

FOREWORD

The People's Economy and Economic Planning in China is one of nine sections in the Kuo-min Ching-chi Shih-yung Tz'u-tien (People's Practical Economic Dictionary), published by the Ch'un-ming Ch'u-pan-she, Shanghai, 10 February 1953.

Intended as a reference aid for financial and economic cadres, students, persons in industry and commerce, and others, this dictionary is a compilation of information on the large-scale national economic reconstruction movement. The nine sections deal with: general concepts, industry; agriculture; commerce; cooperatives; transportation, public finance, banking, and labor.

Pages 1 through 154

NAZI WAR CRIMES DISCLOSURE ACT

Declassified and Approved for Release
by the Central Intelligence Agency
Date: 2005

PEOPLE'S PRACTICAL ECONOMIC DICTIONARY:
PEOPLE'S ECONOMY AND ECONOMIC PLANNING IN CHINA

TABLE OF CONTENTS

	<u>Page</u>
I. General Concepts	1
People's Economy	1
National Economy	1
National Income	2
Requisites for Increasing National Income	3
Distribution of National Income	4
Two Kinds of Ownership Under the Socialist System	4
Commodity Production Under the Socialist System	4
The Law of Value Under the Socialist System	5
Two Phases of Communism	7
Three Basic Prerequisites of Communism	7
Economic Policy of the New Democracy	8
The Policy of Taking Both Public and Private Interests Into Account	9
The Policy of Taking Into Account Benefits to Both Labor and Capital	9
Mutual Aid Between the City and the Countryside	10
Trade Between China and Other Countries	10
Five Economic Sectors Under the New Democracy	10
The State-Owned Sector	11
Individual Sector of Peasants and Handicraftsmen	12
Small-Commodity Economy	13
Private Capitalist Sector	13
State Capitalist Sector	14
The New Economic Policy	14

	<u>Page</u>
Five Economic Structures During the Period of the New Economic Policy	15
Self-Help Through Production	16
Unification of Management of the Financial and Economic Activities of the State	16
Land Reform	18
Business Accounting	22
Revaluation of Assets and Revising Capital Require- ments	23
Revaluation of Assets and Revision of Capital Re- quirements in State Enterprises	24
Three Great Features of Production	26
Distribution of Means of Production Under Socialism	26
Responsibility System	27
Profit in the Socialist Economy	28
Surplus Profit	28
Readjustment of Industrial and Commercial Relations	29
State Enterprises	30
Local Public Enterprises	30
Joint Enterprises	30
Private Enterprises	30
Spirit of the Provisional Regulations Governing Private Enterprises	32
Distribution of Profits	32
Organizational Forms of Private Enterprises	32
Five Organizational Forms of the Company	33
Financial Plans of Enterprise	33
Balance Sheet of Income and Expenditures	34
Joint Operation and Consolidation	35
Basic Forms of Joint Operations	35
Three Major Tasks	36

	<u>Page</u>
Movement for Increasing Production and Savings	36
Calculating Increases in Production and Outlay Control	38
The Three-Antis and the Five-Antis Movements	38
"Three Harms" and "Five Poisonous Things"	40
Conference of the Representatives of Cadres of the People's Bank, the State Trading Agencies, the Revenue Bureau, the Customs Office, and the Cooperatives	40
Striving for the Basic Recovery of the Nation's Finances and Economy	41
The Basic Recovery of the Nation's Finances and Economy	41
Economic Problems of Socialism in the USSR	42
Economic Cooperation Between China and the Soviet Union	44
II. Economic Planning	45
Planned Economy	45
The Basic Tasks of Socialist Economic Planning	46
Tasks of Economic Planning Under the New Democratic System of Economy	47
Basic Principles Governing National Economic Planning	48
The Bolshevik Style of Economic Planning	49
Legal Aspects of Economic Plans	50
Prerequisites of Economic Planning	50
Indexes in Economic Planning	51
Concrete Classification of Indexes in Economic Planning	51
Departmental Planning	51
Economic Planning by Branches of the National Economy	52
Coordination in Economic Planning	52

