

The CCP Central Committee's Distribution of Li Fuchun's "Concluding Remarks at the First National Industrial Conference"

(May 25, 1951)

To all Central Bureaus, and through them to Sub-Bureaus, Provincial Committees, Municipal Committees (large and medium cities), and District Committees:

The Central Committee agrees with Comrade Li Fuchun's concluding remarks at the First National Industrial Conference. You are to distribute this to all industrial management departments, party groups of trade unions, and responsible comrades in all state-owned industrial and mining enterprises. Organize them to study and analyze it, so as to improve factory management. This piece may be published in internal party journals but must **not** be published in publicly available newspapers or journals.

Central Committee

May 25

Li Fuchun's Concluding Remarks at the First National Industrial Conference

(March 6, 1951)

This is the first national industrial conference. After seventeen days of discussions in plenary and smaller sessions, the issues that can be concluded at present are summarized in the following six points:

1. Industrial Production This Year

The 1951 production control targets for state-owned industry have been determined after discussion and revision. Compared to 1950, the production levels of major products should reach the following levels (1950 output = 100):

Product	Index (1950 = 100)	Product	Index (1950 = 100)
Pig iron	128	Antimony	114
Steel ingots	141	Cotton cloth	131
Rolled steel	143	Tin	127
Gasoline	143	Automobile tires	275
Copper	120	Coal	110
Electric motors	138	Paper	133
Lead	122	Electric power	131
Transformers	155		
Zinc	498	Crude oil (state + private)	122.6
Cement	131		
Tungsten	116		
Cotton yarn	130		

From these figures, we can see that this year's production targets exceed those of last year by a considerable margin. These targets are based on real conditions and production policies.

China's fundamental problem today is not an oversupply of industrial goods, but a **shortage**—especially after land reform, which has liberated rural productivity. Agricultural production is quickly recovering, and peasant purchasing power is gradually increasing. Urban-rural trade is becoming more active, and the domestic market is expanding. If we experience two or three successive good harvests, industrial goods—particularly those suited to rural needs—will be in even greater short supply. Therefore, industrial planning and organization must focus on **growth**, linking supply, production, and sales, and overcoming conservatism and blind production.

If certain products currently face oversupply (e.g., matches) or lack raw materials (e.g., cigarettes), then moderate production limits may be necessary to balance supply, production, and sales. Otherwise, overproduction or raw material shortages could disrupt production and destabilize markets. Even in these cases, we should anticipate changes and encourage coordinated growth of supply, production, and sales—only then will industrial production stay aligned with national economic recovery and development.

To support this policy and ensure alignment among supply, production, and distribution:

- Agriculture must increase output of cash crops (cotton, hemp, tobacco, sugar, leather, wool).
- Industry must increase output of raw materials and semi-finished goods.
- Encourage thrift and innovation.
- Conduct thorough inventory checks and allocate materials wisely.

On the production side:

- Mobilize workers' enthusiasm and creativity.
- Break outdated production norms.

- Oppose shoddy goods and improve product quality.
- For popular products with stable material supplies, fully utilize equipment capacity to meet defense and livelihood needs.

On the distribution side:

- Adhere to national pricing policies.
- Coordinate public and private commerce.
- Expand direct sales.
- Promote domestic goods and oppose pro-American consumerism (“everything American is better”).
- Open up domestic markets to ensure balanced industrial growth.

2. Coordination with Financial and Economic Work

To meet this year’s targets and develop future production, economic policies must align with industrial goals. For example:

- **Trade:** Industrial and commercial profits must be differentiated; processing fees should be calculated from real production costs with reasonable profit margins to enable accumulation and reinvestment. Import profits on industrial raw materials should not be excessive.
- **Finance:** The People’s Bank of China’s credit policies (interest rates, loan terms, amounts, procedures) must vary according to the importance of industries. Industrial loans should be increased appropriately.
- **Transport:** Guarantee freight for production. Freight rates should consider industrial production costs.
- **Taxation:** Tax rates and categories must support production. These issues should be addressed post-conference by the relevant departments.

