

~~CONFIDENTIAL~~

Nº 101

ECONOMIC INTELLIGENCE REPORT

ECONOMIC ASPECTS  
OF COMMUNIST CHINA'S COMMUNES



CIA/RR 59-31  
August 1959

CENTRAL INTELLIGENCE AGENCY  
OFFICE OF RESEARCH AND REPORTS

~~CONFIDENTIAL~~

**W A R N I N G**

**This material contains information affecting the National Defense of the United States within the meaning of the espionage laws, Title 18, USC, Secs. 793 and 794, the transmission or revelation of which in any manner to an unauthorized person is prohibited by law**

C-O-N-F-I-D-E-N-T-I-A-1

ECONOMIC INTELLIGENCE REPORT

ECONOMIC ASPECTS OF COMMUNIST CHINA'S COMMUNES

CIA/RR 59-31

CENTRAL INTELLIGENCE AGENCY

Office of Research and Reports

C-O-N-F-I-D-E-N-T-I-A-L

C-O-N-F-I-D-E-N-T-I-A-L

FOREWORD

The purpose of this report is to describe the development of the Chinese Communist communes in their first year of existence and to analyze their economic effects. Because the communes themselves are in a period of consolidation and redefinition of function, some of the material is speculative. The final form of the commune has not yet taken shape, and we can count on the Chinese leaders to be creative and flexible in adjusting their policies pragmatically to meet changing economic conditions. Where appropriate, data are qualified or labeled as tentative, and alternative explanations are advanced for features of the communes that are either unclear or unsettled. This report describes, in turn, the genesis of the swift campaign that brought about the establishment of communes (II, below), the organization and methods of operation of the communes (III, below), and the probable economic effects of the communes (IV, below) and considers the current problems and future course of this revolutionary Chinese Communist institution (V, below).

C-O-N-F-I-D-E-N-T-I-A-L

C-O-N-F-I-D-E-N-T-I-A-L

CONTENTS

	<u>Page</u>
Summary and Conclusions . . . . .	1
I. Introduction . . . . .	3
II. Establishment of Communes . . . . .	4
A. Predecessors of the Communes . . . . .	4
B. Genesis of the Idea of Communes . . . . .	4
C. Growing Awareness and Acceptance of Communes . . . . .	5
D. Beachhead in the Urban Areas . . . . .	6
E. Period of "Tidying Up" . . . . .	7
III. Organization and Operation of Communes . . . . .	8
A. General Structure . . . . .	8
1. Size . . . . .	8
2. Membership . . . . .	9
3. Top Administrative Layer . . . . .	10
4. Lower Layers . . . . .	11
5. Role of the Party . . . . .	12
B. Agriculture . . . . .	12
C. Industry, Including Handicrafts . . . . .	14
D. Commerce . . . . .	17
E. Finance and Credit . . . . .	18
F. Services . . . . .	20
G. Planning and Statistics . . . . .	22
H. Militia . . . . .	23
I. Others . . . . .	23
IV. Economic Effects of Communes . . . . .	24
A. On the Economic Control Structure . . . . .	24
B. On the Allocation of Economic Resources . . . . .	24
C. On Agricultural Production . . . . .	26
D. On Industrial Production . . . . .	27
E. On the Accumulation of Real Capital . . . . .	28
F. On the Distribution of Income . . . . .	29
G. On Economic Self-Sufficiency . . . . .	30
H. On the Growth of the Population . . . . .	31
V. Current Problems and Future Course of Communes . . . . .	31

C-O-N-F-I-D-E-N-T-I-A-L

C-O-N-F-I-D-E-N-T-I-A-L

Appendixes

	<u>Page</u>
Appendix A. Chronology of the Establishment of Peoples Communes in Communist China, by Major Event, July 1958 - June 1959 . . . . .	35
Appendix B. Chronology of the Establishment of Peoples Communes in Communist China, by Area, April 1958 - June 1959 . .	41

50X1

Diagram

Following Page

Simplified Administrative Structure of a Commune .	12
--	----

C-O-N-F-I-D-E-N-T-I-A-L

C-O-N-F-I-D-E-N-T-I-A-L

ECONOMIC ASPECTS OF COMMUNIST CHINA'S COMMUNES\*

Summary and Conclusions

Communes -- the new monolithic political-economic-social units of Communist China that are consolidating all previous controls at the local level under one tightly knit semimilitary authority and are rapidly remolding the way of life of 660 million people -- were introduced in mid-1958 in response to the great problems in the organization and control of the economy which had resulted from the rapid but uneven increases in production of the "leap forward" program. So swift was the development of the new commune system that by early November the regime could claim that 99 percent of the rural population had been organized into 26,500 communes averaging about 4,750 households each. This amazingly rapid growth is explained partly by the energy put into the commune program by a hard-driving leadership, partly by the fact that many of the new communes were coextensive with existing hsiang (townships) the governmental apparatus of which was readily appropriated, and partly by the fact that the majority of communes were set up hastily, with details of organization and operation being left for the future.

The communes in mid-1959 range from a few fully developed model communes in which the future life of the whole rural population is probably foreshadowed to organizations that exist merely on paper and in which previous modes of living under the old agricultural producer cooperatives (APC's) have not yet been disturbed. Most communes lie in between, not in a stable state but moving rapidly toward the ideal commune. Speakers at the National Peoples Congress in April 1959 spoke of the necessity of a rather prolonged period of "tidying up" the existing rural communes, and, accordingly, the extension of the system to urban areas will probably be postponed for some months. But it appears inevitable that urban areas will ultimately be subjected to the same program, although the leadership will encounter much more formidable political and economic problems in establishing communes in urban areas than in imposing the system on the countryside.

The essence of the commune is that there is brought together in a single center of authority almost all power over the economic, political, and social life of several thousand rural households. This power is being used to (1) consolidate the control of the central leadership over

---

\* The estimates and conclusions in this report represent the best judgment of this Office as of 15 June 1959.

C-O-N-F-I-D-E-N-T-I-A-L

C-O-N-F-I-D-E-N-T-I-A-L

the planning and managing of local economic activity, at the same time delegating decision-making in day-to-day operations to the commune; (2) mobilize the vast manpower resources of rural Communist China and maintain -- by means of an almost incredible intensification of the pace of work -- the "leap forward" program in agriculture, industry, and construction; (3) maximize the margin between total output and consumption in the rural areas by allowing consumption to increase only to the extent required to obtain a reasonably well-nourished and contented labor force; (4) eliminate the vestiges of private enterprise and private control over consumption and greatly reduce the ability of people to survive in the interstices of the society; and (5) destroy traditional family life and replace it with a communal life -- communal messhalls, dormitories, nurseries, tailor shops, and the like -- that could have been taken directly from George Orwell's 1984.

Chinese Communist propagandists at first claimed that the communes were an important shortcut to Communism. They publicized as one of the goals the distribution of income according to need rather than productive ability and strongly implied that they were in the vanguard of the march to the brave new world, ahead of their doctrinally softer comrades of the Sino-Soviet Bloc. This challenge to Soviet ideological leadership appeared for a short time to be a threat to the unity of the Bloc, but a bland restatement and cutting down of claims by the Chinese Communist leaders restored harmony, at least on the surface. In addition to their retreat on the ideological front, the Chinese Communist leaders also have retreated somewhat in their efforts to change greatly the traditional mode of family life and to eliminate immediately the remaining fragments of private property, but it is believed that the concessions are temporary and designed to meet the short-run problem of how best to maintain the intensive pace of the "leap forward" program through 1959.

The long-run economic significance of the communes lies in their role in speeding up the industrialization of Communist China. With small regard for human costs, the leaders of China have plunged ahead on a revolutionary course from which there is no easy turning back, and, so far, they are succeeding in their scheme to drive the Chinese people ahead at a frenetic, yet increasingly disciplined and coordinated, pace.

With respect to the allocation of economic resources, the communes, because of the greater breadth of their control, have proved to be a potent force for either better or poorer use of resources. At first the communes appeared to aggravate, rather than solve, the problems of allocating resources raised by the "leap forward" program -- for example, thousands of rural people were mobilized for industrial or construction tasks while rice stood unharvested in the field. For the

C-O-N-F-I-D-E-N-T-I-A-L



C-O-N-F-I-D-E-N-T-I-A-L

long run the communes appear to be a very effective mechanism for implementing the economic plans and policies of the regime. Whether or not the results will represent a rational use of resources will depend mainly on (1) the soundness of the plan directives imposed on the communes from above and (2) the extent to which the top leadership feels constrained to use an all-out mobilization psychology to stimulate lagging enthusiasm even at a considerable cost in efficiency.

---

## I. Introduction

In the summer of 1958 the attention of both the Communist and the non-Communist worlds was captured by the announcement by Communist China of a tremendous drive to organize a new form of totalitarian institution -- the "peoples commune." By early November 1958 the regime could claim that virtually all of the overwhelmingly rural population of China lived in communes of one form or another. Conclusions as to the meaning of this drastic recasting of Chinese society were varied and, in some cases, extreme, partly because the concurrent crisis in the Taiwan Straits was used by Communists as a goad in the organization drive for communes. The dramatic aspect of the situation was increased by the fact that the commune movement appears to have little or no precedent in the history of the evolution of the USSR. The Chinese Communists could legitimately claim to have made a substantial contribution to the "science" of Marxism-Leninism. Isolated statements made in the first flush of enthusiasm, however, left the implication that this new contribution, in contrast to the Soviet experience, was an alternative and shorter road to the attainment of Communism. By the end of 1958, however, such statements, which reflected unfavorably on the role of the USSR as the leader of the "Socialist camp," were carefully refuted by the regime.

Another aspect of the impact of the commune movement was the real or apparent association of the new institution with the remarkable economic growth which took place in Communist China in 1958. The present and future operations of the communes will be closely observed by those underdeveloped nations of Southeast Asia and Africa in which problems of maximizing economic growth on primarily agricultural bases are similar to those prevailing in China. The degree of success obtained by the Chinese Communists in changing China from a backward, agricultural country into a modern, industrialized state through the instrument of communes may well determine whether other underdeveloped countries will elect to continue to approach the problems of economic development within a democratic frame of reference or will choose to follow the totalitarian alternative exemplified by Communist China.

- 3 -

C-O-N-F-I-D-E-N-T-I-A-L

C-O-N-F-I-D-E-N-T-I-A-L

The Chinese Communist communes consolidate all elements of political, economic, and social life at local levels under total state authority. Communes were established initially with the objective of maintaining the momentum of the "leap forward" program, which had run into organizational difficulties in the countryside and which needed a shot-in-the-arm. Although communes remain primarily a rural phenomenon, the regime continues to experiment with the extension of the communal form to the urban population. The semimilitary organization, which is a distinguishing feature of communes, not only facilitates mobilization of manpower for the tasks of production and aids in controlling consumption but also affects such highly individual activities as leisure and rest and appears to have gravely weakened the family as the basic unit of Chinese society.

## II. Establishment of Communes

### A. Predecessors of the Communes

The greatly stepped up tempo of production and construction in Communist China under the great "leap forward" of 1958 brought with it serious problems in the organization, coordination, and control of economic activity, especially in the countryside, where the ability of Peking to direct economic affairs had always been weakest. In an attempt to determine the best organizational forms for combining rural agriculture and industry as well as for bringing financial, commercial, and administrative activities into harmony with the expanded activities in agriculture and industry, experiments with different forms of organization were being carried on in early 1958 just before the formal establishment of communes. One major type of reorganization was the amalgamation of several small APC's into one large APC. This amalgamation was often synchronized with the merging of hsiang, as in Liaoning Province in May 1958. 1/\* The other form of experimental reorganization was the merging of a credit and a supply and marketing cooperative with one or more APC's in the same area to form what might be considered an incipient form of commune. In addition to these mergers of cooperatives, public services -- messhalls, nurseries, and other facilities -- were set up in some rural areas to free more people, especially women, for full-time work in agriculture and industry.

### B. Genesis of the Idea of Communes

Even though communes now appear to be a quite logical development in the light of economic developments during the past few years, there is no tangible evidence to indicate that communes were planned



50X1

C-O-N-F-I-D-E-N-T-I-A-L

C-O-N-F-I-D-E-N-T-I-A-L

or even well thought out before their establishment on a broad scale. Their emergence in mid-1958 took place, according to T'an Chen-lin -- at this time the most prominent spokesman on agricultural problems -- "precisely because the development of China's productive forces at the present stage demanded a change in the relations of production." <sup>2/</sup> More specifically it has been claimed that APC's were unable to accumulate sufficient capital to finance the large capital construction projects planned for 1958. The labor force of APC's also lacked the degree of mobilization and flexibility required to carry out large-scale projects and agricultural tasks as well as to operate the small-scale industrial installations which APC's and local governments were beginning to finance and construct in growing numbers.

