

Dates of Meeting:

23-10-1953 – 12-11-1953

Type of Meeting:

ACFIC

Place of Meeting:

Beijing

Attendance:

640 delegates of private and public enterprises

Major Agenda Items:

Transition to socialist economy

Speeches/Reports:

Chen Shutong: Speech 23 October 1953 We industrialists and merchants have..., changed our features”and “oly by sincerely accepting the leadership of the state-owned economy and supervision of the working masses may private industrialists and merchants manifest their positive role.”

Li Weihan: Speech, 27 October 1953

He quoted Mao's directive in full :

With regard to the general line of the state in the transition, Chairman Mao has given the following directive : “From the founding of the People's Republic of (China PRC) to the basic conclusion of socialist reform is the period of transition”

During this stage of transition , the general line and the general task of the state is the gradual realization over a relatively long period of time, of the socialist industrialization of the state, and the gradual realization of the socialist transformation by the state of agriculture, handicrafts, and private industry and commerce. This general line is the lighthouse that illuminates our various tasks. Divorced from this general line, we shall commit rightist or leftist mistakes in our various tasks.

Li first introduced the General Line of the Transition Period and stressed the importance of the socialist transformation of industry and commerce to the socialist industrialization of the country. Then he emphasized the state's policy of utilization, restrictions and transformation of private capitalist enterprises.

Following a discussion of the policy, he urged the national bourgeoisie to gear themselves towards cooperating with the state's socialist transformation. He pointed out that the basic task of the ACFIC was to nurture a group of backbone elements who would lead and influence other capitalists to accept socialist transformation.

Li Zhuzhen: (manager Chinese salt company) closing speech 12 November 1953 “we shall say her first that we private industrialists and merchants will joyously and enthusiastically support the general line of the state during the period of transition and are prepared to accomplish, through state capitalism, our reform from capitalism to socialism... At the same time we must also exercise serious vigilance, and refrain from repletion of the “five poisons”

Other Decisions and/or Actions:

- the meeting passed a resolution to give support to the central government's general line in transitional period.

The following excerpt from the resolutions shows how the delegates to the congress “voluntarily” accepted the policy of the state and called upon their fellow businessmen to do likewise: “The Congress unanimously supports the general line of the state during the transitional period and the policy of utilizing, restricting, and reforming private industry and commerce. Private industrialists and merchants throughout the country must actively undertake the operation of enterprises beneficial to the state and the people's livelihood, accept the control of the People's Government, the leadership of state- owned economy, and the supervision of the masses of workers, and actively meet the demands for their socialist reform by the state.”

- unanimously agree that transformation through state capitalism is a superior principle.
- urge members to integrate their own transformation with that of their enterprises.
- urge members to practise frugality, increase production and fulfil the Five Year Plan.
- consolidate its organizations at various levels, initiate the restructuring of trade associations and continue to nurture backbone elements.

Remarks:

1. Established immediately after the announcement of the General Line and. General Tasks for the Transition Period.
2. a key tool for developing, organizing, controlling, and finally, socializing private business.

3. It developed a close and complementary relationship with the National Construction Association with the NCA recruiting national capitalists while the Federation recruited mainly small entrepreneurs and artisans. Leadership of the two bodies overlapped and functions were often held in common.
 4. the private sector was to be completely absorbed by the state without compensation--a process envisaged then as spreading over about fifteen years.
 5. It effectively became the ninth MPG
6. The meeting opened on October 23 with speeches reaffirming the post-5-Anti line that private enterprise had a respectable and constructive role to play in the New Democracy; it closed with the flat announcement that the private sector would be increasingly nationalized. The transition to socialism was at hand. "representatives" of Chinese industry and commerce will undoubtedly remain a landmark in the development of one important phase of Chinese Communist economic policy. It began by stating that the first stage of China's two-stage revolution ("new democratic revolution" and "socialist revolution") ended with the founding of the Peking regime in 1949, and that China is now in a transitional period leading to socialist industrialization.
- He went on to say that in this transition both agriculture and private industry and commerce must be "reformed." The prescribed stages for the metamorphosis of agriculture - mutual aid teams, agricultural producers' cooperatives and finally collectives " are not new and in this field Li's statement merely marked a decision to proceed according to plan. (After a rapid start in the direction of collectivization in 1952, the Chinese Communists slowed down considerably on this program in 1953.) Li's definition of several stages for the transformation of private industry and commerce into socialized enterprise is new, however, and throws additional light on the road to socialization in China, All private enterprise. Li implied, must pass through stages of "state capitalism" in preparation for ultimate socialization. There are several different forms of "state capitalism" he said. First of all, there are the "lower forms" in which the state merely purchases the products of private industry, acts as selling agents for industry, or deals with private merchants who must sell at official retail prices. More advanced "intermediate forms" include those in which the state in dealing with private industry places orders for processing jobs, orders all of an industry's production of finished goods, or underwrites the marketing of an industry's entire output.

In commerce, the "intermediate form" is one in which merchants become purchasing or marketing agents for government organization The "highest form of "state capitalism" in both industry and commerce is the "joint state-private enterprise."

These various forms of "state capitalism" ("new forms may yet be created," Li said) represent, of course, merely different degrees of direct control by state economic organizations and agencies, In "joint state-private enterprises" government representatives actually take part in management and themselves make all important decisions. But even the lower forms involve a high degree of government control. We know stated the People's Daily on November 14.

. "that private enterprises, once they have accepted orders from the state for processing jobs and finished products, cease to be private capitalist enterprises in the general sense, and become a kind of state capitalist enterprise. Such enterprises carry not only a moral obligation, but also a legal responsibility, for the fulfillment of the state's plans. Furthermore, the relationship arising out of placing of orders for processing jobs and finished products is not the general relationship between buyer and seller, nor is it merely a relationship bound by a contract, but rather it is the relationship between a leadership party and the party led. Accordingly, such acts as the undermining of orders placed for processing jobs and finished goods in the attempt to create disturbances and hold sway in the small world provided by the free market, are obviously not tolerable to the government and the people." If private businessmen resist, the editorial warned, "they will be heading on the road of destruction of their own volition. "

By the end of 1953, the national preparatory committee had succeeded in building up a total of 18 federations of industry and commerce at the provincial level, 14 federations at the municipal level and 1913 at the xian level