3. Implementation of Production Targets

Once targets are set, industrial ministries and administrative regions must assign production goals to each factory or mine. Leaders should organize all workers to prepare concrete plans—from the enterprise level upward—for production, labor, supply, costs, and finance, according to GAC Financial and Economic Committee templates. This is necessary for implementing **economic accounting systems**.

2. Basic Construction for This Year

The determination of this year’s basic construction projects and the allocation of investment ratios is based on two primary considerations:

On the one hand, China has a vast territory and abundant resources, but its economy is underdeveloped and unevenly developed. After years of war, everything needs rebuilding. On the other hand, industrial development requires clarity on resource availability, substantial funding,

advanced technology, and large numbers of technical personnel—all of which we currently lack. Many underground resources have yet to be properly investigated, and even our understanding of existing above-ground equipment capacity remains inadequate.

U.S. imperialism is waging an aggressive war in Korea and actively seeking to expand that aggression. In order to strengthen national defense, the country must maintain a certain level of defense capability. Although the funds available for construction today far exceed those during any year of the reactionary regimes, they are still insufficient relative to national development needs.

Therefore, **this year's basic construction** must be approached from a **nationwide perspective**—a holistic view that begins with the needs of developing the national economy and strengthening defense. The strategy should be **planned, focused, cooperative, and gradual**, with efforts concentrated on a few critical infrastructure projects that are urgently needed for defense and people's livelihoods. These efforts should help us gain experience and lay the groundwork for long-term construction in the future.

We cannot attempt to do everything at once and end up accomplishing nothing. A tendency toward impatience for quick success or overly ambitious, large-scale expansion must be guarded against. Narrow perspectives in economic planning, mechanical balance-seeking, and reckless adventurism are all harmful.

Investment Priorities

This year's basic construction control figures are drawn from the draft outline of the Three-Year Plan, meaning they take into account both long-term development needs and this year's capabilities and priorities.

Investment is focused primarily on:

- Steel
- Fuel
- Power
- Railroads

These sectors must advance ahead of others to ensure the broader development of industry.

Secondarily, attention is given to areas critical for improving people's daily lives and cultural development over the next few years, such as:

- Water conservancy
- Textiles
- Papermaking

After further discussion and revisions, the investment distribution across industrial sectors is approximately as follows:

Heavy Industry – 52.2%

- Steel Industry – 32.9%

- Non-ferrous Metals – 4.7%
- Chemical Industry – 3.6%
- Machinery Industry – 5.5%
- Building Materials – 1.2%
- Electrical Equipment – 3.1%
- Other – 1.2%

Fuel Industry – 18.0%

- Coal – 6.6%
- Electricity – 9.6%
- Petroleum – 1.8%

Textile Industry – 16.2%

- Cotton Textiles – 11.0%
- Wool Textiles – 0.4%
- Other – 4.8%

Light Industry & Food Industry – 6.2%

- Papermaking – 2.4%
- Rubber – 1.2%
- Weights & Measures – 0.3%
- Sugar – 1.3%
- Cigarettes – 0.7%
- Other – 0.3%

Resource Exploration – 5.0%

Other – 2.4%

Administrative and Organizational Measures

To complete this year's basic construction plans, we must **establish and strengthen** administrative, design, and enterprise-based construction bodies at all levels within industrial departments. Since **civil construction** represents a large portion of basic construction, it must be handled with seriousness. The following proposals are made:

1. **The GAC Financial and Economic Committee** should establish a **Bureau of Construction Industry Management**, to oversee and plan national public and private construction activities.

2. **Each central industrial ministry and the industrial departments in large administrative regions**, if necessary and feasible, may—upon approval from the GAC Financial and Economic Committee—establish **construction companies** to handle their own construction projects.
3. **Provinces and industrial cities** with relatively large construction activity may, upon approval, set up dedicated **construction agencies** to enhance management over public and private construction.
4. The **GAC Financial and Economic Committee** will issue **registration regulations** for public and private construction, building, and engineering companies. Each province and municipality will be responsible for registering and reviewing existing public and private construction firms, organizing and leading the qualified ones, and eliminating the unqualified, with the goal of organizing and upgrading all existing construction capacity within **two to three years** to meet future construction needs.