Illustrating the suddenness of the actual launching of the commune movement was the absence of any published reference to communes -- let alone a preparatory publicity campaign -- until the publication of the 1 July 1958 issue of the leading theoretical journal, Hung Ch'i (Red Flag).<sup>\* 3/</sup> In an article describing an outstanding agricultural cooperative in Hupeh Province, Ch'en Po-ta, the journal's editor and the personal mouthpiece of Mao Tse-tung, wrote that "a cooperative which is changed into a fundamental organizational unit which includes both agricultural cooperation and industrial cooperation, in reality, is a peoples commune which combines both industry and agriculture."

In the following issue of 16 July, Ch'en Po-ta quoted Mao as having said that the general direction should be gradually to "organize industry, agriculture, commerce and trade, culture and education, and the militia ... into a large commune."<sup>4/</sup> Although it is not certain when Mao made this statement about communes, it is believed to have been in May 1958 at the Second Session of the Eighth Party Congress or earlier and is the earliest evidence of identification of top leadership with the commune movement.

### C. Growing Awareness and Acceptance of Communes

After July 1958, other Party leaders began to make reference to communes, their approval becoming more and more enthusiastic as the movement gained momentum. T'an Chen-lin, for example, pointed out the "inadequacies in the original size, management, and distribution systems for agricultural cooperatives" which had led to the establishment in certain areas of "a kind of comparatively high-level communal form."<sup>5/</sup> A short time later T'an quoted Mao as having called for the organization of "large communes as the basic units of our society."<sup>6/</sup> Liu Shao-ch'i referred favorably to the new institution in

\* For a chronology of the commune movement, see Appendixes A and B.

C-O-N-F-I-D-E-N-T-I-A-L

C-O-N-F-I-D-E-N-T-I-A-L

the 30 July 1958 issue of Jen-min Jih-pao (Peoples Daily), describing them in great detail although not using the term "commune." 7/

The commune movement, off to a slow and uncertain beginning in the early summer of 1958, received its first major stimulus from the well-publicized tour of Mao in August. Mao toured Honan, Shantung, and Hopeh, visiting communes and commenting favorably on them. The real commitment to the commune -- from which there could be no turning back -- came, however, with the Politburo meeting held in the latter part of August 1958 in Pei-tai-ho, Hopeh, to coordinate and standardize the now fast developing commune movement. On 29 August the famous "Resolution of the Central Committee, CCP, on the Establishment of Peoples Communes in the Rural Areas" 8/ was adopted, describing the developing commune movement; the size, organizational structure, and operation of the ideal commune; the method of establishment; and the significance of communes in the ideological framework of current socialism and future Communism. Following wide dissemination of the resolution in early September, a "high tide" developed, and by the end of September more than 26,000 communes had been set up, embracing 122 million households -- about 98 percent of all peasant households.

Spearheading the commune movement was the highly publicized Wei-hsing (Sputnik) Model Commune. Wei-hsing, claimed as the first commune in Communist China, was reportedly set up in April 1958 through the merger of 27 APC's, which together embraced 9,369 peasant households. This amalgamated cooperative -- later called a commune -- is located in Sui-p'ing Hsien, in Honan. During the early days of communalization, every aspect of Wei-hsing's organization and operation was given the widest publicity, and there was a flurry of sweeping generalizations based on the typical conditions of one or two show-piece communes. The majority of communes were only "paper communes" at first. In fact, these communes were not expected to be more than that, according to the August resolution, which stated: "In the first period of the merger, the method may be adopted of 'changing the upper structure, while keeping the lower structure unchanged' ... to make sure of avoiding any adverse effect on production." 9/

#### D. Beachhead in the Urban Areas

The apparent quick success of the commune movement in the countryside created enthusiasm in some official quarters for the development of urban communes. Mao wanted an extension of the communalization process into urban areas "as a necessary step in the drive towards total state ownership." 10/ Whole cities (perhaps with a substantial piece of the surrounding countryside) or parts of cities were to become communes. In October the Secretary General of the Secretariat of the Party's Central Committee, Vice-Premier Teng Hsiao-p'ing, lent his weight in calling for further establishment of

C-O-N-F-I-D-E-N-T-I-A-L

C-O-N-F-I-D-E-N-T-I-A-L

urban communes on an experimental basis. Before long, however, reports of disenchantment came from the cities. It became quickly evident that communalization of the urban areas would be decidedly more difficult than that of the countryside, and an official halt was therefore called in the Party resolution of 10 December 1958.

Although the resolution called for future large-scale establishment of urban communes "only after rich experience has been gained," it was not long before urban communalization was again actively undertaken, at least in certain areas. With little or no publicity, the communalization of 97 percent of the total urban population of Honan Province was accomplished by mid-January 1959. 11/ Honan is not very highly urbanized and is only an experimental area. Generalizations based on its experience might be amiss, but the regime appears to be ideologically committed to urban communes. Their development could begin in earnest at a future time when the problems in the organization and operation of rural communes have been brought under control.

#### E. Period of "Tidying Up"

Communalization of the Chinese countryside was basically completed by mid-October 1958. A few provinces moved slowly at first -- Yunnan, for example -- but progress generally was quite impressive. Because communes were organized in such a hurry, a consolidation campaign was started in December 1958 and is continuing as of June 1959. In Honan the Party felt that educating the peasants on socialism and Communism was the "primary step for improving and consolidating peoples communes." In Kiangsu, it was believed that "higher production is the key to consolidation of peoples communes."

Whatever the emphasis, large inspection teams were sent out to investigate commune management and operation throughout the country. Cadres were "sent down" to communes from urban areas to aid in strengthening commune operation. The cadres were expected to gain a better understanding of commune problems, and their experience -- although this aspect has not been mentioned in Chinese Communist publications -- could prove useful in the event of a concentrated effort to communalize urban areas in Communist China.

At the National Peoples Congress in April 1959, the rapid pace with which communes had been established in rural areas was highly praised, but the necessity for a continued "tidying up" of the system was admitted. Elements in the "tidying up" are as follows: (1) the transformation of communes that are mostly on paper to full-fledged communes, including the integration of financial and commercial activities with production activities (the degree to which each activity is brought under control varies with the activity -- for instance, the

C-O-N-F-I-D-E-N-T-I-A-L

C-O-N-F-I-D-E-N-T-I-A-L

formation of standardized statistical and planning departments has still not been carried out in many communes); (2) the consolidation of central control over the functioning of the communes (an example in point is the development of a system of contracts among communes that will permit a more smoothly functioning specialization of production); (3) the growing insistence on establishing goals in agriculture that have a reasonable chance of being fulfilled; (4) the reduction of wasteful expenditures of manpower and raw materials and the concentration upon achieving efficiency (in an effort to avoid spoilage of crops and other wastes in agriculture resulting from allocation of a large proportion of the rural labor force to non-agricultural production, 80 percent of the manpower in rural areas is now supposed to be concentrated on agricultural pursuits); and (5) the partial retreat from the extreme measures taken to break up the prevailing structure of the family (this retreat probably represents a "one-step-backward, two-steps-forward" program and serves the present purpose of conciliating the rural population, whose cooperation is needed to maintain the momentum of the "leap forward" through 1959).

### III. Organization and Operation of Communes

#### A. General Structure

##### 1. Size

Whereas many of the preceding APC's had as few as 150 households, the average commune had 4,000 or 5,000 households when first established. Communes vary greatly in size, however, from province to province and within any given province. At the end of September 1958, for example, the communes in Kwangtung averaged 9,845 households each, whereas those in Kweichow embraced only 1,413 households. <sup>12/</sup> The average size of communes in the remaining provinces lay between these two extremes.

The great majority of communes were first established on a hsiang (township) framework. The Party resolution of August 1958 stressed the unity of hsiang and communes. The resolution recommended the merging of several hsiang where appropriate in sparsely populated areas and the formation of communes on this enlarged base. The advantages of the "one hsiang - one commune" arrangement were that the administrative structure and personnel of the political unit (hsiang) could be transferred intact to the new communes, thereby reducing disruption of economic activity during the height of the crop season. The August directive also stated, however, that federations of communes throughout the hsien (county) on a hsien-wide basis would be the preferred structure as the movement progressed. In September, Li Hsien-nien

C-O-N-F-I-D-E-N-T-I-A-L

C-O-N-F-I-D-E-N-T-I-A-L

called for the establishment of these hsien federations, to be followed ultimately by complete amalgamation into larger hsien-wide communes -- "one hsien - one commune" -- after basic financial and economic problems of the member communes had been worked out. 13/

Because the eventual form which rural communes are expected to assume is based on the single hsien, and because there are now probably fewer than 2,000 hsien, a considerable degree of amalgamation of the 26,500 communes must eventually take place. Although there has been no announced decrease in the national total of communes, recent reports from several provinces indicate that the amalgamation has already begun.

At present, then, there are three different patterns of organization of the communes. The great majority are -- or at least started out -- on a hsiang-wide basis. The second pattern is a transitional stage, namely, the organization of these hsiang-wide communes into federations which loosely tie together all communes in a hsien area. The third pattern is believed to be the pattern of the future, the hsien-wide commune. In December 1958 it was reported that in Honan Province -- which is in the forefront of the commune movement -- there were 6 hsien-wide communes, 95 hsien-wide federations of communes, and 1,242 individual communes with an average of 8,000 households each. 14/

## 2. Membership

Citizens 16 years of age and older are allowed to become full members of communes, and noncitizens such as former landlords and rich peasants are allowed to become "unofficial members" until such time as their political rights are restored.\* The right to vote and to participate in the supervision of commune affairs is restricted to commune members, but unofficial members "may enjoy the same economic treatment as full members." Both full members and unofficial members are enjoined to carry out commune resolutions, observe labor discipline, and protect public property.

Upon establishment of communes, APC's have been required to transfer their collectively owned property to communes. The shares held by former cooperative members no longer bear interest. Except for a "small number of domestic animals and fowl," members are required to turn over such privately owned property as land holdings, large farm tools, and livestock. Livestock and holdings of trees, however, have been considered as investments in the new commune for which

\* Much of the information in this report about the organization structure of communes is based on the draft of the regulations governing the model Wei-hsing (Sputnik) commune. 15/

C-O-N-F-I-D-E-N-T-I-A-L

C-O-N-F-I-D-E-N-T-I-A-L

compensation is to be paid. Much unfavorable criticism of the loss of private property -- as well as examples of decreases in output attributable to neglect of property under communal control -- appears recently to have brought about a more lenient attitude in regard to private property. The most important recent concession to private initiative is the granting of permission for individual raising of hogs. Up to 5 percent of the commune's acreage, but no more than 0.2 mou\* per hog, may be assigned to support individual hog-raising. If there is continued failure in the collective raising of meat animals and in the collective growing of vegetables and other subsidiary foods, there may be further relaxation of private property privileges. In general, however, the long-run trend during a decade of Communist control over the mainland has been a squeezing out of elements of private ownership, and any respite given private property under the communes should be regarded as a temporary tactical retreat (except perhaps in certain limited areas of economic activity, like the raising of livestock, where collective ownership has repeatedly failed).

### 3. Top Administrative Layer

The top layer of the administrative apparatus of a commune consists of the chairman of the commune, a congress of the commune elected by commune members for a 2-year term, and an administrative committee elected by the congress. The congress, which includes representatives of all sections of the people -- women, youth, old people, cultural and educational workers, medical workers, scientific and technical workers, managers, agricultural and industrial workers, and minority people -- is nominally the locus of highest authority in the commune, outside the local Party apparatus. From analogy with similar organizations within the nations of the Soviet Bloc, it is believed, however, that the congress actually has no power at all. Its members are in effect designated from above rather than elected from below; they have their own daily jobs and problems and assemble only once or twice a year; and their role is presumably limited to applauding the top functionaries and voting "aye" after perfunctory discussion of the proposals thrust on them from above.

The chairman of the commune is considerably more independent. He is responsible for the over-all direction of the commune and appoints the heads of the staff departments and production brigades under which the commune operates. He heads the standing committee of the administrative committee of the congress. Although the announcements about communes often refer to the powers and responsibilities of the "commune committee," it is believed on the basis of fragmentary information about the activities of the chairman that his

\* 1 mou is equivalent to 0.1666 acre.