	<u>Page</u>
Economic Plans Made on the Basis of the Different Economic Sectors	52
Regional Planning	53
Long-Range Economic Plans	54
Current Plans	54
Direct Planning	54
Indirect Planning	54
Four Stages in Economic Planning	55
Directives Concerning the Formulation of Economic Plans	56
Economic Analysis	57
Basic Tasks of Economic Analysis	57
Basis Methodology of Economic Analysis	58
Procedure of Economic Analysis	58
Equilibrium in Formulating Economic Plans	58
Indexes of the Balance Sheets of the National Economy	59
Theoretical Foundation and Composition of the National Economic Balance Sheets	59
Aims of the Balance Sheet	60
Balance Sheet of Production, Consumption, and Accumulation of Wealth	60
Trade Balance Sheet	61
Class Structure and Ownership Balance Sheet	62
Materials Balance Sheet	62
The Functions and System of Materials Balance Sheets	63
Classification of Materials Balance Sheets	64
Functions of Materials Balance Sheets	65
Manpower Balance Sheets	66
General Manpower Balance Sheet	66

	<u>Page</u>
Execution of the Plan for the Development of National Economy	66
Tasks of the State Planning Commission (Gosplan)	69
Structure of the State Planning Commission of the Soviet Union	70
Planning Agencies Subordinate to the State Planning Commission	74
Counter-Plans	75
Planned Economy During the NEP Period	76
The State Plan for the Electrification of Russia (GOELRO)	77
The First Five-Year Plan of the Soviet Union	77
The Second Five-Year Plan of the Soviet Union	78
The Third Five-Year Plan of the Soviet Union	78
Economic Plan of the Soviet Union During the Period of National Defense	79
The Fourth Five-Year Plan of the Soviet Union	80
The Fifth Five-Year Plan of the Soviet Union	81
Communist Construction Projects of the Soviet Union	82
Kuibyshev and Stalingrad Hydroelectric Power Stations	83
Kakhovka Hydroelectric Power Station	84
The Turkmen Canal-Construction Project	85
Poland's Six-Year Plan	86
Hungary's Three-Year Plan	87
Hungary's Five-Year Plan	87
Czechoslovakia's Five-Year Plan	88
Rumania's Five-Year Plan	88
Bulgaria's Five-Year Plan	90
The Five-Year Plan of the German Democratic Republic	91
Korea's Two-Year Economic Plan	92

	<u>Page</u>
III. Capital Construction	92
Capital Construction	92
Capital Construction and the Industrial Policy of the State	93
Capital-Construction Plan	94
Factor and Indexes Concerning the Reduction of Construction Costs	94
General Indexes of the Work of Construction Organizations	95
Technical and Financial Plans of Construction Organizations	96
Arrangement of Construction Projects	97
Quality of Houses and Buildings	97
Organizing Coordinated Work According to Construction Chart	97
Value of a Building, Quality of Construction Work, and Cost of Maintenance	98
Drafting Work Must Precede Actual Construction Work	99
Plans for Capital-Construction Projects Financed Jointly by Central and Local Governments and Ad- ministration of Investment Funds	99
Designing in Capital-Construction	100
Capital-Construction Memorandum	101
Drawing Up Capital-Construction Plan	101
Scope of Capital-Construction Plans	103
Planned Value of a Capital-Construction Project	103
Actual Value of a Capital-Construction Project	104
Time Required for Drawing Up a Capital-Construction Plan	105
Minimum Investment Limits for Capital-Construction	106
Above the Minimum Limit and Below the Minimum Limit	110
Capital-Construction Investment	111

	<u>Page</u>
Nature of Capital-Construction Investment	111
Supervision of Capital-Construction Investment	112
Inspection of the Actual Capital-Construction Work	112
Criterion for Classifying Fixed and Liquid Assets	113
Concealed Construction	114
Capital-Construction Contracts	114
Components of the Total Contracting Price	115
Capital-Construction in Industry in Northeast China	115
IV. Statistical Work	116
General Concepts of Statistics	116
Mass Observation and the Law of General or Average Figures	117
Relation of Statistics to Planning	117
Purposes of Statistical Work in Socialist Economy	118
Class Nature of Statistical Work	118
Lenin on the Methodology of Obtaining Average Figures in Statistics	118
Grouping of Average Figures in Statistics	119
Statistical Investigation	119
General Investigation and Sampling	120
Statistical Work in the New China	120
Statistical Organization in the Soviet Union	122
The Organization of the Central Bureau of Statistics USSR	123
Tasks of the Central Bureau of Statistics USSR	123
Popularizing Statistical Work	124
V. Cultural and Educational Construction	124
Culture and Education in New China	124
Cultural and Educational Policy	125