On How to Properly Plan and Organize Basic Construction Projects

The Northeast Industrial Department has already produced a fairly complete summary on how to correctly plan and organize basic construction projects. The issues and experiences they presented are universal and can be applied nationwide, so I won't go into detail here. I will only point out two key points:

1. The **fundamental experience** is the **enterprise-based approach to basic construction**. All principles of economic accounting should be applied within basic construction as well.
2. All projects must **strictly follow the basic construction procedures** laid out by the GAC Financial and Economic Committee, in order to **prevent rework and waste**.

3. The Issue of Local Industry

Local industry plays an important role in the development of the national economy. The development of local industry brings **at least four key benefits**:

1. It can **accelerate the pace of industrial development** and meet the needs of the local population, especially the **peasants**.
2. It **strengthens the power of the socialist state-owned industrial sector**, enabling it to truly lead other economic sectors within the national economy.
3. It can **accelerate the capital accumulation** of state-owned industry.
4. It **activates local initiative** and mobilizes more manpower, financial resources, and materials for industrial development.

Therefore, we must adopt a **positive policy toward local industry** and encourage all levels of local government to run industries. The direction for managing local industry should be:

1. **Focus on the countryside**, producing both consumer and production goods that meet the needs of the rural population.
2. **Support national enterprises** by acting as auxiliary processors and assistants.
3. **Utilize local raw materials** as much as possible.

4. Emphasize **small- and medium-sized industries**, particularly light industries for civilian use, that are feasible given local financial and human resources.

To avoid **blind expansion**, local industrial production and construction plans should be included within the **national plan**. Before the central government is able to formulate a comprehensive plan that includes local industry, these plans should be **reviewed at each administrative level**, approved by the **financial committee of the major administrative regions**, and **reported to the relevant central industrial ministries and the GAC Financial and Economic Committee** for record and review.

As for the **scope of operations** for local industries, in addition to existing ones, we are now identifying several general categories for future development. These are not strict limits, but general guidelines:

1. **Independent power plants** not connected to the main electrical grid.
2. Operation of **small mines** (small mining areas).
3. **Ironworks** producing farm tools and small metal products.
4. **Construction materials industries**, such as brick and tile kilns, sawmills, etc.
5. **Textile and knitting mills**.
6. **Civilian clothing and bedding manufacturing**.
7. **Food processing industries** needed locally.
8. **Paper mills and printing/stationery businesses**.
9. **Chemical industries** that produce household goods.
10. **Local public utilities** and other light industries needed locally but that the central government is currently unable to organize.

Funding and Support for Local Industry

The development of local industry should **mainly rely on locally accumulated funds**, with **private investment** also welcomed. To encourage local initiative and promote the rational development of local industries, **the central government should provide support** under suitable conditions:

1. **Surplus production equipment** owned by the state can be allocated—based on local construction plans—for use in local industrial development. Local governments would either pay **annual depreciation fees** or treat this as a form of **state investment** in local industry.
2. **Technical guidance and assistance** should be provided by the central industrial ministries.
3. **Trade departments and banks** should offer as much **support and assistance** as possible to local industries.
4. Profits from local industries should, **for a certain period**, be **exempted from being turned over to the state treasury**, and instead be used for **expanding reproduction and reinvestment**.
5. A **leadership system** for local industry should be established, to strengthen both **policy guidance** and **management support**.

4. Learning to Manage Operations and Implement Economic Accounting

Implementing **economic accounting** is one of the **main national financial and economic tasks** for this year, and it was also the most frequently discussed topic at this conference.

Economic accounting is the fundamental principle for managing state-owned enterprises. Its purpose is to, under the **centralized guidance of national planning**, encourage initiative and a strong sense of responsibility in each enterprise, improve labor productivity, increase output, enhance product quality, eliminate waste, reduce costs, accelerate the turnover of capital, and increase national capital accumulation. This, in turn, will **guarantee the expansion of industrial reproduction** and **improve the material and cultural living standards of workers**.