C-O-N-F-I-D-E-N-T-I-A-L



C-O-N-F-I-D-E-N-T-I-A-L

power is closer to that prevailing under "one-man rule" rather than that prevailing under a "first among equals" relationship.

Attached to the top layer are staff departments, each covering an important area of the commune's activity -- such as agriculture, industry, commerce, finance, credit, communal services, planning and statistics, and militia. Although the organization of communes is not yet thoroughly shaken down, it is believed that these departments will not ordinarily function as line operating departments but will confine themselves to the technical direction of their representatives in the production brigades and production teams. Included under technical direction would be the promulgation of standard operating procedures, the introduction of technological change, and the support of emulation campaigns and other "leap forward" techniques.

#### 4. Lower Layers

Below the top administrative level is the production brigade, and below the production brigade is the production team.\* The size of the brigades and teams depends on the region in which the commune is located, the density of population, the degree to which the commune program has been pushed, and other local factors. As to a general idea of the size of brigades: in Kiangsu the production brigades at present are to have approximately 500 households and the teams 50 households; and in March 1959, in Chen-lai Hsien in northern Kirin, there were 8 communes, 35 production brigades, 361 production teams, and 29,309 households. 16/

The primary task of the production brigade is agricultural production, but the production brigade is also charged with the management of industry, commerce, education, and all other economic and welfare activities within its jurisdictional area. In some regions the principal task of a brigade could be forestry, or the raising of livestock, or even mining or industry.

The production brigade in many instances has apparently taken over the personnel and assets of one or more of the former APC's together with the commercial, financial, and welfare people formerly in the area of the APC's. The brigade constitutes a unified "accounting center," although profits and losses are pooled in the commune as a whole. In some cases the production brigade has appeared amazingly autonomous in its operations, as in those instances when it has been granted authority to draw up production contracts directly with state commercial organizations or to receive directly

\* For the internal organization of the commune, see the diagram, following p. 12.

C-O-N-F-I-D-E-N-T-I-A-L

C-O-N-F-I-D-E-N-T-I-A-L

the budget subsidies that have been recently authorized to aid poorer communes. Because this kind of bypassing of the top administrative layer of the commune brings into question the raison d'être of the commune itself, it is believed that control over the policies of the production brigade by the top administrative level of the commune will have to be very clearly established in the future.

Under the production brigades, at the lowest level of authority, are the specialized production teams. Production teams carry out agricultural, industrial, and construction tasks under the direct control of the brigade.

The internal organization of the commune, as described to this point, is in three tiers. When several hsiang-wide communes are amalgamated into a hsien-wide commune, a fourth tier of control is introduced. The new structure presumably would consist of (a) the top administrative layer, (b) administrative districts (the former hsiang-wide commune), (c) production brigades, and (d) production teams.

#### 5. Role of the Party

The Chinese Communist Party plays a prominent role in commune administration, but whereas all other elements -- such as agriculture, industry, commerce, finance, credit, communal services, planning and statistics, and militia -- are designed to be subordinate in the monolithic structure of the commune, the Party remains a separate -- and superior -- element. Each commune has a Party committee, headed by a secretary. In addition to several departments at headquarters, the Party generally sets up branch committees in both the production brigades and the production teams. The commune Party committee reviews major problems in commune administration, directs propaganda within the commune, sees to it that state procurement quotas are being met, and performs the function of an inspector general, acting as the agent of the central Party apparatus. In some cases the secretary of the local Party unit is also chairman of the commune, and in these cases the separation of commune and Party lines of control is not fully realized. This blending of commune and Party control, however, is diametrically opposed to the Party line 17/ and may be expected to diminish once the communes become established on a more solid basis.

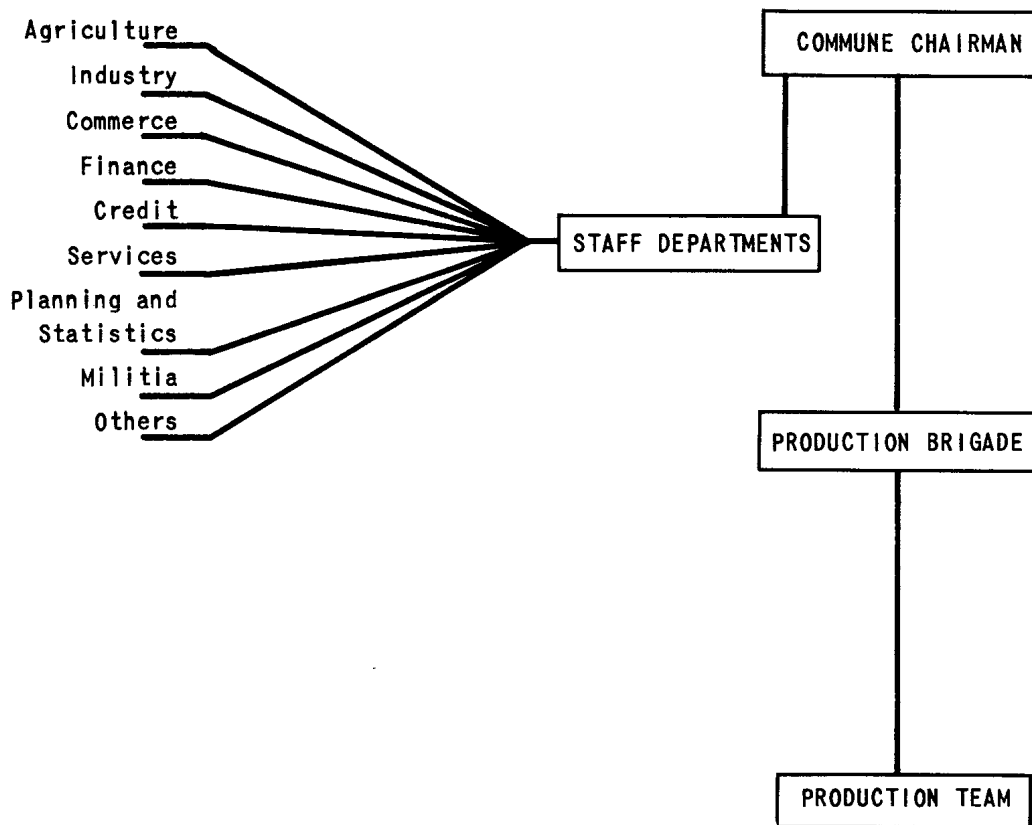
#### B. Agriculture

Before communes were established, state plans for agricultural production were primarily limited to indirect planning through the setting of national goals such as average yields and sown acreage for

C-O-N-F-I-D-E-N-T-I-A-L

**CONFIDENTIAL**

**SIMPLIFIED ADMINISTRATIVE STRUCTURE OF A COMMUNE\***



*\* The organizational structure of the communes has not yet been shaken down, and in some communes the specialized staff functions are apparently not clearly distinguished from the line operating functions.*

**CONFIDENTIAL**

C-O-N-F-I-D-E-N-T-I-A-L

major crops. The principal points of contact of the state plan with the local levels were the quotas set for the collection of taxes and for the purchase of major agricultural commodities. Now, however, in addition to their role as basic production units, communes are also basic planning units, linked directly to the hsien Party committees and the state planning organs. The result is a simplification of planning procedures and a strengthening of control.

Since the establishment of communes, attempts have been made to determine the most efficient system of control over agricultural production. In Shantung, the experience of which is probably applicable to most of the country, the commune is expected to draw up plans and set targets for the production brigades and production teams. Such plans are to be drawn up "on the basis of unified state plans and on the principle of suiting local conditions," with preliminary consultations held at all levels before the final plans for the communes are established. Once goals are set, however, the brigades and teams are then required to make detailed arrangements to guarantee the fulfillment of their quotas. In some communes a system of internal contracts between the top administrative layer and subordinate production units has been instituted for this purpose. This development may reflect the increase in size of the communes to the point where control by the top layer over actual production becomes more and more a matter of formalized administrative procedure.

In their work for 1959, communes are generally planning to continue three of the mass campaigns which characterized the "leap forward" of 1958 -- conservation of water, collection of fertilizer, and the introduction of improved farm tools on a large scale. Communes are expected to offer considerable advantages over APC's in carrying out large-scale irrigation, reclamation, and flood control construction projects. With greatly increased labor force units resulting both from the amalgamation of APC's and from the establishment of public service facilities, the typical commune immediately gains the potential benefits of labor mobility and flexibility. With more efficient use of the labor force, less capital will be required to achieve the same results in large-scale irrigation and water conservation tasks. With a more rational allocation of land, including the elimination of many field boundaries, a more efficient program for conserving water should be possible. The task of the communes in making additional gains comparable to those of the 1957-58 campaign is a difficult one, because the pay-off from further extension of irrigation diminishes as the program advances into less and less tractable areas. The introduction of improved tools on a wide scale is considered a basic step in the long-range drive toward the mechanization of agriculture, a goal once set for as late as 1977 but now

- 13 -

C-O-N-F-I-D-E-N-T-I-A-L

C-O-N-F-I-D-E-N-T-I-A-L

moved up to the Second Five Year Plan in some areas. 18/ The campaign to invent new farm tools, to improve old ones, and to mechanize as many agricultural operations as possible received a great amount of publicity in 1958. The campaign will probably become more urgent in 1959, when demands on the labor force are likely to increase still further. Results could be increasingly effective, however, with the establishment of industrial facilities to support the program and improved channels for distribution of the equipment. In general, however, technological developments in agriculture in Communist China will continue to follow for a long time the principle of the combination of small amounts of relatively simple capital equipment with large amounts of labor.

As mentioned above, one of the most important contributions expected from the communes is the fuller use of the labor force. Off-season agricultural labor is to be used in operating the new small-scale industrial facilities of the communes. The need for properly planning the efficient use of the large pools of manpower on communes was stressed early in the campaign and has continued to be stressed. In spite of such emphasis, however, instances of improper and inefficient allocations of a rapidly tightening labor supply\* have frequently been reported, especially in the case of the harvest of grain and cotton crops in late 1958. Premier Chou En-lai, at the National Peoples Congress in April 1959, claimed that the number of people engaged in agriculture "should not in general be less than 80 percent of the manpower available in the countryside." 19/ This statement was a sharp reversal of earlier plans to divide commune manpower about equally between agriculture and industry.

#### C. Industry, Including Handicrafts

The industrial activity of communes is considered one of their major responsibilities and also one of their most important advantages. The combined ideological and economic importance of such industry to communes was editorially stated as follows: "In order to develop the economy of the peoples communes rapidly at the present stage and reduce step by step the differences between city and countryside and workers and peasants over a longer period, it is necessary to carry out the industrialization of the peoples communes." 20/

\* In a study on Communist China a distinction should be made between two meanings of the term shortage of labor: (a) the meaning according to which labor in the aggregate is scarce relative to land and capital (a situation which does not exist in Communist China); and (b) the meaning according to which labor has been subject to high-pressure mobilization for many competing purposes in which large amounts of labor can be readily used (a situation which does exist in Communist China).

C-O-N-F-I-D-E-N-T-I-A-L

C-O-N-F-I-D-E-N-T-I-A-L

The December Party resolution on communes pointed out more specifically the mission of commune industry: "Industrial production of the peoples communes must be closely linked with agricultural production. It should, first of all, serve the development of agriculture and the mechanization and electrification of farming; and, at the same time, it should serve to meet the demands of commune members for daily necessities, and serve the great industries of the country and the socialist market." 21/

Industrial production by communes is only indirectly guided by the state plan at the present time. Industrial production goals are indirectly levied on communes by means of contracts drafted between the communes and state commercial organizations down to and including the hsien level. In the communes, industrial planning may be carried out on two levels -- the top administrative level and the production brigade. The commune is charged with the fulfillment of state plan quotas, which it has contracted to meet. The commune also exerts direct control over the plans for major plants and mines under its jurisdiction as well as over plan targets for capital construction and the production of important products. The production brigade is required to fulfill the production and construction targets transmitted down from the top layer of the commune, and the brigade transmits this pressure to its production teams.

Commune-directed industry covers many types of activity, including iron works capable of forging and repairing farm tools; producer goods plants producing such materials as cement, fertilizer, and iron and steel; small powerplants; plants to supply semiprocessed materials to larger industrial enterprises; and plants producing consumer goods such as processed foods, textiles, footwear, paper, and household furnishings. Farm machinery plants and traditional fertilizer plants\* are the most common types of industrial facilities at the present time.

