

# GUIDING PRINCIPLES FOR NEW CHINA'S ECONOMIC DEVELOPMENT

*June 1949*

At the Preparatory meeting of the CPPCC

1. The War of Liberation is drawing to an end and has already been concluded in part of the country. The task of confiscating bureaucrat-capital and reforming the land system has been completed in some areas and will soon be completed in the rest. The crucial question for the future is how to rehabilitate and develop China's economy.

2. Economic development is a new problem for our Party, and we are not well prepared for it. Our cadres are not familiar with economic work and are especially lacking in business know-how. To this day, we still have no accurate data on China's economic situation.

3. Ours is a large country with a backward and unevenly developed economy. Most of the areas lag far behind the Northeast in economic growth. When the reform of the land system has been completed, bureaucrat-capital has been confiscated and the economic privileges of imperialists in China abolished, our economy will revive and expand rapidly. How will China develop its own economy under the leadership of the Communist Party? What line will it adopt to this end?

4. After the rule of the imperialists and the Kuomintang has been overthrown, the national economy of new China will comprise the following five sectors:

- (a) the state-owned sector;
- (b) the co-operative sector;
- (c) the state-capitalist sector;
- (d) the private capitalist sector; and
- (e) the small commodity and semi-natural sector.

In addition, there will remain some kinds of purely natural economy, but these are not very significant.

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An outline of a report distributed within the Party.

5. Of these five economic sectors, the last one is absolutely predominant. The co-operative sector is very small, but it can develop very fast. State capitalism also constitutes a very small part, but is capable of considerable expansion through organization. Being composed of both the nation's bureaucrat-capital and big enterprises which will be taken over in the future, the state-owned economy will assume substantial proportions, though it will constitute only a small part of the whole. The take-over will, however, place the economic lifelines in the hands of the state, so this sector will play a leading role in the national economy. The above five economic sectors comprise what we call a new-democratic economy under the leadership of the proletariat and the Communist Party.

6. Contradiction and struggle exist within the new-democratic economy. It is the struggle between the socialist factors and trend on the one hand and the capitalist factors and trend on the other, or, in other words, the struggle between the proletariat and the bourgeoisie. It will constitute the fundamental contradiction within new China after the elimination of the imperialist and feudal forces. The future of China hinges on whether this contradiction and struggle will lead to a socialist or capitalist society. We hold that the new-democratic economy is transitional in character and that it will last much longer in China than in the People's Democracies in East and Central Europe.

7. In the struggle between these opposites, the co-operative sector has a vital role to play as the "aide" of the state-owned sector of the economy. The state-capitalist sector can also play the role of an "aide" to some extent, but the small commodity and semi-natural sector is a vacillating force. The new-democratic state-owned sector under the leadership of the proletariat is a socialist economy, the state-capitalist sector is very similar to it and the co-operative sector is socialist in varying degrees. The private capitalist sector is the foundation for the development of capitalism. While, on the one hand, the large number of independent small producers can accept different forms of co-operation, on the other, they "*engender* capitalism and the bourgeoisie continuously, daily, hourly, spontaneously, and on a mass scale".<sup>247</sup>

8. In accordance with the foregoing analysis, we think that the principles guiding economic development in new China should be as follows:

At present and for a period immediately after the war, the development of all five economic sectors should, generally speaking, be en-

couraged so as to heal the wounds of war as quickly as possible and to restore economic activities which have been hampered or interrupted. An exception should be made for those economic undertakings which engage in speculation or are harmful to the new-democratic economy and the people's livelihood. In the course of this development, priority should be given to the state-owned sector. Co-operatives should be set up everywhere and the co-operative sector should be closely linked with the state-owned sector. We should give assistance to the independent small producers so that they will gradually move towards co-operation. We should work to bring into being the state-capitalist sector while, at the same time, allowing the development of the private capitalist sector on condition that it benefits the new-democratic economy and the people's livelihood. As for those enterprises that are monopolistic in character, they should be taken over step by step and managed by the state, or should be operated in state-capitalist form under the supervision of the state. All economic undertakings which engage in speculation and are harmful to the national economy and the people's livelihood should be prohibited by law. In other words, our aim is to make a gradual and steady transition to socialism as conditions permit, by increasing the socialist factors in the national economy step by step and by improved planning. This transition will involve long, fierce and arduous struggles. We are faced with the same question — Who will triumph over whom? — which Lenin raised during the period of the New Economic Policy in the Soviet Union.<sup>248</sup>

