in our national economic plans.

ERRORS IN ECONOMIC CONSTRUCTION

In matters of economic construction in the liberated areas, we have still not overcome such major errors as spontaneity and lack of plan. The shortcomings include the insufficient qualifications of our economic personnel. It is not surprising that in implementing economic policy, our workers made such mistakes as distributing urban trading enterprises to workers, who took them apart and squandered the goods. During the land reform, some of us pursued the erroneous policy of settling scores with landlords, which is now prohibited.

To my question about what percentage of peasants received land as a result of the agrarian reform, Liu Shaoqi answered that in the liberated areas about 50% of the Chinese peasantry received land. As a result of the agrarian reform, the feudal order was undermined and the political activity of the peasantry increased significantly. The peasants felt that they had their own power, chosen by them and accessible to them. This power gave the peasants agricultural] credit and free education.

Returning to the issue of the mistakes made during the land reform at the end of 1947, Liu Shaoqi emphasized that some workers enrolled the middle peasants as kulaks, and took surplus property and land from the kulaks. The percentage of illegally affected kulaks fluctuated between 4 and 5 percent, and landlords - from 1 to 2 percent.

Liu Shaoqi said that a distinction should be made between the situation of landlords and kulaks in the old and new liberated areas. In the old liberated areas, the landlords had their land and property confiscated, and the kulaks - only their surplus land and property. However, the landlord and kulak were left with land and property on an equal basis with the peasants. In the old liberated areas, the agrarian reform has been carried out in full, and in the new areas, in part. In the new liberated areas, which are surrounded by the old liberated areas, the agrarian reform will be carried out in the fall of this year. In the new liberated areas, created on the recent Kuomintang territory, the agrarian reform will be carried out in 2 years. For now, the new areas will pursue a policy of reducing rent and interest rates. Speaking about the mistakes of the economic policy in the city, Liu Shaoqi pointed out the erroneous policy of increasing wages in private capitalist enterprises. As a result of the fact that we demanded that private entrepreneurs increase wages for workers, enterprises were closed and workers found themselves unemployed. In the course of correcting this mistake, we came to the conclusion that we need to build relations with private entrepreneurs in a way that would benefit both the state and the private entrepreneur. Mistakes of this kind are corrected, but we must say frankly that these mistakes indicate dangerous tendencies. First, there are people in the Party who believe that capitalism must be developed in every possible way and rely on it. In essence, this means a concession to the capitalist elements, a capitulation to capitalism. These people want to create an ordinary bourgeois capitalist state out of China, i.e., to restore the semi-feudal and bourgeois order. Second, there are people in the Party who are inclined to build socialism in a leftist, adventurist manner. This tendency is expressed in the fact that some people draw up unfounded plans without taking our capabilities into account. As a result, these tendencies harm the alliance of the working class with the peasantry. It is necessary, said Liu Shaoqi; to decisively fight against these tendencies and in this regard, we ask for advice from the USSR.

ON THE NATIONALIZATION OF LAND

When asked whether they were thinking of nationalizing land, Liu Shaoqi replied that this issue needed some thought. Now the purchase and sale of land is permitted, although we understand that if we do not restrict this purchase and sale, it means that we will facilitate the growth of capitalism. In the process of carrying out land reform, Liu Shaoqi said, we did not touch the old-type kulaks, who by their nature are not much different from the landlords. Here the dangerous tendency is that in the liberated areas, as a result of allocating land to the peasants and granting them the right to buy and sell land, kulaks of a new type may develop and grow.

ON THE CURRENCY REFORM

To my question about when they were going to carry out the currency reform in the liberated areas, Liu Shaoqi replied that it would be carried out in a year after they had taken over all of China, but for now they were going to use the existing banknotes.

That was the end of the conversation.