When communes were set up, the full-time production activities of handicraft cooperatives and the part-time handicraft pursuits of APC members came under the control of communes, and many small installations became "industrial plants" overnight. By late 1958 the fantastic figure of 6 million local industrial facilities were claimed to be under the operation of communes and hsien governments. 22/ Some

\* In traditional fertilizer plants, various types of organic or inorganic materials are combined at a low technical level -- for example, the process may be the crushing of phosphate rock or the mixing and fermenting of human or animal manure.

C-O-N-F-I-D-E-N-T-I-A-L

handicraft production, formerly included in the output of the agricultural sector, now appears to be classified as industrial production. "Handicraft" production, under that name, seems to have all but disappeared from the rural scene with the advent of communes.

There are several other reasons for the changing status of the part-time production activities carried out by peasants. The mass labor projects of the communes have had priority and have quite effectively prevented the peasants from working at their traditional spare-time pursuits. The decline of the household as the basic unit of rural labor, the practical cessation of household agricultural production, and the institution of public service facilities on a wide scale have prevented the continuation of many of the former spare-time activities by individuals.

The extreme limitation on spare-time production activities of individuals -- an effort which was in part devoted to the production of supplementary foods such as vegetables and meat -- was a contributing factor to the serious difficulties in food supply which arose in the fall of 1958. Similarly, the former spare-time output of "handicraft" products suffered. Increased emphasis has since been placed on the development of all types of so-called sideline occupations, under centralized commune control. The policy of developing a diversified economy has been stressed, and a greater effort to produce much-needed consumer goods of a handicraft or home-industry nature should take place as a result, but on a more carefully planned basis than previously and with wages often replacing profits as an incentive. The economic setbacks which result from upsetting the traditional balance of peasant off-season labor comprise a lesson which the regime appears to have forgotten -- the same type of shortage occurred in 1956 as a result of the intense collectivization and construction drive during the winter of 1955-56.

The native iron and steel campaign of 1958 was a much propagandized activity which began on APC's and under local governments as a part of the "leap forward" and continued on communes after their establishment. Thousands of small blast furnaces sprang up like mushrooms throughout the countryside, often in out-of-the-way locations. About 175,000 small native furnaces were reportedly in operation by September 1958.

The campaign was a huge propaganda success, and the small furnaces even produced about one-third of the total pig iron output of 1958. But there were many shortcomings in the campaign; men and materials (notably coal) were inefficiently used, transportation problems were created, and the quality of the steel was generally poor.

C-O-N-F-I-D-E-N-T-I-A-L

As a result, many of the inefficient units have been shut down in 1959. Where locational factors permit, however, a native furnace may become the nucleus for a small mill.

D. Commerce

The commercial departments of communes were formed by taking over the supply and marketing cooperatives, which previously had constituted the component of the state-controlled system which distributed the bulk of consumer goods and farm tools and supplies in rural areas. The funds of the former cooperatives became the operating funds of the commune commercial departments, the personnel of the cooperatives were transferred to the communes, and the commercial functions of the cooperatives were assumed by the communes. The commercial departments, although within the commune administrative framework, operate under the direction of the state commercial departments and maintain separate accounting systems, but profits from the commercial departments are remitted to the commune.\*

The first responsibility of the commune commercial department is to fulfill the quotas for purchases by the state. The department is also charged with the purchase and sale of commodities normally distributed through the market. In keeping with the principle that they should not be allowed to increase their income through excessive commercial profits, communes are required in all their transactions to abide by the procurement prices and retail prices set by the state.

The December resolution on communes pointed out that, although communes should develop production which directly meets their own needs, they should also act to increase production of commodities for which they have a natural advantage. Such commodities would be exchanged with other communes and with state-owned enterprises. Through exchange the communes could get the machinery and equipment needed to improve agriculture as well as obtaining the consumer goods required to meet the needs of commune members. To insure fulfillment of plans for commodity exchange, the institution of an extensive system of contracts between the state and the communes and among communes was called for in the December "Resolution to Improve Commune Finance and Commerce." 23/

\* Once more we have the problem of dual control over an economic organization -- in this instance, subordination of commercial departments to the commune's administration, on the one hand, and to the central apparatus controlling commerce, on the other. It is believed that, if the communes are to play their fundamental role as the single tightly knit unit of control -- which is assigned all responsibility at the local level for directing an economy in miniature -- they must have a stronger hold over commercial activities than they now appear to exercise.

- 17 -

C-O-N-F-I-D-E-N-T-I-A-L



C-O-N-F-I-D-E-N-T-I-A-L

State plans at the national, provincial, and even at the hsien levels include targets only for comparatively important industrial and agricultural products. Contracts concluded under the new system have, however, the intent of encouraging the production and distribution of many types of less important products which are nonetheless important consumer items. The contracts cover a vast range of materials and commodities, stipulating the type, amount, quality, time of delivery, and means of transport in most cases. In producing the commodities under contract, communes are supposed to receive strong support from the hsien commercial departments in the form of "technical guidance, financial aid, and supplies of raw materials." Although it is not clear how much freedom is allowed or how widespread the practice, production brigades in communes are allowed to sign contracts directly with state commercial departments.

#### E. Finance and Credit

Financial work is carried out by the financial and credit departments of the individual communes. Although both departments control commune funds, each has its distinctive functions. The financial department controls the financial income and expenditures of the commune. Commune income is derived primarily from the sales of products, and expenditures are primarily for capital construction, for wages, and for purchases from the outside. The credit department accepts deposits and makes interest-bearing loans to commune operational units for use as working capital in agricultural and industrial production and in commercial activities. In May 1959, permission to extend credit to individuals for the purchase of piglets was one of the measures taken to stimulate hog production.

Theoretically the financial and credit departments are mutually supporting as the credit department can concentrate all temporarily idle capital which cannot be mobilized by the financial department and then can lend this capital to other departments where needed. Credit departments have been established in the communes through the absorption of the personnel, fixed assets, and working capital of the credit cooperatives which formerly existed in the rural areas. The financial workers of former hsiang and hsien governments and of APC's became financial personnel of the communes.

The most important tasks in the financial work of communes, in the order of priority, are the following: (1) the collection of taxes for the state, (2) the accumulation of public funds for the commune, and (3) the distribution of the product within the commune. The basic taxation responsibilities of the communes were laid out in the December financial resolution. <sup>24/</sup> The "one quota" system, called for

C-O-N-F-I-D-E-N-T-I-A-L

C-O-N-F-I-D-E-N-T-I-A-L

in the resolution, represents an attempt to consolidate the various types of taxes, heretofore levied on individuals and organizations now included within the commune, into one single payment levied on the commune as a single tax-paying entity. In computing the "one quota" tax, former agricultural, industrial, and commercial taxes are combined with income from enterprises recently transferred to the commune and income from other sources. Certain administrative and operational expenses formerly borne by the state are then deducted and a portion of the difference forwarded to higher authorities. These funds can be either a fixed amount or an amount proportional to the commune income, with allowance being made for basic natural and economic differences among the various communes. In attempting to equalize tax burdens, the policy is generally to place a heavier burden on richer areas, on areas of industrial crops rather than food crops, and on areas with a greater development of industrial and commercial subsidiary production. 25/ This kind of tax policy illustrates the ability of the state under the commune system to "extract" more resources from relatively well-to-do areas than under the former system of organization.

In addition to assistance in the form of relatively lighter tax burdens, the central government can provide to poorer communes financial assistance such as the 1959 budgetary allocation of 1 billion yuan\* announced in April 1959 at the National Peoples Congress. It should be noted that these same communes might well be paying taxes of that amount or more and that there is, therefore, no assurance as to how much of the 1 billion yuan, if any, is net support.

The second basic task of financial work in communes is internal -- namely, the accumulation and maintenance of (1) public reserves for investment in productive facilities and (2) public welfare funds for the development of facilities for education, health, culture, and other welfare services. Recent editorial comment has demanded that agriculture must be assigned top priority in the allocation of public reserves, and the recent emphasis on manpower allocations seems to bear out such a trend. The periodical Hung Ch'i, in fact, called for the diversion of "superfluous" capital from industry back to agriculture. 26/

The third major responsibility of financial work in communes is the distribution of income to individual members. A great deal of fanfare accompanied the institution of the part-supply and part-wage

\* Yuan values in this report are expressed in current yuan and may be converted to US dollars at the official rate of exchange of 2.46 yuan to US \$1. This rate of exchange, however, does not necessarily reflect the true dollar value.

C-O-N-F-I-D-E-N-T-I-A-L

system in the enthusiastic early days of the commune movement. An ever-increasing portion of an individual's basic requirements for food, clothing, and shelter supposedly was to be distributed on a "free supply" basis, according to need. The peasants soon, however, began to lose the incentives which were more directly encouraged under the labor-day system of remuneration. As a result, there has been a considerable toning down of the "distribution according to needs" since the appearance of the December resolution on communes. Basic supplies may continue to be furnished in a number of instances, but a regular system of wages tied in some way to the individual's level of production generally will prevail, and bonuses and other incentive measures may be expected to increase in order to maintain the productive efforts of the members of the communes. The official policy now appears to be a strong return to the socialist principle of "to each according to his labor." There now seems to be recognition that production is by no means sufficiently advanced to permit consumption to be divorced from production. For example, Peking in May 1959 declared that idle people were not entitled to get food from public stocks.

In December 1958, regulations governing the operation of credit departments were approved by the State Council. <sup>27/</sup> Among important features are the stipulations that all cash deposits and loans handled within the commune will bear interest and that capital flowing between credit departments and upper-level banks will be handled as deposits and loans, with a monthly rate of interest of 0.42 percent. Although discretion may be exercised in granting loans to various commune departments, funds must not be used for capital construction but must remain relatively fluid for continuous support of current production activities and commodity circulation. Beginning in 1959 the interest rates on agricultural, industrial, and commercial loans have been standardized throughout the country at 0.6 percent per month in an attempt to promote uniformity of credit operations between the rural and urban areas. At the same time, interest on savings deposits will be considerably reduced. It is not at present known to what degree individuals in communes are coerced into putting money in savings deposits, although the doubling of the amount of rural savings deposits in 1958 perhaps gives some indication. It hardly seems likely that this aspect of an individual's life will escape the scrutiny of the state.

#### F. Services

One of the most publicized features of communes has been the institution of the public messhalls, which were quickly organized during the early stages of the commune movement. Commune members were generally forced to eat in the messhalls as soon as they were

C-O-N-F-I-D-E-N-T-I-A-L

C-O-N-F-I-D-E-N-T-I-A-L

set up -- to emphasize this policy, household cooking equipment was "donated" to the scrap drive during the 1958 iron and steel campaign. Through the use of messhalls and other public services a large supply of labor, especially female labor, has been released for other production and construction work in the communes. Other advantages are claimed to be better control of food supplies, conservation of fuel, and general improvement in living standards. By March 1959, about 3.6 million messhalls are reported to have been established. <sup>28/</sup> These messhalls serve more than 90 percent of all commune members and have an average of 100 to 150 persons per messhall. There has been some relaxation in messhall membership requirements recently, however, and members in some areas have been allowed to take food home or even to withdraw from membership if desired. There have also been some cases in which commune housing construction has included individual kitchen facilities for each dwelling unit. Whether peasants are eating better or worse in the messhalls depends largely on highly localized economic conditions as well as the time of year and the attitude of the commune's administrators.

Although messhalls are probably the most spectacular form of commune public service, other types of facilities have been established both to release labor and, ostensibly, to improve living standards. Nurseries and kindergartens have been established in both the rural and urban areas, releasing many women for other tasks. By March 1959, nearly 5 million nurseries and kindergartens reportedly had been established, with 70 percent of all the preschool children throughout the country in attendance. <sup>29/</sup> Schools and "colleges" have been established, operated under the basic Communist policy of combining education and production. Many of the schools are boarding schools, allowing more complete control over the part-time educational and part-time labor activities of commune youth.

Other commune public service facilities include tailor shops, laundries, medical and hospital facilities, old people's homes,\* and new housing facilities. The construction of communal housing has probably been the most controversial "service" outside of messhalls. Earlier enthusiasts called for dormitories separated according to sex and ignoring family relationships. Such excesses proved to be

\* Old people's homes are given the deftly ironic title of "happy homes." The general effectiveness with which the regime can squeeze additional productive effort out of the populace is illustrated by the assignment of such tasks as raising chickens to the occupants of "happy homes." The poetic and often humorous phraseology employed by the Chinese Communists in their ruthless march toward their version of the brave new world makes interesting reading compared with the humorless and boorish administrative language of the USSR.

