

IMPROVING THE WORK IN THE FEDERATIONS OF INDUSTRY AND COMMERCE⁸⁷

July 20, 1951

My speech today will cover four topics.

I. THE SITUATION IN INDUSTRY AND COMMERCE AND THE MEASURES OUR PARTY PLANS TO TAKE

The situation in industry and commerce throughout the country is improving, as can be seen from the increase in the output of manufactured goods (including handicraft products) and in the volume of sales. Even in some areas where the situation is poor, the total sales volume is still expanding. But the most convincing evidence is that tax receipts in the cities have been rising every month. The second quarter of a year is usually a slack season for industry and commerce, but this year tax receipts for this period have already topped 11 trillion yuan,² exceeding the amount for the first quarter. This upturn will probably continue. We expect that the output of manufactured goods will expand still more, followed by the output of handicraft products. In Hangzhou, three kinds of handicraft products—umbrellas, fans and scissors—are all sold out.

This improvement in industry and commerce, however, has been uneven, some enterprises expanding while others close down. Generally speaking, industry is faring better than commerce, but there, too, progress is uneven, with some industries growing more rapidly than others and a few even contracting. The degree of improvement varies from region to region as well. South-central and southwest China are not doing so well as north China, which has been liberated longer, or as east China, where there is a

²Speech dimming up a meeting of members of the Department of United Front Work of the Chinese Communist Party.

greater concentration of industry.

This uneven development is quite normal in a period of economic restructuring, and there is no need to worry about it. Economic restructuring means replacing the old economic system with a new one, transforming an economy once dominated by imperialists, feudalists and bureaucrat-capitalists into a new-democratic economy. But since there is a shortage of manufactured goods, we shall allow all private industrial enterprises, whether imperialist or bureaucrat-capitalist, to maintain normal operations and to expand, provided they accept our leadership. Conditions in commerce, however, are somewhat different. The agrarian reform⁶⁴ is an economic and political revolution, through which ownership by landlords is being replaced by ownership by the peasantry. As a result, changes are taking place in the entire rural economy and in other sectors as well. State-owned commercial enterprises are beginning to replace foreign merchants, speculators and unnecessary middlemen. The establishment of cooperatives in the new liberated areas is another step towards discarding the old economic system. Some industrial enterprises that used to function under the old system are having to change too, since they can no longer rely on the imperialist countries for raw materials but must turn to the domestic market for them. In short, the conditions of the Chinese economy will make it possible for most enterprises to expand, but some will have to close down. If it were otherwise, we could not speak of economic restructuring, let alone a revolution.

This period of economic restructuring will last for some time, with some enterprises expanding while others fail. But we must all be aware that a new phenomenon is emerging among the industries that are expanding. During the restructuring, all five sectors of the economy⁷⁷ can develop, each playing its own role. However, the cooperatives have not yet taken their proper place. Also, middlemen cannot continue to function as in the past; some will have to go out of business or take on different roles. The new phenomenon in certain expanding industries is that people want to make exorbitant profits. Private industrialists used to be very grateful to the government for placing orders with them, but now some of them regard this practice as a burden, because it only allows them normal profits. This idea has not taken hold everywhere and should not be overestimated, but I should like to point out that it is spreading.

In view of these circumstances, we have decided on a three-point policy.

1. To encourage the expansion of those privately owned industrial and commercial enterprises that benefit the national economy and help to improve the people's lives. This expansion will be useful not only in developing the new-democratic economy now, but also in building socialism

in future. It would be wrong to fear it.

2. To guide the transfer of labour and capital from one enterprise to another. I think that the transfer of labour is the more difficult problem, so we should concentrate on that. Since the Conference of Directors of the Bureaus for Industry and Commerce⁷⁵ last year, there has been very little progress in this respect. We had better keep our plans in this connection to ourselves, or we shall be hampered in our action. We should not talk about what we are doing. Generally speaking, local authorities should be mainly responsible for assisting in this work.