The State's Implementation of Economic Accounting for All State-Owned Enterprises

The state manages all state-owned enterprises through **five key methods** to implement the system of **economic accounting**:

1. **Planned management** – This means assigning tasks to enterprises regarding **increasing production** (in quantity, quality, and variety), **improving labor productivity**, and **reducing costs**, while also establishing a **systematic inspection system** to ensure these goals are achieved.
2. **Providing enterprises with necessary fixed and working capital** – Enterprises whose capital allocations have not yet been determined should immediately undergo a thorough **asset audit** to verify capital levels. Any **excesses or shortages** should be **adjusted centrally by the state or the local government** responsible for the enterprise.
3. **Implementation of an independent accounting system** – All credit for state-owned enterprises is to be **centralized under the People's Bank of China**. Enterprises will be **authorized to transact directly with the national bank**, thereby gradually **enhancing the bank's supervisory role**. Enterprise leaders will be **fully accountable for the profits or losses** of the enterprises under their management.
4. **Autonomous procurement and sales under national planning** – Under the condition that the enterprise has fulfilled the **national balanced plan**, it may **negotiate its own contracts** to sell products and acquire raw materials.
5. **Factory incentive funds** – For enterprises with verified capital and a structured production plan, once the foundation of economic accounting is in place, they may allocate a portion (up to 30%) of **profits exceeding the state plan** to an **incentive fund** for factory rewards. The **GAC Financial and Economic Committee** will issue regulations to implement this incentive system.

By implementing these measures, the **principle of full accountability** of state-owned enterprises to the state is effectively realized. This will encourage enterprise leaders and all staff to **take ownership of their operations**, improve **labor organization**, **use materials more efficiently**, **optimize the use of equipment**, **apply scientific production methods**, and **fully tap the internal potential** of enterprises to fulfill the tasks assigned by the state.

Reforming Enterprise Management Systems and Methods

To match the above principles, **enterprise management systems and methods must undergo a series of reforms.**

The enterprises we are managing today—aside from a few military and daily-use product factories in the old liberated zones—are mostly **former enemy and puppet-owned properties**. To transform these **imperialist and bureaucratic capitalist enterprises** into **new, socialist, people-owned enterprises**, we must **carefully and gradually reform** their **exploitative, oppressive old management systems**.

It is not enough to just change the **bureaucratic management structure and methods**—we must also transform the **corrupt business systems and practices**. Otherwise, we cannot fully implement the principles of economic accounting.

Three Stages of Reform

Based on experience gathered at this conference from across the country, these reforms generally follow **three stages**. To successfully complete these reforms, a **key principle must be upheld: rely on the working class and implement democratic management.**

First Stage: Democratic Reform

This stage is about **planting new ideas and systems and breaking down the old ones**. It is both an **ideological and organizational reform phase**. The main work during this stage includes:

- Repeated **class education** for cadres and workers, and **education on properly managing people's enterprises**, so that all staff understand that **state-owned enterprises have no class oppression**, and they themselves are **masters of the enterprise**.
- Raising workers' **class consciousness**.
- **Abolishing oppressive management practices** (e.g., foreman systems, body searches, etc.).
- **Restructuring old management personnel and organizing the enterprise**, including an **initial wage adjustment** so workers can experience their new role as owners and shift their **attitude toward labor**.

After laying this foundation, it becomes possible to **establish labor unions, factory management committees, and staff representative meetings**, which then lead into **organizing production competitions** to improve productivity.

Experience has shown that to truly carry out these steps and achieve the goals of democratic reform, **several enthusiastic mass movements** are essential.

At present, most of these reforms have already been implemented in state-owned enterprises around the country, but **the depth and quality vary**. Some have not gone far enough. In such cases, this work should be **revisited in the second stage** in order to properly **transform factories and mines**.