C-O-N-F-I-D-E-N-T-I-A-L

C-O-N-F-I-D-E-N-T-I-A-L

exceedingly unpopular, however, as pointed out in the speech of Tsai Chang, president of the Chinese Womens Federation, at a national conference of women in December. 30/ Tsai Chang demanded that all members of a family be given suitable accommodation together in all plans for new housing in the rural areas. The December commune resolution supported Tsai Chang, and housing now under construction makes allowance for "togetherness." Even before this tactical retreat, it is probable that -- in spite of enthusiastic talk about the breakup of the bourgeois family -- any separation of members of families was almost always caused by assignments to jobs in outlying areas and not by deliberate official policy.

#### G. Planning and Statistics

The commune is an integrated unit for planning purposes and in some respects represents a miniature planned economy. The development of the commune system, however, has not yet proceeded to the point where full-blown planning can be carried out. The commune similarly represents a central unified point of accounting; all statistics on production, income, and expenditures are being (or will be) collected and compiled by the planning and statistics department of the commune. In contrast with the shadowy control formerly exercised by the central government, therefore, the communes provide a potentially effective means of control by the central authorities over agricultural planning and production and over the handicraft sector of the economy.

In the past, reliable statistics on rural production were most difficult to obtain. Effective planning of rural production was not possible. Tremendous numbers of small reporting units that had no established system for keeping records on output or income were involved. The extension of state control into these areas through consolidation of the myriad small units -- APC's, handicraft shops, and small industrial units -- into communes permits the central authorities to control local planning more closely and to obtain statistics on kinds of output that previously had not been adequately covered.

In 1958, however, the "leap forward" program brought about a situation in which planning and statistical reporting increasingly served as propaganda material for the support of emulation drives. Local leaders were encouraged to set high goals in order to promote "production enthusiasm," and the high goals sometimes seemed to acquire gradually the status of actual production achievements. In addition, the system of production was changed drastically, and accounting procedures that had no counterpart in previous economic reporting were introduced. The new accounting procedures tended to measure not only increases in output but also output not included in

C-O-N-F-I-D-E-N-T-I-A-L

C-O-N-F-I-D-E-N-T-I-A-L

previous statistics or output which was achieved at the expense of a decline in farm home industry or other household activities not previously measured. In addition, there has been a chronic lack of statistical workers to cover rural areas in detail, and there have been delays in setting up the planning and statistical departments of communes.

#### H. Militia

Widely publicized during the latter part of 1958, the militia program was established with two announced purposes: to strengthen the production effort and to promote national security. The militia was expected to contribute significantly to national security, both internal and external, but its importance up to now has been primarily in the application of military organization and methods to commune production tasks. The organization of labor into quasimilitary brigades was expected to permit a high degree of mobility, to make adjustment to collective living easier, and to generate an enthusiastic "combat spirit" in production activity. Although more than 18 million commune militiamen are claimed to have been trained by units of the PLA,\* the military character of communes has been considerably deemphasized in the past few months. In fact, it was flatly stated in January that the organization of production along military lines did not imply that communes were "troop camps" or that members were "combatants of military units" but merely that "people must work in a more organized and orderly manner." 31/

#### I. Others

Depending upon size, natural factors, and the complexity of economic operations, the commune may have other staff departments. For example, a commune covering a large area may assign to a transport department the responsibility of coordinating the use of the limited transport facilities -- primarily animal-drawn carts, animals, and men. In a commune which has as a major economic activity the operation of small river boats, the transport department would be among the major staff departments. Similarly, in areas where local conditions favor concentration on activities such as animal husbandry, forestry, fishing, and mining, staff departments for these activities would be established.

Departments of construction and of science and technology might also be set up. The building of dams and irrigation ditches, construction of industrial plants and dwellings, and other construction would come under the general supervision of the construction department. The science and technology department of a primarily agricultural commune would concentrate on the development and introduction of improved farm tools and seeds, better agricultural

\* Peoples Liberation Army.

C-O-N-F-I-D-E-N-T-I-A-L

C-O-N-F-I-D-E-N-T-I-A-L

techniques, and improvements in animal husbandry. This department in a commune with industrial facilities would cover a wider and more complex range of scientific and technological work.

There is in the typical commune a department of internal affairs. So far as is known, this department concerns itself with governmental administrative matters rather than economic matters.

#### IV. Economic Effects of Communes

##### A. On the Economic Control Structure

Communes represent an unprecedented concentration of control over all aspects of economic life in rural areas. Control over agricultural, industrial and handicraft, commercial, and financial activity has been unified through the amalgamation of former APC's and rural commercial and financial organs into the commune structure. Planning is being centralized under the communes, and the system of internal and external contracts is affecting an ever-growing number of productive and commercial operations.

##### B. On the Allocation of Economic Resources

From the economic point of view, the year 1958 was a year of remarkable achievement, but part of the cost of the achievement was a gross misallocation of resources in important sectors of the economy. Three examples follow:

<u>Relatively Too</u> <u>Many Resources Devoted To:</u>	<u>Relatively Too</u> <u>Few Resources Devoted To:</u>
Growing Main Food Crops ... vs ...	Growing Subsidiary Food Crops
Stoking Blast Furnaces ... vs ...	Harvesting Crops
Industrial Production ... vs ...	Transportation

The mobilization psychology of the "leap forward" program was designed to bring forth, above all, more output, and it was hardly to be expected that the program could at the same time preserve the niceties of resource allocation as prescribed in bourgeois economic thinking. The communes, which affected the allocation of resources only in the last few months of 1958, were supposed to reduce the organizational tangles associated with the do-or-die mobilization of resources under the "leap forward" program. It should be noted, however, that the communes were a powerful force for both good and evil. The communes, because of the greater breadth of their control over resources, could make grosser mistakes -- as well as achieve more striking successes -- in the allocation of resources.

C-O-N-F-I-D-E-N-T-I-A-L

C-O-N-F-I-D-E-N-T-I-A-L

The chairman of a commune, for example, could put people on a flood-control project when rice was standing in the field unharvested. The chairman of an APC could not be induced to do this nearly so readily under the old system, and if he did, the consequences would be less widespread. An example of dubious allocation of raw materials is the case of the backyard blast furnaces which used as much as 5 tons of coking coal per ton of crude steel, compared with the 1 ton of coking coal required in modern mills.

In the process of "tidying up" communes, the communes were ordered, as described in C, below, to switch their allocation of manpower between agricultural and nonagricultural activities from 50-50 to 80-20. Even taking into account the fact that these ratios are benchmarks rather than fixed standards imposed on every single commune, it would appear that a more blunt instrument for allocation of labor resources could hardly be devised, because under a rational system of allocation some remote communes should have a 99-1 ratio whereas other communes that contain plentiful industrial raw materials should have a 50-50 or even smaller ratio.

It is therefore evident that sometimes the communes have aggravated the difficulties in allocation of resources, difficulties encountered previously when the regime embarked on the "leap forward" program. In spite of these difficulties the communes on balance increased total output in 1958 above what it otherwise would have been. They introduced a shot of adrenalin into the mobilization program and brought about a considerable intensification of the degree to which resources -- both human and nonhuman -- were worked. It is true that many of the gains are of a once-and-for-all nature, notably the increase in the hours of work and the pace of work, but nonetheless the communes appear to be for the long run an effective instrument for carrying out the economic policies and plans of the regime.

Within the commune itself the possibilities for bettering the allocation of labor, raw materials, and other resources are limited by the nature of directives imposed from above. To achieve a rational use of resources by the communes, the central leadership will have to produce plan directives which take into account the considerable variation in resources among communes. To the extent that a mobilization psychology is considered necessary from time to time to spur enthusiasm for the regime, the rational use of resources will be sacrificed to a considerable degree, but, judging from the experience of the last 4 years, the regime is willing to pay the price.



C-O-N-F-I-D-E-N-T-I-A-L

C. On Agricultural Production

Although much credit is given communes for the bumper harvest of 1958, the specific programs to help agriculture, such as increased irrigation and application of fertilizer and improved techniques of planting and cultivation, were already being carried on before the commune movement began. The record harvest of winter wheat in 1957-58, for example, was achieved before communes were established. The mobilization of men and materials under the commune structure, however, did supply new impetus to the measures already in operation.

The amalgamation of many APC's and supporting rural institutions under central control as well as the release of still greater numbers of workers through the establishment of public service facilities gave communes control over unprecedentedly large and mobile gangs of workers. Hours of work and pace of work greatly increased along with numbers of workers, but so great were the tasks in production and construction that shortages of labor in rural areas replaced the surpluses of 1957. The intensity with which labor was driven in 1958 is illustrated by the warnings given local authorities toward the end of the year to allow peasants sufficient rest to prevent serious fatigue or illness.

Communes, by their very nature, have deemphasized the individual and the household in the production process. It appears now, however, that in order to increase the agricultural sideline occupations that were passed by during the "leap forward" program -- especially the raising of livestock and the growing of vegetables and other subsidiary food products -- more productive latitude will be given individuals and households. In a turnabout typical of Chinese Communist economic policy, small plots of land, fertilizer and feed supplies, and flexibility in work assignments are being given households which raise hogs and other livestock under a policy started in May 1959.

In the early period of communalization a rough rule of manpower allocation within communes was 50 percent to agriculture and 50 percent to industry, construction, transportation, commerce, and other nonagricultural activities. The assignment of millions of peasants to making iron and steel and digging coal, along with the heavy labor requirements of large-scale projects in irrigation and flood control, often resulted in unharvested or poorly harvested crops and a drop in subsidiary agricultural production. Alarmed at this trend, Premier Chou En-lai at the National Peoples Congress in April 1959 called for the assignment of at least 80 percent "of the manpower available in the countryside" to agriculture.

C-O-N-F-I-D-E-N-T-I-A-L

C-O-N-F-I-D-E-N-T-I-A-L

Communes constitute a more effective instrument of economic control over agriculture, not only in the mobilization of labor but also in the introduction of more efficient methods of cultivation, irrigation, and use of fertilizers. Under preceding collectivist and semicollectivist organizations, Chinese agriculture was subject to gradual changes, but the commune system like a gigantic battering ram has broken down resistance to technological change in response to the leadership's drive for more and more change, faster and faster. Eventually -- when the future development of the economy of Communist China permits the allocation of more complex capital equipment to agriculture -- the communes should prove to be an excellent instrument for the mechanization of agriculture.

Communes have encouraged the "leap forward" technique of a highly concentrated effort on a small area with resulting yields that are astounding if true. The success of the highly touted experimental plot campaign of 1958 was apparently responsible for the adoption of the revolutionary policy to reduce sown acreage to one-third its former size and to concentrate an all-out productive drive on this reduced area. This system was put into operation to some extent beginning with the winter wheat crop of 1958-59, but there were complaints in April and May 1959 that the acreage sown to wheat was insufficient after all and should really have been much greater. In June 1959 the policy was officially abandoned. This policy was foolish from the start in view of the existence of a huge rural labor force whose potential was becoming more and more fully mobilized under the commune system.

The experience of 1958 in agriculture -- when the production of basic food crops increased 20 percent, but the production of vegetables, meats, and other subsidiary foods at best held their own -- suggests that (1) the "mobilization psychology" of the communes is best suited for large, relatively simple crops compared with subsidiary agricultural production, and (2) attempts to obtain diversified, balanced agricultural production under the commune system will engender further, limited concessions to private enterprise until the commune system is well enough organized to control efficiently the allocation of labor in detail.

D. On Industrial Production

In 1958, industry which came within the commune system reportedly produced approximately one-third of the nation's pig iron, about 40 percent of its coal, one-quarter of its steel, and considerable quantities of agricultural tools and equipment, fertilizer, and insecticides. Quality was the big problem; for example, the steel produced by the many small and inefficient blast furnaces was almost

C-O-N-F-I-D-E-N-T-I-A-L

universally low in quality. As management and technical skills improve, small-scale rural industrialization should meet many of the local requirements, especially of agriculture, where quantity is more important than quality at this stage of economic development. Commune industry will not, however, supplant larger scale enterprises in the production of products or equipment where higher quality and larger investments are required; but if large-scale industry will not come to the commune, the commune will come to large-scale industry, which may well be organized under communes once the rural areas are digested. In order to avoid in the future the disruption of traditional peasant activities caused by the vigorous channeling of off-season agricultural labor into commune industrial activity in late 1958, a more careful allocation of manpower will be required, with important agricultural activities granted priority. It seems inevitable that -- instead of the development of the all-purpose communal man who can drop his manure dipper and pick up his wrench at the local farm implement plant -- there will be a tendency to develop specialists in certain industrial operations who will gradually lose contact with their original agricultural pursuits.