In cities of any size—whether small, medium or large—it will eventually be possible to effect the transfer of labour, so we should not be discouraged. In large cities economic development will require a large work force, including a great number of intellectuals, so that sooner or later people who are looking for new jobs will surely find them. Last year people were saying that intellectuals could not earn a living, but I said that not only would there be opportunities for them, but they would be in great demand. On July 1 this year, I wrote an article arguing that the days when graduation from college meant unemployment are gone forever.¹⁰⁶ In fact, that is even true of graduation from middle school, although to be on the safe side, I did not say so. In Beijing today even an unskilled labourer can earn as much as ¥30,000 a day, so anyone who is hungry will be willing to carry bricks. In small cities people need not be afraid of imminent factory closing, because most industries there are handicrafts, and after the agrarian reform these will flourish for some time. The investigations I have conducted in the Northeast have confirmed this conclusion. Nor will the cooperatives replace private businesses very quickly, because they are still weak and in the initial stage they will chiefly be involved in purchasing, not selling. So privately owned shops and factories in small cities will not soon go out of business; on the contrary, after the agrarian reform they should do very well for a time. Therefore, this transfer of labour is possible both in large and medium-sized cities and in small cities.

3. To strengthen leadership. This means that we should stress the leading role of the state sector of the economy and of state planning. Comrades, please note that for the first time I am speaking of the leading role of state planning, not just about the leading role of the state sector. State planning is going to become a crucial weapon for us in the struggle between the state and private sectors. In future, production, pricing, manufacturing and ordering of goods will all be subject to the state plan. This has already been stipulated in the Common Programme.⁷⁸

To be more specific, in industry we shall see to it that the state plays a

major role in producing everyday necessities. Right now there are too few state-owned factories to guarantee their leadership of industry as a whole. It is also essential to expand the state capitalist component of the economy, that is, to place more orders for manufactured goods with that sector. In commerce the state sector must be strong enough to stabilize the wholesale and retail prices not only of those products in which it now deals—grain, cloth, cooking oil, salt and coal—but also of other essential commodities.

I have included the cooperatives in the state sector, because they are semi-socialist. It is essential to develop them, but at a pace that is in keeping with the pace of overall national and local economic development and restructuring.

In general, in industry and commerce we must maintain proper proportions of the different sectors of the economy, so that the state sector leads the others but also cooperates with them. As for concrete figures, it will take us some time to discover what the optimum proportions are. For a long time to come, the state sector, the cooperative sector and the private sector will expand side by side, thus promoting economic development as a whole. Since all sectors are to expand simultaneously, conflict is inevitable—but by that I don't mean hand-to-hand combat.

II. THE FEDERATIONS OF INDUSTRY AND COMMERCE

The present federations of industry and commerce are different from the chambers of commerce in old China.¹⁰⁷ Although most of their members are private enterprises, they also include state enterprises. The former general chambers of commerce were controlled by the old government, while the present federations are led by the people's government. Although the federations are the major organizations representing the interests of private enterprises, they must comply with the provisions of the Common Programme. And unlike the former chambers of commerce, the federations have the responsibility of assisting the people's government and guiding industrialists and merchants.

Now I should like to discuss four questions concerning the organization of the federations.

1. Should peddlers and handicraftsmen join the federations? In principle, yes. In medium-sized and small cities, there are no factories and not many big stores, so if peddlers and handicraftsmen are not permitted to join, the federations will not have many members. In large cities,

where we can't work on small, medium and large enterprises all at once, we should first try to bring in some large stores and factories. The peddlers and handicraftsmen can join later. This is only a question of timing; it does not mean that we want to exclude them. Indeed, it is better to organize them in this way than to leave them under the control of local public security bureaus. They should be organized by city rather than by district. At first it will have to be done by district, but at the proper time we should set up city-wide unions of peddlers and incorporate them into the federations. In this way we can persuade both peddlers and big enterprises to join the federations.

2. Should the cooperatives join the federations? Generally speaking, the answer is again yes. The All-China Federation of Cooperatives believes that it is worth a try.¹⁰⁸ But since the cooperatives themselves are still weak, they are afraid they might lose by joining the federations. They have suggested that in one or two regions cooperatives at the provincial or county level should join the federations on an experimental basis. I think that is a good proposal.

3. There are three types of individual members in the federations: persons from the trade associations,⁸⁶ persons from enterprises and certain persons specially invited. It is no longer necessary to join a trade association before joining a federation. Usually in small cities and even some medium-sized ones, people first join the local federation and then are divided by trade into smaller groups, which are different from the trade associations in large cities. But in general, in large and medium-sized cities, we should not disband all the original trade associations and make people join the local federations in groups by enterprise. Some trade associations have considerable funds and large staffs; it would be only reasonable to allow a federation of industry and commerce to take advantage of those assets. We should find some way to make that possible without abolishing the associations. When the federation has done a good job for a long time and has gained some reputation, it will be able to ensure that those funds and personnel are used to good purpose. Even so, we should be careful in handling this problem and proceed as if we were feeling out the stepping-stones to cross a stream. Otherwise we shall make mistakes. It is better to work slowly and make steady progress than to rush into things and make mistakes, especially when we are dealing with national economic questions. If it takes two or three months longer to finish the task, the sky won't fall. In some places, private industrialists and businessmen are already joining the local federation as individuals. That's all right. We can wait and see how it works out. What should we do about the ones who have not yet joined? True, it would be better if they did join, but

the federations' charters do not have to provide that all of them must do so. The federations should try to persuade them to join, and the government can take steps to make the task easier.