Step Two: Establishing New Management Systems and Rapidly Promoting Economic Accounting

For all regions outside the Northeast, the **main tasks to complete in 1951** are:

1. **Prepare detailed plans** for production, labor, material supply, costs, and finances based on planning forms issued by the GAC.
2. **Conduct asset audits** and determine enterprise capital in accordance with methods stipulated by the GAC Financial and Economic Committee.
3. **Establish reasonable and practical average advanced production quotas** based on production competitions and the anti-waste campaign—starting with fixed standards for **quality, quantity, material usage, and labor per product**.
4. **Implement safety protocols** through comprehensive safety inspections, and establish systems for **routine equipment maintenance**.
5. **Establish key responsibility systems**, beginning with the most important and weakest links in each enterprise, such as responsibility for fulfilling production plans, ensuring raw material supply, maintaining product quality, and ensuring workplace safety.
6. **Develop and improve financial and cost management systems**.
7. **Improve statistical work** by strengthening statistical organizations at all levels and the grassroots record-keeping system, in line with the GAC Financial and Economic Committee's reporting requirements.

Accomplishing these tasks will lay a **necessary foundation** for implementing economic accounting. Enterprises within the interior regions should **gradually complete these reforms in line with their specific circumstances by the end of 1951**.

Step Three: Strengthening and Consolidating the Economic Accounting System

For factories and mines where the foundation for economic accounting is already established (such as in the Northeast), the following should be the focus:

1. **Strengthen workshop operations**, extend cost management down to the workshop level, and ensure economic accounting is implemented at every level.
 2. **Improve capital management** and better organize production processes—especially procurement and sales—to eliminate material backlogs, product overstocking, and production waste. **Accelerate capital turnover**, conserve funds, and refine cost accounting at the grassroots level.
 3. **Strengthen technical management**, formulate practical **operational procedures and technical standards**, and establish an **independent and authoritative inspection system** for raw materials and finished products.
 4. **Gradually implement piece-rate wage systems**.
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Economic accounting is **not merely an administrative task**, nor can it be implemented under **bureaucratic management methods**. Leaders of people's enterprises must understand that **to successfully manage a factory or mine and realize its full productive potential**, it is essential to **mobilize the enthusiasm, intelligence, and dedication of all workers**.

This requires a firm **reliance on the working class** and a commitment to **democratic management**.

Enterprise administrators must consciously uphold the following principles:

1. **Consult regularly** with leaders from various sectors and effectively use the **factory management committee** to form a leadership core and harness its power.
2. **Matters concerning the workers must go through the workers**, win their agreement and support, and turn them into **conscious participants** in the enterprise's operations.
3. **Follow the Trade Union Law** in administrative work. The trade union is the **organizer and leader of the masses**, and any action involving the masses should be carried out through it.
4. **Genuinely care about workers' welfare**—resolve issues related to workers' livelihood and health, implement **labor insurance**, and improve **workplace safety and hygiene**.

To encourage **active improvement of enterprise management**, it is stipulated that the **above-plan profits** of state-owned industries for this year and next may be retained and managed by:

- **The central industrial ministries and their specialized bureaus,**
- **Industrial departments and bureaus at the administrative region level,** and
- **Local industrial departments** (for local industries).

The **scope of use** for these profits will be determined by the GAC Financial and Economic Committee. **Annual financial statements** must be prepared by level and submitted to the committee for record-keeping and review.

Economic accounting is the **fundamental law** for managing people's enterprises, but its **specific practices must evolve** with the **development and progress** of enterprises. Therefore, **every enterprise leader** must be able to **analyze their own management practices**, identify current weaknesses, propose new goals, and organize their staff to **continuously advance** the implementation of economic accounting. This way, the **latent potential** of the enterprise can be continually activated, **reproduction can be expanded**, and **workers' welfare can be steadily improved**.

V. How to Organize and Lead Production Competitions

Production competitions are one of the most effective ways to **mobilize and organize workers** to keep enterprises progressing and implement the economic accounting system.

In enterprises, production competitions **reflect rising political consciousness** among the working class and the establishment of a **new work ethic**. The process of competitions evolves from short-term efforts into sustained routines, and from simply increasing labor intensity into **integrating labor with technology**.