Many of the so-called industrial enterprises of communes are merely the small and relatively crude handicraft activities which have been carried on for many years. Labor, low-quality raw materials, and some simple equipment were all that were required. Some of these activities will not vary much even when the general level of technology advances, but others will tend toward increased scale, the use of more complex plant and equipment, and the use of raw materials of higher quality and greater variety. Potentially the communes afford the chance for rural areas to provide a large part of their own needs for agricultural tools and supplies, construction materials, and manufactured consumer goods. At the same time, the building up of industry in the communes should help reduce the problems formerly caused by the migration of large numbers of peasants to the cities.

#### E. On the Accumulation of Real Capital

To the extent that the communes live up to their promise of providing an effective system of economic organization, they will bring about substantial increases in agricultural and industrial production and thereby greatly speed up the accumulation of real capital in the economy. Historically, one of the great economic missions of the countryside in the Communist scheme of things has been to supply a margin of product over and above consumption, this margin being necessary to feed and clothe the growing urban population, to finance the import of machinery needed for the industrialization program, and to support a large military establishment. The communes are an excellent instrument for maximizing the margin between

C-O-N-F-I-D-E-N-T-I-A-L

C-O-N-F-I-D-E-N-T-I-A-L

the output of the countryside and its consumption because (1) the greatly increased intensity with which the labor force of the countryside is worked results in more output and (2) the greatly increased control exercised by the commune over individual consumption results in limiting increases in consumption to the level necessary to maintain labor's productive efficiency and to reward hard work (in this connection, the previous situation in which peasants in rich APC's shared fortuitously in the returns from land and capital is being eliminated under the communes).

F. On the Distribution of Income

One of the most revolutionary features of the newly established communes was the institution of a "free supply" system. The regime ordered free grain and other commodities -- the type and amount depending upon local conditions -- to be issued to all peasants regardless of their productive efforts, and it appeared that the system was to be applied more widely once the communes had become better organized and had established additional public service facilities such as messhalls, dormitories, and tailor shops. This new method of distribution was heralded as the first step in realizing the Communist ideal of "to each according to his need." The loss of incentive which immediately followed, however, forced authorities to revert to the previous distribution system under which the distribution is based on productive effort. In those cases in which basic supplies continue to be issued without money payments, it is now clear, first, that the issue will be contingent upon the individual's being productively employed (or grudgingly admitted to be useless), and, second, that the receipt of these supplies will be taken into consideration in setting cash wage payments.

The natural endowments of the former APC's -- especially climate, topography, and soil -- varied considerably. With peasants' income reflecting such conditions, it was impossible for the members of many APC's to achieve more than a bare subsistence standard of living. The basic conditions of communes also vary considerably, but to a lesser extent because of their larger size. With ownership of equipment and control over production more highly centralized than before, with certain basic supplies and services available to all, and with recent plans to aid poorer communes through state budgetary allocations, the productive effort of the individual member becomes the major criterion for determining the monthly wages and bonuses.

With the advent of communes, the advantages of urban over rural living conditions have been reduced. Food shortages and severe rationing in cities during the first half of 1959 have occurred in spite of a claimed bumper harvest in 1958. It is believed that the

C-O-N-F-I-D-E-N-T-I-A-L

C-O-N-F-I-D-E-N-T-I-A-L

rural population has benefited considerably more than the urban population from the estimated 20-percent increase in the production of basic food crops in 1958 and that congestion and delay in transportation caused by the demands of the "leap forward" program on the nation's inadequate transportation network have prevented adequate quantities of grain from reaching urban areas. The shortage of subsidiary food products -- for example, vegetables and meat -- caused by competing demands for the use of peasant labor has greatly curtailed the supply of these products in both rural and urban areas. In spite of the recent improvement in the relative position of rural areas, it will probably require communalization of urban areas and a considerable period of time before the basic superiority of living conditions in urban areas will fade away.

#### G. On Economic Self-Sufficiency

An important economic question is whether or not the commune is inherently a self-sufficient economic unit. A related question is whether or not the policies of the regime call for an all-out effort to achieve economic self-sufficiency in the communes. The monolithic structure of the commune organization itself -- its tightly knit control over all facets of human activity and human existence within a given geographical area -- is a giant step toward self-sufficiency. The fact that for generations the rural areas of China have raised their own food, sewn their own clothes, and fashioned their own tools and utensils is another important basis for self-sufficiency. And as for present-day motives for economic self-sufficiency, the specter of atomic warfare makes attractive the idea of a society the central nervous system of which is composed of sections of ganglia, each section capable of an independent existence when cut off from the central brain. This point was raised by the regime itself during the Taiwan Straits crisis of 1958.

The major factor in Communist China's economic situation that runs counter to the idea of self-sufficiency in the communes is the general necessity for each commune to specialize in a type of output for "export" to other parts of the economy for use in the industrialization program -- for example, a "cotton commune" might have as its reason for being the ability to supply raw cotton for use in the mills of Shanghai. Perhaps a compromise on the issue of self-sufficiency will come about -- namely, a policy that each commune is expected to take care of the daily needs of the people but will depend on the outside for at least the complex types of capital equipment and industrial products and will in turn send out ever-increasing supplies of foodstuffs and raw materials for the support of the industrialization program. Evidence of such a compromise is the present policy of becoming self-sufficient in vegetables but dropping production of

C-O-N-F-I-D-E-N-T-I-A-L

C-O-N-F-I-D-E-N-T-I-A-L

industrial products -- like native steel -- in cases where local raw materials and technical skills are wanting.

#### H. On the Growth of the Population

An economic aspect of long-run importance is the opportunity potentially afforded by the communes for control over the rate of growth of population. The communes constitute a highly efficient mechanism for circulation of information on birth control. The birth control program, which was being strongly emphasized 2 years ago, is now, however, proceeding quietly, completely overshadowed by the "leap forward" campaign for production. Because the Party line is currently one of regarding the huge population of mainland China as an economic asset, there are no immediate prospects for a reinvigoration of the birth control program. Even if the regime does not wish to take advantage of the control over the growth of population afforded by the commune, the recasting of family life under the commune system -- the taking of women out of the home, the mobilizing of men in work gangs for distant projects, the communal raising of children, the separation of the aged from the family (in the new "happy homes"), the establishment of communal eating facilities, and the receipt of income by individuals rather than by heads of families -- will have its own nonofficial influence on the rate of growth of population.

#### V. Current Problems and Future Course of Communes

One problem faced by the commune is how to restore or replace the output of small-scale industry and commerce that has been disrupted or neglected during the decade of Communist control of China. During the "leap forward" the mobilization of large gangs of workers for concentrated work on large irrigation projects or on main crops has adversely affected production of subsidiary foodstuffs such as vegetables and meat, and the taking of women from the household and giving them full-time jobs has meant a loss of their traditional domestic production and the necessity for establishing communal laundries, tailor shops, and other service facilities. The commune indeed has control over the entire range of economic activity in the local area, but the putting into effect of this control requires time and skill. Meanwhile, shortages of some subsidiary foodstuffs and deficiencies in locally provided services continue.

Part of the economic difficulty in establishing new systems of production under the communes concerns the effect on craftsmanship of the decline of individual control over production and the decline in individualism in general. Some reports on the communes suggest that a new all-purpose worker is being developed, one who works on crops for a season and then is transferred to a flood-control or

C-O-N-F-I-D-E-N-T-I-A-L

C-O-N-F-I-D-E-N-T-I-A-L

irrigation project for a few months, with his evenings being usefully employed perhaps in stoking small blast furnaces. This new type of worker is a wage earner, not a peasant who keeps the remainder of his crop after the landlord and tax collector have taken their shares; neither is he a skilled construction or industrial worker nor a craftsman. Although these opinions are largely conjectural, the point is that the commune system would seem to face a continuing difficulty in maintaining quality in those instances in which individual craftsmanship and individual control over production have heretofore been important. Over the long run, division of labor and acquisition of technical skills in communes probably will be encouraged, but that part of craftsmanship which depends on the craftsman's identifying himself with his own product will be hard to restore.

The communes have a problem in establishing a system of distribution of income among the people of the commune. One aspect of the problem apparently has been greatly simplified, because the commune itself will ultimately be the single point at which taxes are accounted for and collected by the central government. The counterpart of taxes paid to the central government will be the real goods that flow out of the commune and that are not requited by a flow back in.\*

Once the central government's share is taken, the remaining commune income goes for investment and consumption. Ordinarily investment and consumption are thought of as competing alternatives, but one feature of economic activity in 1958 and early 1959 was that investment was increased by increasing the hours of work and the pace of work. The member of the commune did not sacrifice his meager consumption in order to provide a higher level of investment; instead, he sacrificed rest and leisure.

Investment is usually said to have priority over consumption, and indeed one of the purposes of the communes is to regulate the flow of foodstuffs and other goods in such a way that individuals or local groups cannot withhold too large a share of goods for their own use. "Too large" by Communist standards means larger than necessary to maintain a reasonably contented and reasonably well-nourished working force. Distribution of income will be carried out on a pragmatic basis under the communes but will remain a problem for the indefinite future because the economy of Communist China is not yet strong enough

\* Total inflows and outflows of all communes taken together do not balance off to zero, because (1) the communes are in rural areas, and it is the function of the rural areas to provide a "surplus" to support the industrialization program, and (2) the central government's use of resources to maintain a large military establishment is supported by net outflows from the communes.

C-O-N-F-I-D-E-N-T-I-A-L

C-O-N-F-I-D-E-N-T-I-A-L

to provide appreciably higher levels of consumption and still carry out the industrialization and military programs.

The communes are now in an experimental stage. The degree of opposition to their formation and to their consolidation varies from area to area, but it should be noted that the communes are well suited for the isolation and containment of resistance. The major economic problem in one area may be lack of fertilizer for the fields; in another, poor transportation. Some communes are rich in resources, some poor. The final form taken by communes probably will not be standardized but will reflect varying local conditions as well as the varying local experiences of the first years of operation.

The extension of the system of communes to urban areas appears to be an inevitable development. As in the case of the rural communes, however, the regime can and will adopt any particular set of rules of the game and still call the resulting organizations "communes." One important economic difference between rural and urban communes is that urban communes would be in a vastly different position with regard to self-sufficiency in food, although some attempt might be made to include portions of the neighboring countryside in urban communes. A second major economic difference between urban and rural communes is the difficulty of enforcing upon urban people the same level of consumption and the same kind of consumption pattern that exist in rural communes. The leaders of Communist China are not under the same economic pressure to form communes in the urban areas as they have been in the rural areas, although they appear ideologically committed to introducing the system eventually.

