

SOME IDEAS ABOUT THE SYSTEM OF PLANNED PURCHASE AND SUPPLY

September 23, 1954

I fully agree with the Report on the Work of the Government delivered by Premier Zhou Enlai.

Now I should like to talk about the system of planned purchase and supply of grain and other essential commodities, because that is of great concern to all of us.

Since 1953, the supply of certain consumer goods in China has fallen short of the demand. In the first half of 1953, in areas where the wheat crop had been damaged by frost there was a shortage of grain. In the second half of the year, in many localities cooking oil and meat were in short supply, so that customers in towns and cities often had to queue to buy them.

To cope with such situations, in December 1953 the Central People's Government introduced a system of planned purchase and supply—in other words, a state monopoly on buying and selling—of grain. Later, the new system was applied to vegetable oil. Then a few days ago, on September 15, the government instituted the planned purchase of cotton and planned purchase and supply of cotton cloth. There is no doubt that the system is very important, because it has a direct bearing not only on the vital problem of food and clothing but also on many aspects of the urban and rural economies. In China's present situation it is the only way to meet the ever-increasing needs of the people, to prevent speculation, to keep commodity prices stable and to help implement the First Five-Year Plan for Development of the National Economy.¹⁵¹

Why did the supply of grain, cooking oil, meat and cotton cloth fall short of the demand? Did the output of these products drop? No. On the contrary, it has been increasing since liberation. Moreover, with the excep-

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tion of oil-yielding crops, the annual output of these goods far exceeds the highest levels attained before the War of Resistance Against Japan. During the five years before 1937, when the war began, the average annual output of grain was 140 million tons. In 1936 the grain output was 150 million tons, but in 1953 it came to 165 million. In the peak prewar year of 1936, the output of cotton was a little over 800,000 tons, but in 1953 it was 1,175,000 tons. In 1933, the output of cotton yarn reached a record 2.44 million bales, but in 1953 it was 4.09 million. The number of pigs raised throughout the country rose from 63 million in 1936 to 93 million in 1953. Only the output of oil-yielding crops has failed to reach the highest prewar level, and it too has increased since liberation. In 1952 the output of such crops was higher than in each of the two preceding years, and from 1950 to 1952 there was a sufficient supply of cooking oil. It was only in 1953 that, despite the increase in the output of oil-yielding crops in 1952, oil was in short supply. These facts show that the shortages were not due to a decrease in output.

Did the shortage result from our exporting too much of these commodities? Has the export volume exceeded that of prewar years? True, over the past five years we have been exporting a certain amount of grain, vegetable oil, meat and other farm products, but we think this is something that has to be done. Having been ruthlessly exploited and oppressed by imperialists for over a century, China has a backward economy. Now that our people have state power in their own hands, their first priority is to overcome their economic backwardness. If we want to turn China, in not too many years, into a highly industrialized country, we have to import large quantities of machinery and equipment to build the foundations of industry. Thus, we have to export goods in exchange, and since China is an agricultural country, its major exports are necessarily farm products. Unless we can reduce domestic consumption of these products and export them, we shall not be able to import the machinery and equipment we need for industrial development. The people throughout the country should therefore cut back consumption wherever possible so that goods can be exported. To meet the needs of the people, the state allows only a limited amount of grain, cooking oil and meat to be exported, but as for other farm products, we should export as much as possible. Domestic demand cannot be satisfied until after the export quotas have been fulfilled.

When people are required to save goods, they will not be happy about it. Nevertheless, we have to choose between two alternatives: either we temporarily reduce consumption of as many goods as possible, so as to complete the country's industrialization, lay foundations for the further development of agriculture and light industry, and make it possible to rapidly

increase the supply of consumer goods in future; or we consume all our goods at home. If we choose the second alternative, we shall not be able to build up our industry, and the economy will remain backward for a long time to come. Naturally, everyone in the country should choose the first. We think that now and even for the next ten or twelve years we shall have no choice but to cut down on domestic consumption and give priority to exports. We shall continue to do that until we have built the foundations of industry and are able to reduce our imports of industrial equipment.

The amount of grain and oil we export now is only slightly more, and in some cases even less, than in prewar years. During the four years from 1950 to 1953, the average annual amount of grain exported was 1.55 million tons. After the September 18th Incident of 1931,¹²⁸ there were no reliable data on grain exports from northeast China, so we do not know the total annual amount exported in the prewar period. But according to customs statistics, during the four years from 1927 to 1930 China imported rice and wheat and exported soybeans and coarse grain [corn, sorghum, millet etc.]. The average net export of grain was 1.15 million tons a year. After liberation, the average annual export was only 400,000 tons more than during those years—not a large figure when compared with China's total grain output. During those four years, the average amount of oil exported annually was 246,000 tons, but during the four years since liberation, it was only 236,000 tons—10,000 less. Although pork exports are somewhat greater now than in the prewar period, those exports represent only 6 per cent of the additional amount of pork produced since liberation in 1949, or a little more than 2 per cent of the country's total. Since liberation approximately the same amount of grain, oil and meat has been exported each year, and from 1950 to 1952 supply and demand were balanced. Supply did not fall short of demand until 1953. Thus, it is clear that exports were not the cause of the shortage.