9. We shall be taking over quite a number of large enterprises from the Kuomintang government and the war criminals, and we shall gradually nationalize imperialist-run enterprises in China, or put them under state supervision. There will not be many big, privately-owned enterprises left. Railways, banks, foreign trade, the postal and telecommunications services, the iron and steel, salt and cigarette industries, most of the mines, shipping, the textile industry, etc. will be run by the state or come under state supervision. The problems confronting us at present are: (a) we have not yet worked out comprehensive economic policies and plans; (b) our cadres do not yet know how to manage the economy and many of the best are busy fighting and so have no time to study the subject; and (c) national economic organs under unified leadership have not yet been set up, so state-owned enterprises in various places and under various departments, often found in a state of disorganization and anarchy, compete with each

other, leaving the businessmen and capitalists to profit as a result. The Central Committee will soon issue its resolutions on the principles governing our economic development, including the establishment of economic commissions at the national, provincial and county levels, departments of finance, industry, railways, shipping, postal and telecommunications, agriculture and commerce as well as a national bank and banks for special purposes. Companies and trusts<sup>249</sup> will be set up in different branches of the industry to manage state-owned factories and mines. A proper relationship should be established between enterprises at the national, provincial, county and municipal levels.

10. We have organized many mutual-aid working teams in areas where agrarian reform has been completed. We shall organize on an extensive scale consumers' co-operatives, agricultural supply and marketing co-operatives, handicrafts co-operatives and mutual-aid working teams. We shall run schools to train cadres and we will establish both a national leading organ to direct the co-operatives, and a national co-operative bank.

11. In view of China's special conditions, we think that it is both possible and necessary to adopt various forms of state capitalism on a large scale. This includes the state leasing the means of production to private enterprises and placing orders with them to process materials or manufacture goods. There are a few enterprises already operating in this way.

12. In the light of the development of state and co-operative businesses, an appropriate rationing system should be put into effect with regard to some goods, so as to ensure the needs of the troops, workers, office personnel and students. The policy of regulating market prices should be carried out against profiteers. It is necessary to expand state and co-operative businesses so that they will take the place of private businesses in an ever enlarging sphere. This will contribute to the rehabilitation and expansion of agriculture and industry and to the accumulation of funds for building state industry. Only after we have accumulated funds for a long period of time, built up state industry and made all-round preparations, can we launch the first socialist offensive against the urban bourgeoisie, that is, nationalize big, privately-owned enterprises as well as some of the medium-sized ones. Only after we have greatly expanded heavy industry and are able to produce large numbers of farm machines, can we cope with the economic practices of the rich peasants in the rural areas by socialist means, that is, collectivizing agriculture.

13. Obviously, the assistance that the proletariat of the Soviet Union and the East European countries will render to the Chinese proletariat is of great significance to the development of our economy and the fulfilment of the tasks mentioned above. I believe their assistance may include experience, technology and funds. In addition to this support, there should be a certain amount of mutual assistance in terms of a limited range of goods and materials. If there is a lot of such support and assistance, China will be able to move towards socialism more speedily.

14. Two erroneous tendencies should be combated in our future economic development. One is the tendency towards capitalism. This means regarding our economic development policy as one aimed at promoting an ordinary capitalist economy, pinning all hopes on the growth of the private capitalist sector, making unprincipled concessions to capitalists, yielding to the weaknesses of the petty bourgeoisie and trying — wittingly or unwittingly — to turn China into a bourgeois republic. Such a tendency would inevitably lead to the restoration of semi-colonial and semi-feudal rule. This is the bourgeois or petty-bourgeois line which relinquishes the leading position of the proletariat in building an economy of New Democracy. The other is the tendency towards adventurism. This means going beyond realistic limits in drawing up economic plans and measures by trying to bring in too many socialist measures too early and without preparation. This can lead to forfeiting the support of our Party by the peasants and small producers, thus undermining the alliance between the urban proletariat and the peasants and courting the failure of the new-democratic political regime led by the proletariat. Hence in our future economic development we must constantly wage struggles on two fronts and against these two tendencies so as to ensure implementation of the correct policy of building the economy.