C-O-N-F-I-D-E-N-T-I-A-L



C-O-N-F-I-D-E-N-T-I-A-L

APPENDIX A

CHRONOLOGY OF THE ESTABLISHMENT OF PEOPLES COMMUNES IN COMMUNIST CHINA  
BY MAJOR EVENT  
JULY 1958 - JUNE 1959

C-O-N-F-I-D-E-N-T-I-A-L

## C-O-N-F-I-D-E-N-T-I-A-L

Date	Participants	Event	Relation to Commune Movement
29 July-5 August 1958	Hsin-yang (Honan) District Committee, Chinese Communist Party (CCP).	CCP conference at Wei-hsing Commune in Sui-p'ing Hsien, Honan.	Field conference on control of peoples communes. Provided details on organization and structure of communes based on experience of Wei-hsing model commune. <u>32/</u>
4-10 August 1958	Mao Tse-tung.	Tour of Honan, Shantung, and Hopeh; visited communes.	First widely circulated publicity on communes. Mao commented on welfare facilities of communes. <u>33/</u>
17-30 August 1958	Enlarged meeting of CCP Politburo.	CCP conference in Pei-tai-ho, Hopeh.	Resolution on the establishment of communes in rural areas adopted by Central Committee (CC), CCP. <u>34/</u>
30 August-1 September 1958	Kwangtung CCP, Rural Work Department.	CCP conference in Canton, Kwangtung.	Studied problems in operating peoples communes. <u>35/</u>
August - early October 1958	Chu Te.	Tour of northwest provinces (Sinkiang, Tsinghai, Kansu).	Encouraged the development of communes as best form of organization to promote industrialization and for transition to Communism. <u>36/</u>
26 August-7 September 1958	Honan CCP, Rural Work Department.	CCP conference.	Discussed consolidation of peoples communes. <u>37/</u>
September 1958	Mao Tse-tung.	Tour of Anhwei and East China; visited communes.	Recommended that communes distribute wages, food, and clothing on an individual basis in order to weaken the family system. <u>38/</u>
September 1958	Li Hsien-nien.	Tour of Honan and Hopeh; visited communes.	First clear statement that future pattern for commune development would be "one commune for one hsien." Two main types of communes described: hsien commune and hsien federation of communes. <u>39/</u>
4 September 1958	<u>Jen-min Jih-pao</u> (Peoples Daily).	Published "Draft Tentative Regulations for Wei-hsing Commune."	Published as model for development of all communes throughout the country. <u>40/</u>
6-8 September 1958	Supreme State Conference.	15th Meeting.	Endorsement of the commune movement by both CCP and non-Party leaders at highest government levels. <u>41/</u>
10-29 September 1958	Teng Hsiao-p'ing, accompanied by Li Fu-ch'un and several other members of the CC, CCP.	Tour of northeast provinces.	Recommended establishment of urban communes. Called for reduction in cultivated area and concentration on raising unit-area output. <u>42/</u>
16-28 September 1958	Liu Shao-ch'i.	Tour of Honan and Kiangsu; visited communes.	Recommended introduction of welfare services in communes -- schools should be boarding schools and free food supply system should be set up after autumn harvest. <u>43/</u>

## C-O-N-F-I-D-E-N-T-I-A-L

Date	Participants	Event	Relation to Commune Movement
10-19 October 1958	Representatives from eight provinces of north and northeast China and Peking (Hopeh, Honan, Shansi, Shensi, Shantung, Liaoning, Kirin, Heilungkiang). T'an Chen-lin, Li Hsien-nien, and Liao Lu-yen attended.	CCP conference of rural work departments and provincial and municipal committees in Sian, Shensi.	Consolidation of peoples communes in rural areas, "leap forward" in agriculture, socialist education movement, organization of peoples communes. <u>44/</u>
15-23 October 1958	Representatives from eight provinces of north and northeast China and Peking (Hopeh, Honan, Shansi, Shensi, Shantung, Liaoning, Kirin, Heilungkiang). T'an Chen-lin, Li Hsien-nien, and Liao Lu-yen attended.	CCP conference on finance and trade in Sian, Shensi.	Discussed the changes in financial and commercial work required by the distribution system of communes. <u>45/</u>
20 October 1958	Shantung CCP Committee, and area, municipal, and hsien committees.	CCP conference.	Discussed consolidation of peoples communes. <u>46/</u>
27 October-4 November 1958	Representatives from seven provinces of south and southwest China (Kwangtung, Kwangsi, Hupeh, Hunan, Yunnan, Kweichow, Szechwan). T'an Chen-lin attended.	CCP conference in Canton, Kwangtung.	Discussed problems related to agricultural production, distribution of 1958 income, and collective welfare in communes. <u>47/</u>
27 October-5 November 1958	Representatives from five east China provinces and Shanghai (Kiangsu, Chekiang, Anhwei, Fukien, Kiangsi). Liao Lu-yen attended.	CCP Autumn Agricultural Conference in Nanking, Kiangsu.	Discussed major problems involved in establishing communes in rural areas. <u>48/</u>
27 October-4 November 1958	Representatives from five north and northwest provinces and autonomous regions (Inner Mongolia, Kansu, Tsinghai, Sinkiang, Ninghsia).	CCP Autumn Agricultural Conference in Hu-ho-hao-t'ie, Inner Mongolia.	Discussed major problems involved in establishing communes in rural areas. <u>49/</u>
October 1958	Representatives of financial departments of twenty provinces.	National conference in Tientsin.	Discussed the financial management of culture and education in communes. <u>50/</u>
28 November-10 December 1958	Eighth Central Committee, CCP.	Sixth Plenary Session in Wu-ch'ang, Hupeh.	Communes were one of the three agenda items (see the following item). <u>51/</u>
10 December 1958	Eighth Central Committee, CCP.	Adopted "A Resolution on Some Questions Concerning Peoples Communes."	The most significant document yet produced on the ideological, economic, and sociological background and progress of communes. Called for halt of urban communes and generally toned down the speed of the transition to Communism. <u>52/</u>

## C-O-N-F-I-D-E-N-T-I-A-L

Date	Participants	Event	Relation to Commune Movement
20 November-11 December 1958	Directors of financial departments and bureaus; Li Hsien-nien a key speaker.	National conference in Wu-han, Hupeh, convened by Peoples Bank of China.	1959 financial work discussed -- to aid in strengthening financial management of communes. <u>53/</u>
20 December 1958	Central Committee, CCP, and State Council.	Adopted "A Resolution on the Work of Improving Rural Finance and the Trade Control System in Keeping with the Development of Peoples Communes."	Details concerning financial and trade work of communes; introduced the concepts of the "two transfers," "three unifications," and "one quota" system. <u>54/</u>
20 December 1958	State Council, 83rd Plenary Session.	Approved "Regulations Governing a Number of Questions in the Work of the Credit Departments of Peoples Communes and the Question of Working Capital in State-Operated Enterprises."	Established concrete regulations governing commune credit work and relations between communes and higher level banks, among other measures. <u>55/</u>
21 December 1958 - 5 January 1959	500 delegates from outstanding basic financial and trade units in provinces, municipalities, autonomous regions, and communes.	National conference in Peking on work of Party's basic level organizations in finance and trade departments. Convened by CC, CCP, Department of Finance and Trade.	Discussed implementation of resolution to improve rural finance and trade management (see entry for 20 December 1958, above). Planned to strengthen financial and trade work in communes in 1959, with emphasis on accumulation and distribution. <u>56/</u>
24 December 1958	Chao Han in <u>Jen-min Jih-pao</u>	Article, "Government and Commune May Be One but Party and Commune May Not Be One."	Although Party committees on some communes have merged with administrative committees of a similar nature, the principle of "decision by the Party committee work by all quarters" must be enforced -- that is, all work on communes must be absolutely subordinated to the Party. <u>57/</u>
25 December 1958 - 1 January 1959	Delegates from "Advanced Agricultural Units." Liu Shao-ch'i, Chou En-lai, Chu Te, Teng Hsiao-p'ing, Li Hsien-nien, T'an Chen-lin, Teng Tzu-hui, and Liao Lu-yen attended.	National conference in Peking.	Reviewed achievements of 1958 and planned work for agricultural "leap forward" in 1959. <u>58/</u>
1 January 1959	Delegates from "Advanced Agricultural Units."	National conference in Peking. Proposed a "Ten-Point Program" for 1959 agricultural tasks of peoples communes.	Called for improvement and consolidation of communes and development of production based on the resolution of 10 December 1958. <u>59/</u>

## C-O-N-F-I-D-E-N-T-I-A-L

Date	Participants	Event	Relation to Commune Movement
2-13 January 1959	Leading Party and government officials in charge of agricultural work in provinces, municipalities, and autonomous regions.	National conference of agricultural work in Peking convened by Ministry of Agriculture.	Called for all communes to become self-sufficient in vegetable production and to draw up plans to insure vegetable supplies to nearby cities. Discussed agricultural production management in communes. Called for commune industrial priorities in furnishing production materials to agriculture and in processing agricultural raw materials. <u>60/</u>
13-26 January 1959	Officials of rural work departments of all provinces, municipalities, and autonomous regions; chairmen of "a number of" communes. T'an Chen-lin and Teng Tzu-hui attended.	National conference in Peking, convened by CC, CCP, Rural Work Department.	Discussed the Wu-han Resolution of 10 December 1958, rural developments under communes, and measures to strengthen and improve commune management and administration, with particular emphasis on "leap forward" efforts of 1959. <u>61/</u>
16 January 1959	Leading officials of provincial, municipal, and autonomous regional agricultural and trade departments. Li Hsien-nien and T'an Chen-lin attended.	Ceremony held in Peking for signing agreements concerning the production and marketing of farm produce in 1959.	Contracts to be increasingly important in guiding communes in planning their production and commercial activities, helping to bring commune production more fully under the national system of economic planning. <u>62/</u>
16 January 1959	Li Hsien-nien in <u>Hung Ch'1</u> (Red Flag).	Article, "How to View the Improvement in the Finance and Trade Control System in Rural Areas."	Attempted to explain the financial and trade control resolution adopted on 20 December 1958. <u>63/</u>
20 January 1959	Representatives from provincial, municipal, and regional peoples banks; central government finance and trade departments; and Hunan Provincial Department of Finance.	Conference in Hsin-hua Hsien, Hunan.	Discussed financial controls for hsien and communes. Studied experience of Hsin-hua Hsien in placing financial work on a "planned basis." <u>64/</u>
9 March 1959	All communes in Hupeh Province.	Reported in Jen-min Jih-pao to have reinstated a modified form of the labor-point system for determining monthly wages of farm workers.	The institution of this new system was praised by the Jen-min Jih-pao as an effective means of overcoming the lack of incentives which proved to be a drawback in the original wage-supply system of the communes. It is a retreat part way back to the system used by collective farms. <u>65/</u>
15 March 1959	<u>Hung Ch'1</u> .	Editorial, "To Each According to His Work."	Called for implementation of principles of "to each according to his work" and "the more one works the more one gets" in commune distribution. Reflects the need for continued direct incentives to increase production for an indefinite period -- the period of socialist collective ownership. <u>66/</u>
14-26 March 1959	Heads of financial departments and bureaus.	National conference in Peking.	Decided that financial departments should vigorously support the consolidation and improvement of communes. Called for state budget appropriations for investment in communes. <u>67/</u>

## C-O-N-F-I-D-E-N-T-I-A-L

Date	Participants	Event	Relation to Commune Movement
2-5 April 1959	Eighth CC, CCP.	Seventh Plenary Session in Shanghai.	Discussed the further "tidying up of communes" for "a period of time." This appears to be an indefinite extension of the consolidation period which was scheduled for completion in April. <u>68/</u>
18 April 1959	Chou En-lai.	Speech at First Session of the Second National Peoples Congress, in Peking.	Claimed that a manpower shortage exists in rural areas and that "no less than 80 percent of the manpower available in the countryside" should be engaged in agriculture. Called for reduction of administrative and service personnel in communes. <u>69/</u>
21 April 1959	Li Hsien-nien.	Speech on 1959 budget at First Session of the Second National Peoples Congress, in Peking.	Plan to allocate 1 billion yuan for investment in commune economic construction. Li called it "a financial subsidy given to the communes by the state," to be allocated primarily to communes and brigades with "poorer economic conditions" to enable them to "catch up with the better-off communes." Li said that communes must still rely mainly on their own accumulations for expansion. <u>70/</u>
15 May 1959	<u>Hung Ch'i</u>	Essay, "Production Contracts Should Be Established on a Realistic Basis."	Called for the formation of production contracts between the top administrative layer of communes and the production teams and members. Emphasized that production target in contracts must be realistic -- 10 to 20 percent below the highest levels possible -- thus creating incentives to overfulfill contracts and receive bonuses. This is further evidence of concern over peasant incentives. <u>71/</u>
20 May 1959	<u>Jen-min Jih-pao</u>	Editorial on planned increase in hog production.	Stressed need for increasing hog production, advocating equal emphasis on individual and collective efforts. Communes should assign land for raising fodder (up to 0.2 mou per hog), furnish all aid possible, and guarantee profits to individuals and households who raise hogs. Admission -- as in 1956 -- that a switch to collective hog raising does not guarantee a significant increase in hog numbers. <u>72/</u>
5 June 1959	<u>Hsin-hua Jih-pao</u> (New China Daily).	Editorial, "How to Do a Good Job in Mapping Out the Tentative Plan for Remuneration This Summer."	Called for income distribution in communes to be based on actual income in summer of 1959 rather than on plan for entire year. 40 to 60 percent of total income should be distributed to members, and more than 90 percent of members should have higher income than in summer of 1958. Production expenses, seeds, and rations should be set aside for second half of 1959. Rations issued should comprise 30 to 40 percent of members' consumption; wages should be determined by work accomplished. Article is ambiguous but may be a reversion to a system similar to that of APC's. <u>73/</u>