4. The federations of industry and commerce should have a three-tiered organization: national, provincial and county. We do not need chapters at the regional and prefectural levels. When necessary, regional authorities could call a joint meeting of provincial chapters under their jurisdiction and prefectural authorities could do the same with the county chapters; or they could simply call a meeting of representatives of industry and commerce in their areas. The district offices of the federations that are already established in large cities may continue operating to gain some experience.

Now I should like to say something about the leadership of the federations. In selecting leaders from private enterprises, we should consider four points: the nature of the enterprises they come from (industrial or commercial), the size of the enterprises, the individuals' factional affiliations and their political attitudes. The most important thing is for the leadership to be representative. By representative I mean that it should be consistent with the local economic conditions and reflect the composition of the membership. Within this guideline, insofar as possible, we should choose more leaders from the industrial enterprises. There will also be a certain number of leaders from state-owned enterprises, but here again we cannot appoint too many of them. Comrades in the localities should determine the correct proportions.

Now about the work of the federations. The federations have done a great deal of work in many areas, especially taxation, that has been beneficial both to its members and to the country and that should be continued. However, in some localities they have taken on too many unnecessary responsibilities on behalf of the government and have not provided enough guidance to private enterprises. This is not good, and it has to be changed. But that doesn't mean the federations should no longer assist the government in its work. Assisting the government and guiding enterprises are equally important functions. The overall aims of the federations are to make sure that their members comply with the Common Programme, to help the government implement its decrees and policies and at the same time to serve their members by advising them on management and educating them. Let me add that according to the reports given at this meeting by comrades from the localities, the federations have been playing an important role in educating private entrepreneurs.

III. THE PARTY'S LEADERSHIP OF THE FEDERATIONS

First of all, it is essential for the Party to unify its leadership of the federations by following uniform policies. At present the different local financial and economic departments (the bureaus for industry and commerce, the taxation bureaus, the labour bureaus, etc.) do not all follow the same procedures. Neither do the leading Party members' groups of the various local federations or the financial and economic commissions of the different regions. This is not good. In large and medium-sized cities, we should establish councils to take charge of industrial and commercial affairs. These councils should become Party organizations and, under the leadership of the municipal Party committees, they should unify Party policies regarding industry and commerce (including the work of the federations). They should be made up of personnel from the local departments of united front work, from the leading Party members' groups of the financial and economic commissions and of the federations of industry and commerce, and from the federations of trade unions.

Second, we have to strengthen the work of the leading Party members' groups in the federations. These groups should be composed of the chief cadres working for the federations as well as those representatives of state-owned enterprises who are Party members. The leading Party members' groups of the federations are under the leadership of the municipal Party committees, but in most cities, those committees can entrust the councils in charge of industrial and commercial affairs with the responsibility of guiding the groups' work.

Third, we must strengthen the work of the representatives of state-owned enterprises in the federations. At present most of them are not paying enough attention to the federations. There are three underlying reasons for this: the work is difficult, they don't realize how important it is and they don't receive enough guidance. We should look for a small number of representatives of state-owned enterprises who can spare some time from their regular duties to work for the federations. We should be able to find such people in the large and medium-sized cities and even in some small ones. They should be familiar with their own professions, because otherwise they will have difficulty with their work in the federations. Capitalists are realists. If they see that these representatives of state-owned enterprises are capable of solving problems, they will support the federations.