The leadership's role is to **understand and guide this process**, helping it move toward **routine** and **technically advanced** development. If not done properly, competitions may become **counterproductive**. Therefore, enterprise leaders should focus on the following:

1. The **goals of the competition** must align with the enterprise's **overall production plan** and address the **most critical or weakest links**. Clarify specific competition objectives for each phase and location to avoid vagueness and blind enthusiasm.
2. Encourage **integration of labor and technology**—inspire workers to improve tools, operations, and labor organization to enhance productivity. Avoid simply extending work hours, increasing labor intensity, or focusing only on quantity while neglecting quality.
3. **Spread the experience** of advanced workers and production teams—this is a good method for developing production competitions.
4. Use competitions to **establish and improve management systems**, create **new technical standards and quotas**, and encourage **contracts and collective agreements** to foster **coordination and unity** between workers, staff, and departments.
5. **Establish a fair rewards system** during competitions.

Leadership of Production Competitions

The issue of leadership in production competitions is closely tied to the **historical process of enterprise reform**.

When a factory or mine has **not yet undergone basic democratic reform** in its management system, when the **new structure has not been firmly established**, when the **administration lacks experience**, and when **trade union organizations are still underdeveloped**—with **unclear division of labor** between administration and trade union—yet all enterprise matters still require the **strength of the workers** to resolve, then **leadership of production competitions must be a joint responsibility** of both administration and the trade union.

Otherwise, not only will it be difficult to launch effective competitions, but the **intended goals** of the competitions will also not be achieved.

However, once the enterprise's **management is on track**, the **administrative leadership has gained some experience**, and the **trade union organization is relatively sound**, then the **initiation and organization of competitions can and should be led by the trade union**.

Production competitions concern the **overall operation of an enterprise**, and therefore require **unified planning and arrangement by the factory management committee**, with **division of duties and cooperation across departments**. The **mobilization and organization of workers for competitions should be carried out by the trade union**. The **administration**, on the other hand, must **promptly propose production plans and current priorities**, take responsibility for **raw material supply and product quality control**, and **coordinate efforts** to ensure the **smooth progress** of competitions.

VI. Wage Issues

The **complexity and lack of uniformity** in the national wage system has **historical causes**. Additionally, the **standards of living, transportation conditions**, and the **pace of industrial recovery and development** differ across regions.

Therefore, the wage issue must be addressed through a policy of **gradual cleanup, adjustment, and unification by region**, while also **urgently resolving** some of the more pressing problems and **preparing the groundwork** for eventual nationwide wage standardization.

Under this principle, the **unification of the national wage system** will generally proceed in **three steps**:

Step One: Regional Adjustment

When carrying out regional and sector-specific adjustments, the following principles should be observed:

1. **Regions with relatively high wages** nationwide will **not receive wage increases**, except for **correcting irrational cases**.
Regions with relatively low wages may receive **rational adjustments** and **appropriate increases**.
2. In regions undergoing **appropriate increases** (such as **the Northwest and Northeast**), attention should be given to the following:
 - Use the **local standard of living** as the basis, and consider that of neighboring regions when determining basic wages.
 - Focus first on adjusting the wages of **technical staff and essential skilled workers**.
 - Internally, focus on correcting **notable wage disparities** without creating major fluctuations; externally, ensure **wage levels are not overly out of step with low-salary public employees**.
3. **All adjustment plans** must be **reported to and approved** by the **GAC Financial and Economic Committee** before implementation.

Additionally, adopting the "**wage point**" as a **national standard unit of calculation** is necessary as a **preliminary step toward wage unification**. After the conference, the **Ministry of Labor**, in cooperation with the **All-China Federation of Trade Unions**, will draft specific measures and submit them to the **GAC for approval**.

Step Two: Implementing the Eight-Grade Wage System

All enterprises that have implemented the economic accounting system should be **prepared to adopt the eight-grade wage system**. This will begin to **address wage policy issues** such as **egalitarianism and confusion**, and will **encourage workers to improve their skills and technical knowledge**.

Step Three: Implementing the Piece-Rate Wage System

Enterprises that meet the conditions for piece-rate wages—**especially those where production quotas and cost standards are relatively fixed**, and **technical processes and independent inspection systems are well-developed**, and where **supply, production, and sales are balanced**—should **gradually implement** the piece-rate wage system.

China's industrial development remains **uneven**, and **the pace of enterprise management reform varies**. Therefore, a **unified national wage system** will only be possible once **all enterprises are capable of implementing either the eight-grade wage system or the piece-rate wage system**.

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