C-O-N-F-I-D-E-N-T-I-A-L

APPENDIX B

CHRONOLOGY OF THE ESTABLISHMENT OF PEOPLES COMMUNES IN COMMUNIST CHINA

BY AREA

APRIL 1958 - JUNE 1959

C-O-N-F-I-D-E-N-T-I-A-L

## C-O-N-F-I-D-E-N-T-I-A-L

Area	Date	Peoples Communes (PC) Formed	Former Agricultural Producer Cooperatives (APC)	Peasant Households (PH)	Average Number of PH Per PC	Remarks
China	20 April 1958	1	27	9,369		First known PC established -- Wei-hsing (Sputnik) PC, Sui-p'ing Hsien, Honan.
	31 August 1958	8,694		37,000,000	(4,256)*	30 percent of all PH in PC (8 are hsien PC and 11 are hsien federations of PC).
	15 September 1958	10,000				In all provinces.
	22 September 1958					8 provinces completed setting up PC.
	27 September 1958	9,106	234,110			9 provinces completed setting up PC.
	29 September 1958	23,397	640,000	112,240,000	4,797	90 percent of all PH in PC; also some nonagricultural households.
	30 September 1958	26,425	700,000	121,936,350	4,614	98.2 percent of all PH in PC; also some nonagricultural households.
	20 October 1958 Early November 1958	26,578		127,000,000	(4,778)	Including some nonagricultural households. 99.1 percent of all PH in PC.
Anhwei	1 September 1958	322		2,340,000	7,268	One-third of all PH in PC.
	17 September 1958	400				
	30 September 1958	1,054		7,219,244	6,849	All PH in PC.
Chekiang	5 July 1958	1	4	2,071		First PC in province -- Hung Ch'i (Red Flag) PC, Chu-chi Hsien.
	3 September 1958	101				In 86 hsien and shih (municipality).
	30 September 1958	761		5,697,412	7,487	All PH in PC.
Fukien	3 September 1958	130				Some based on state farms.
	30 September 1958	622		2,672,839	4,297	95.1 percent of PH in PC.
Heilungkiang	29 August 1958	52				In 40 hsien and shih; 45 percent completed.
	13 September 1958	718	9,779	(2,154,000)	3,000	97.4 percent completed.
	27 September 1958					Completed.
	30 September 1958	718		1,946,478	2,710	All PH in PC.
	30 December 1958	692				Decrease of 26 PC, or 4 percent, in 3 months.
Honan	20 April 1958	1	27	9,369		First known PC established in China -- Wei-hsing PC, Sui-p'ing Hsien, Hsin-yang Special District.
	31 July 1958	208	5,376	(1,664,000)	8,000	All APC in Hsin-yang Special District in PC.
	23 August 1958	993		(6,789,000)	6,837	
	31 August 1958	1,378	38,473	(9,922,000)	7,200	99.98 percent of PH in PC.
	2 September 1958					The first province with nearly all PH in PC.
	27 September 1958					Completed.
	30 September 1958	1,285		10,272,517	7,994	All PH in PC.
	23 December 1958	1,242			8,000	6 single-hsien and 95 hsien federations of communes (believe all rural PC in province are in hsien-type communes).
	23 December 1958	94				97 percent of urban population in 94 PC; average urban PC has 4,590 people.

\* Figures in parentheses represent data derived from other entries in Appendix B.



## C-O-N-F-I-D-E-N-T-I-A-L

Area	Date	Peoples Communes (PC) Formed	Former Agricultural Producer Cooperatives (APC)	Peasant Households (PH)	Average Number of PH Per PC	Remarks
Hopeh	31 July 1958	7	62			Set up in Chang-pei Hsien following merger of hsiang and of 218 small APC into 62 "joint" APC. Hsu-shui Hsien -- all APC in PC. Then merged 20 hsiang and chen (town) into larger units in order to expand size of PC. Ch'ang-chia-k'ou Special District. Shih-chia-chuang Special District. Nearly all peasants in 107 hsien and shih in PC. In suburban Tientsin; merger of 352 APC and fishery cooperatives. 99.5 percent of all PH in PC. The third province with nearly all PH in PC. Completed. All PH in PC.
	15 August 1958					
	28 August 1958	109				
	28 August 1958	141	6,850			
	1 September 1958	716				
	2 September 1958	15				
	12 September 1958	951	42,100	(8,403,000)	8,836	
	12 September 1958					
	27 September 1958					
	30 September 1958	951		8,402,639	8,836	
Hunan	9 September 1958	40				All PH in PC. Planned total when completed. "More than 1,100 PC in Hunan." Although not a specific figure, it may indicate considerable consolidation of PC.
	30 September 1958	1,284		8,172,440	6,365	
	By October 1958	1,800	50,000			
	26 December 1958	1,100				
Hupeh	Late August 1958					Movement began.  96.1 percent of PH in PC. If accurate, may reflect high development of single hsien and hsien federations of communes. Hupeh had 71 hsien and 5 municipalities as of 25 October 1958 -- a possible correlation with claimed communes.
	17 September 1958	218				
	30 September 1958	729		6,040,000	8,286	
	27 February 1959	77				
Inner Mongolian Autonomous Region	27 August 1958					392 APC formed into PC in T'ung-liao Hsien.  "Framework erected" for 269 additional PC. 98.6 percent of PH in PC. Decrease of 130 PC, or 16 percent, in a little more than 3 months.
	1 September 1958	50				
	10 September 1958	266				
	30 September 1958	812		1,561,023	1,922	
	12 January 1959	682				

## C-O-N-F-I-D-E-N-T-I-A-L

Area	Date	Peoples Communes (PC) Formed	Former Agricultural Producer Cooperatives (APC)	Peasant Households (PH)	Average Number of PH Per PC	Remarks
Kansu	2 September 1958	13	90	(19,500)	1,500	In the suburbs of Lan-chou.
	6 September 1958	183				
	17 September 1958	65		50,000	(769)	In Kan-nan Tibetan Autonomous Region
	29 September 1958	773		2,000,000	(2,587)	
	30 September 1958	794		2,006,389	2,527	All PH in PC.
	20 October 1958	157		310,000	(1,975)	In Ning-hsia Autonomous Region -- 95.91 percent of PH in PC.
Kiangsi	2 September 1958					All PH in 32 hsien and shih joined "in a few days."
	17 September 1958					Peasants in half the province's hsien have joined PC.
	30 September 1958 November 1958	1,240 1,191	23,000	3,720,000 4,020,000	3,000 (3,375)	92 percent of PH in PC. 99 percent of PH in PC.
Kiangsu	1 September 1958	268				On a trial basis.
	3 September 1958					All PH in 32 hsien and shih in PC.
	30 September 1958	1,490		9,127,234	6,126	99.4 percent of PH in PC.
	17 October 1958					"Practically all" PH in PC and the whole population in the militia.
Kirin	2 September 1958	40				In 30 hsien and shih; 50 more are planned.
	30 September 1958	481		1,914,547	3,980	All PH in PC.
	1 January 1959	403	7,000			May indicate amalgamation (consolidation).
Kwansi Chuang Autonomous Region	26 August 1958	256	3,067	(640,000)	2,500	All APC in Liu-chou Special District in PC.
	9 September 1958	828				66 of 74 hsien and shih "basically completed" commune movement.
	15 September 1958	913				Generally 1 hsiang to 1 PC.
	30 September 1958	784		4,041,944	5,155	All PH in PC. (May indicate consolidation if preceding entry is accurate.)
Kwangtung	August 1958					Most hsien had started setting up experimental PC.
	26 September 1958	103				Hainan Island -- 95.2 percent of PH in PC.
	29 September 1958	117	2,245	(679,000)	5,800	128 state farms were included, with 43 serving as "foundations" for PC. Average PC includes 1 hsiang.
	30 September 1958	803		7,905,553	9,845	All PH in PC.
	8 November 1958 April 1959	790 770	25,450			98.5 percent of PH in PC. Rural population of 35,000,000 in PC.
Kweichow	5 September 1958	26	160			In outskirts of Kwei-yang.
	6 September 1958	100				In hilly, minority areas -- set up or "being set up."
	30 September 1958	2,194		3,101,205	1,413	94.5 percent of PH in PC.
	30 November 1958	1,866				Decrease of 388 PC, or 13 percent, in a 2-month period.

## C-O-N-F-I-D-E-N-T-I-A-L

Area	Date	Peoples Communes (PC) Formed	Former Agricultural Producer Cooperatives (APC)	Peasant Households (PH)	Average Number of PH Per PC	Remarks
Liaoning	May 1958					9,783 small APC merged into 1,412 large APC; original 2,954 hsiang were merged into 1,226 hsiang, of which 83 percent had only 1 large APC.
	June 1958	1				First PC in province -- T'ai-yang-sheng (Sunrise) PC, Kai-p'ing Hsien.
	24 August 1958	28				
	6 September 1958	1,392	9,600	(2,923,000)	2,100	The second province with nearly all PH in PC.
	30 September 1958	428		3,264,579	7,627	All 15,000,000 peasants in PC. Number of PC decreased through amalgamation of existing PC. (May be a trend?)
Peking	2 September 1958	19				Set up in 3 ch'u (ward) -- F'eng-t'ai, Hai-ting, and Shun I.
	11 September 1958	56	1,680	464,000	(8,286)	All peasants in Peking area in PC.
	30 September 1958	56		663,124	11,841	All PH in PC.
Shanghai	21 September 1958	1	74		22,297	First PC in suburban Shanghai -- Ch'i I (July First) PC. Merged 6 hsiang and 1 chen.
	30 September 1958	23		256,000	11,130	All PH in PC.
Shansi	Mid-August 1958	1				First PC in province -- in P'ing-shun Hsien.
	24 August 1958	170	5,017			In 15 hsien and shih of Ch'ang-ch'ih in Special District.
	2 September 1958					All peasants in 24 hsien in PC.
	4 September 1958					Movement completed in 43 hsien.
	10 September 1958	890	20,000			All peasants in PC within 1 month. Average size of PC is 2,000 PH in hilly areas; 10,000 PH in plains areas.
Shantung	30 September 1958	975		3,483,564	3,573	All PH in PC.
	31 January 1959	696				Decrease of 279 PC, or 29 percent, in 4 months.
Shantung	20 August 1958	1				First PC in province -- Mei-jen PC, Li-ch'eng Hsien (established shortly after Mao's visit.)
	31 August 1958	120				220 more PC in "process of formation."
	9 September 1958	1,000				All PH in 58 hsien and shih in PC. Militia units in all PC.
	22 September 1958	1,556	50,000			All peasants in PC; eighth province to report completion of commune movement.
Shensi	30 September 1958	1,580		11,347,989	7,182	All PH in PC.
	2 September 1958					Movement completed in 37 hsien and shih.
	20 September 1958	1,673	31,000	3,232,900	(1,932)	99.2 percent of PH in PC; ninth province to "basically complete" the commune movement.
Shensi	30 September 1958	1,673		3,232,904	1,932	All PH in PC.

## C-O-N-F-I-D-E-N-T-I-A-L

Area	Date	Peoples Communes (PC) Formed	Former Agricultural Producer Cooperatives (APC)	Peasant Households (PH)	Average Number of PH Per PC	Remarks
Sinkiang Uighur Autonomous Region	4 September 1958					First PC in region -- Hung Ch'i (Red Flag) PC.
	6 September 1958	100				PC being set up on a "trial basis."
	17 September 1958					Movement "progressing smoothly."
	30 September 1958	389		625,151	1,607	59.3 percent of PH in PC. 80 percent of PH in "agricultural areas" in PC.
	12 January 1959					98 percent of PH in PC.
Szechwan	May 1958					First PC in province -- Tung-feng (East Wind) PC; P'i Hsien.
	2 September 1958					The "first groups" of PC have been set up.
	30 September 1958	4,827		13,676,988	2,833	99.1 percent of PH in PC.
Tsinghai	30 August 1958	61				All APC in 5 of 11 hsien and shih in agricultural areas in PC;
	6 September 1958	94		(231,000)	2,454	more than 50 percent of PH in province.
	30 September 1958	144		245,624	(1,706)	All PH in agricultural areas in PC. Other groups also joined --
	16 January 1959	190				for example, handicraft workers and small merchants.
						All PH in PC.
						Approximate figure.
Yunnan	4 September 1958	56				Set up on a "trial basis."
	30 September 1958	275		1,137,148	4,135	31 percent of PH in PC. (The province with the least progress in the nation by the end of September.)

**Page Denied**

Next 3 Page(s) In Document Denied

**CONFIDENTIAL**

**CONFIDENTIAL**