There are three reasons for having representatives of state-owned enterprises participate in the work of the federations. One is to make sure that the state sector plays the leading role in the economy. Another is to ensure

that the state sector, while carrying out the policies for its operation, cooperates with other sectors. These policies will not be carried out in a vacuum, so there will necessarily be “friction”,⁷⁹ struggle and readjustment. The third reason is to enable these representatives to familiarize themselves with local conditions in industry and commerce and learn to manage their enterprises better. In planning national economic development, we must take private enterprises into consideration. The state plan has to include the private sector of the economy, or at least the most important private enterprises. Some comrades from the state enterprises feel that it is too much trouble to deal with private entrepreneurs, but during this whole period of New Democracy that will be an important part of their work, and they must not neglect it. In the past, many of them have had difficult situations to confront in their local federations, so we should be careful about criticizing them. The Central Committee of the Party will ask the local Party committee in each city to convene a conference of representatives of state enterprises, to discuss ways for them to cope with these situations.

Work among the staff of the trade associations is also important. They know the ins and outs of their trade, and it is important to bring them into the federations. They can be of great help in familiarizing us with the different trades.

Heretofore, the Party’s work among industrialists and merchants has been correctly focused on the top personnel of each enterprise. We should not relax our efforts with them, but we should also include staff at the middle and lower levels.

IV. ESTABLISHMENT OF AN ALL-CHINA FEDERATION OF INDUSTRY AND COMMERCE

Most of the capitalists want us to establish an all-China federation of industry and commerce. Those in Shanghai are less interested, because they already have a considerable voice in affairs. But the ones in medium-sized cities (Changsha, Nanchang, etc.) like the idea, because it would give them greater influence. Although industrialists and businessmen in small cities are not hoping for the establishment of such a federation, they do want us to organize provincial federations that can help solve problems. For the country as a whole, a national federation could do much useful work—studying various trades, allocating funds and labour and making other readjustments, all of which would promote planned economic development. All the com-

rades present at this meeting, including myself, agree on this point.

We have also discussed the possible negative consequences of establishing an all-China federation. For instance, private industrialists and businessmen will be able to organize protests, which might cause problems for us. But that is better than unorganized protest. We can accept the useful suggestions and reject the bad ones. We should not be afraid of complaints. Last year it was only because of their complaints that we convened the Conference of Directors of Municipal Bureaus for Industry and Commerce⁷⁵ and the Conference on Taxation, both of which helped to improve the financial and economic situation at the time.¹⁰⁹ Some comrades are afraid that if a national federation is established, all problems will have to be submitted to the central authorities, and the administrative power of local governments will accordingly be weakened. Although that is a possibility, we have never expressed any intention of depriving local governments of their power to manage industry and commerce. Higher authorities should take care not to criticize local governments for trifles, and they should not take it upon themselves to respond to any requests of private entrepreneurs. If the higher authorities monopolize all opportunities to build up credit with the private sector, the local governments will find it hard to do their work.

Before establishing a national federation, we shall convene a national conference of representatives of industry and commerce.¹¹⁰ We all agree that in choosing delegates, we should take the following factors into consideration: the regions they come from, the proportion of representatives from industry and from commerce and the proportion from the public sector and from the private sector, the size of their enterprises and their political attitudes (whether they represent the Left, the centre or the Right). We should also include some special delegates (overseas Chinese, minority nationality people and certain prominent individuals). We have estimated the number of delegates who will attend. There are forty provinces in the country, and if the average number of delegates from each province is six, that will make 240.¹¹¹ There are about twenty large and medium-sized cities in the country, and supposing an average of 10 delegates for each city (probably more for Shanghai), that will be another 200. If there are delegates from other sources, the total could be around 500. Representatives of state-owned enterprises could constitute 15 per cent of the total, or 70 to 80 persons. Of the rest, 20 or 30 per cent could be conservatives and 70 or 80 per cent middle-of-the-roaders and progressives. This breakdown does not represent a final decision; it is only a provisional guide for the local authorities. When the Central Committee makes the final decision, it will send them formal notification.

The Central Committee will also decide when the conference is to be held, what preparatory work should be done and how leaders are to be chosen. At the joint meeting of the leading Party members' group of the Financial and Economic Commission⁷ and the Department of United Front Work, some comrades suggested that it was too soon to convene a national conference. They thought we should first promote the work in the federations in large and medium-sized cities and establish provincial federations so as to acquire some experience and then prepare to hold the conference next year. We have put this suggestion before the Central Committee for a decision.

We expect the national conference of representatives of industry and commerce to make decisions on the following matters. First, issues raised by private industrialists and merchants, in such areas as the placing of state orders for manufactured goods, pricing, taxation and relations between capital and labour. Second, the requirements placed on private enterprises by the government and by the state plan, because when the Korean War⁸⁸ ends and the political situation becomes stable, we shall be beginning planned economic development. Third, the election of members of the leading bodies of the national federation.