The main reason for the shortage of consumer goods is that the people's purchasing power has been increasing rapidly than production. Although the output of consumer goods has risen, purchasing power has grown faster. The new purchasing power is particularly visible in the countryside. The peasants have shared out the land owned by the landlords, and there have been good harvests for several years. In addition, the state now purchases farm products at prices much higher than in the early days of liberation. As a result, living standards in the rural areas have risen. The peasants now have sufficient food and consume more than before. Those who, to pay rent or debts, formerly had to sell grain which they badly needed themselves now feel no compulsion to sell surplus grain. Yet in the cities, industrial and mining areas as well as

in places where cash crops are grown, the demand for grain is rapidly increasing. That is the basic reason why there was a shortage last year.

In the cities, too, it is obvious that the people's purchasing power has increased. Over the past few years prices have remained stable, while wages have increased greatly compared to what they were in the early years of liberation. Most important of all, more and more people have been employed since we started large-scale economic and cultural development in 1953. Consequently, both the total volume of wages in society and the income of city dwellers have been rising sharply. It is because the income of people both in the cities and in the countryside have increased that there is a shortage of grain, oil, meat and cotton cloth, even though the output of these goods has also increased. So we think it is wrong for some people to complain that in the years before the War of Resistance Against Japan, under the Kuomintang regime, these goods were not rationed, but now, under our system of planned purchase and supply, they are. They say the past was better than the present. On the contrary, more of these goods are being produced than in the prewar years, but demand has been rising faster than supply. The reason there was no rationing under the Kuomintang, even though output was lower than it is now, was that the warlords, high officials, landlords and capitalists were the only people who could afford to buy all they wanted, while the living standards of hundreds of millions of labouring people were much lower than they are today. At that time only a few people really had enough food and clothing, but now that hundreds of millions of people have been emancipated, all of them have enough. If every person in the country wanted cloth for just one new dress or jacket a year, that would require something like 30 to 40 million bolts of cloth. And if every person ate just half a kilogram more of pork a year, we would need 6 to 7 million more pigs. So if the hundreds of millions of people consume more, there are bound to be shortages even if output is increasing. How on earth can people say that the past was better than the present? On the contrary, the shortages indicate that most of the people are leading a better life now than they were before.

The solution is to increase production, but we cannot do that immediately. However, under present circumstances, there are two ways of handling the problem: 1) to permit merchants to hoard commodities and speculate, which would simply result in panic buying and soaring prices, from which the speculators would benefit while the consumers suffered, and 2) to institute a system of planned purchase and supply, which will ensure that producers can sell their products for a reasonable price and that consumers can buy a certain amount at a normal price, thus benefiting both. Only the speculators will be upset by this method, because they will be deprived of the

chance to speculate. It is therefore quite right for us to use it.

Does the system of planned purchase by the state of surplus grain, cotton and oil-yielding crops benefit the peasants? We think it does. If, instead of introducing that system, we had allowed private merchants and rich peasants to dominate the market for farm products, as they did before liberation, they alone would have been in a position to hoard goods waiting for prices to rise. Most peasants would not have been able to profit from that kind of speculation; on the contrary, in a market controlled by private merchants and rich peasants, they would have been forced to sell low and buy high. Under a system of planned purchase, the peasants do not suffer such losses. When the state fixes purchase and sale prices, it pays due attention to the interests of both peasants and consumers. Moreover, last year the state paid out over two trillion yuan² for transportation and other costs involved in the purchase and sale of grain. Where on earth could one find grain merchants who would provide such subsidies? Of course, it is only a temporary measure for the state to cover these expenses, but it proves that the government is really considering the interests of both peasants and consumers. Also, more than a third of the total was sold to peasants who were short of grain. Over 100 million peasants have to depend to varying degrees on the state for grain, because some of them grow cash crops, others have too little land, and still others have suffered natural disasters. So the planned purchase of farm products benefits the peasants themselves.

Not everyone approves of the decision to ration flour, cotton cloth and cooking oil. Of course, rationing does restrict consumption, but the present system does not apply to all commodities. In the North, for instance, wheat flour is rationed and the per-person allowance is insufficient, but other grains can be freely purchased.¹⁶³ Cotton cloth is also rationed there, but the ration is enough to make sure that everybody has clothing.¹⁶⁴ People who earn higher incomes can buy silk, woollen and linen fabrics, which are not rationed. The supply of cooking oil is limited, and in certain cities and the countryside the ration is rather low, but people can buy as much meat and fat as they wish.¹⁶⁵ So we restrict consumption of only certain commodities. Of course, consumers prefer to buy goods freely, but if merchants were permitted to hoard commodities and speculate, causing panic buying and soaring prices, not only would most people be distressed but many would be unable to afford adequate food and clothing.

Will the system of planned purchase and supply be abandoned in future? We don't think so. On the one hand, it enables the state to control the supply of commodities, which is necessary to ensure planned economic development; on the other, it sets the peasants on the road to abundance and

socialism through the organization of cooperatives, not the development of rural capitalism. If we abolished the system of planned purchase, that would again leave the way open for private merchants and rich peasants to dominate the market for farm products and would lead to the development of capitalism in the countryside. Planned purchase is a socialist measure that benefits the peasants and prevents them from being exploited.

The system of planned supply, on the other hand, is only a temporary measure. As soon as we increase industrial and agricultural production to the point where the output of consumer goods fully meets market demand, it will be abolished. However, it will be some time before we are able to stop the planned supply of grain, cooking oil and cotton cloth, because those goods are, directly or indirectly, farm products, and their output will increase relatively slowly. On the contrary, in the next few years we shall introduce rationing of more commodities to cope with the problem of supply and demand. We must recognize that rationing does not mean reducing supplies but curbing increased consumption. In other words, we cannot afford to give free rein to consumption. We must recognize that slowing the rise in living standards is not a step backward but a step forward. It is a normal part of the country's economic development.

It has been more than six months since we instituted the system of planned purchase and supply of grain and oil-yielding crops. Facts have shown that the people throughout the country have supported the government. In response to our call on the peasants to sell grain to the state, they have overfulfilled their quotas. The planned supply of grain in town and country has also worked smoothly. The people have cooperated with the government, and the state has supplied more grain to both the urban and rural populations than was originally planned. Commodity prices have remained stable throughout the country.

But this does not mean that the government has made no mistakes in its work. On the contrary, it has made many. For example, the quotas set for planned purchase of grain turned out to be too low for some peasant households and too high for others. The distribution of grain to the peasants was not as fair as it might have been. In many towns we have not established state-supervised grain markets from which private merchants are excluded. The government does not have a sufficient stock of cooking oil, so there is only a limited supply in the countryside. In many places oil mills have not yet resumed production. In our future work we have to correct all these mistakes.

An urgent problem is that in certain rural areas there is a limited supply of cooking oil. People are asking how we can solve this problem. Should we

increase the supply of oil in the countryside by reducing the ration in the cities? The oil problem is not the same for all peasants. Some of them have a small surplus, some have just about enough, and others have too little or none at all. In the past the peasants used to even out the distribution themselves, but now that there is a general shortage, they are unable to do so. This has further aggravated the problem. The oil ration in the cities is very small. In Beijing, for instance, each resident can buy only 0.3 kg. of oil a month, and in many other cities and towns the ration is even less. The shortage in the countryside, therefore, cannot be made up by reducing supplies to the cities. We can cut back the per-person ration by only a very small amount a month. If we reduced it by, say, 0.03 kg. per month, that would give each peasant only an additional 0.006 kg.

Since the source of cooking oil lies in the countryside, the only way of dealing with the shortage there is to increase the output of oil-yielding crops. Accordingly, the government is urging peasants who have been growing large quantities of such crops to continue doing so and to sell more to the state, in order to meet its need and the need of the urban population. It is also urging those who have not done so before to start growing these crops at the edges of their fields or on wasteland, so that by next harvest every household will produce enough oil for its own use and in future may even be able to sell some to the state. We believe that if we take appropriate measures, the peasants throughout the country will cooperate with the government, and the shortage of cooking oil will gradually be eased.

As we institute the system of planned purchase and supply of grain and oil-yielding crops, state stores have monopolized a wider range of products and begun ordering more of them from private manufacturers nationwide to ensure supplies and to keep commodity prices stable. These measures are necessary, and they are also in the interest of the people.

But this has brought about a major change in commercial relations. When the state monopolizes a product, private wholesalers find it difficult to replenish their stock and may even be driven out of business. And under the system of planned supply of grain, cooking oil and cotton cloth, private retailers selling those goods become agents for the state stores. The current state policy towards these private merchants is as follows. Wholesalers who can continue operating should be allowed to do so. Some of them can act as wholesalers for the state stores. Those who can change their line of trade should also be allowed to do so. Employees (including persons who hold responsible positions in capitalist enterprises) who have lost their jobs and cannot find new ones should, if they wish, be trained and employed by state companies and cooperatives. They should then receive the same wages and

benefits as other staff working there. Private retailers who are willing to observe the regulations governing agents for state stores and cooperatives may be given goods to sell on commission and may make a reasonable profit. Of course, those who do not observe the regulations or are found guilty of larceny or embezzlement will be liable to punishment by the state.

That is all I have to say about planned purchase and supply. Any deputy who wishes to take issue with my remarks is welcome to do so.