	<u>Page</u>
Patriotic Education	125
Content of Patriotic Education	126
Serving the Working Class and Peasants	126
Serving Productive Construction	127
People's Education	127
Eliminating Illiteracy	128
Accelerated Word-Reading Method	129
Reform of Educational System	130
Opening School Doors to the Peasants and Workers	130
Reorganization of Higher Schools	130
Policies Governing the Reorganization of the Colleges and Departments of the Higher Schools	131
Chart of the Educational System of the New China	132
School System of the Soviet Union	133
Characteristics of Soviet Culture and Education	134
Balanced Instruction Plans and Balanced Curriculum	135
General Technical Education	135
General Technical Education in Practice	136
Goals of Scientific Construction	136
Basic Policy Regarding Culture and Art	136
Developing New Styles From the Old and Let All Flowers Bloom at the Same Time	137
People's Publishing Work	137
Planning of Publication Topics	137
Drawing Up Publication Plans	138
Printing Sheet and Publication Page	138
Health and Hygiene Education	139
Policy Governing the Prevention of Epidemics	139
Free Medical Service	139
Physical Exercise and the Defense of the Fatherland	141
Languages of the National Minorities	142

	<u>Page</u>
VI. Supplement	144
Proportions Between Industry and Agriculture	144
Laws of Economic Development	144
Planned Economy	145
Potential of Enterprises	146
Supervisory Work of the Financial Agencies	146
Policy on Housing in Urban Areas	147
Geographic Allocation of Economic-Construction Projects	148
Winter-Training Program for Capital-Construction Workers	149
Capital-Construction Prefabricating Plants	149
Design Work by Foreign Experts	150
Improving Statistical Work	151
Price Index	152
Production Practice	153
Economic-Construction Engineers	153
Book-Distribution Planning and Subscription Orders	154

I. GENERAL CONCEPTS

People's Economy

People's economy is a general term denoting the various sectors of the national economy of a people's democratic state. In the case of China, where the new democracy is the guiding principle in national policy, there are five different economic sectors -- the state socialist sector, the semisocialist cooperative sector, the individual farmer or artisan sector, the private capitalist sector and the state capitalist sector. These five sectors of the economy coexist simultaneously under the law. The distinguishing feature of the people's economy lies not only in the fact that the private capitalist sector is legally prohibited from making unlimited profits in the form of surplus value as it does under the capitalist system, but also in the fact that under the people's economy the position of the private capitalist sector in the over-all economic framework will grow increasingly less important, first in the relative and then in the absolute sense. For in a people's democratic state, the state itself is the master of the national economy, controlling all the important economic resources and activities such as the large industrial enterprises, large mines, large banks, means of communications, foreign trade, and some sectors of domestic trade. The rate of development of the state sector is also faster than that of the private capitalist sector. Moreover, the state will make a systematic effort, to help develop the semisocialist cooperative organizations and to control the domestic market with a view to constraining the private capitalist sector to operate under the guidance of national policy and gradually to become a part of the state capitalist sector, thus contributing to the strengthening of the people's economy (See Hsu Tih-sin, ["Profit in the People's Economy"], Hsin-chien-she [Reconstruction], Vol 5, No 2). From the above we may see that the people's economy is not a system wherein all the means of production belong exclusively to all the people. The people's economy has a special class foundation. A people's democratic state is led by the working class and their political party -- the Communist Party. Guided by the working class and their political party, the people's government will certainly take appropriate measures to restrict and watch closely the exploitative activities of the capitalists in order to safeguard the people's economy.

The People's Government of Northeast China has a People's Economic Planning Committee.

National Economy

The term national economy denotes the over-all mechanism of a nation's economic life including production, circulation, distribution, and consumption. Only in a socialist state can the national economy be considered an economy of all the people. A. Kuliskiy, in his "On the Balance Sheet of the National Economy" states: "Upon the completion of the socialist economic development and the technological improvement of the national economy, the most intimate coordination between agricultural and industrial production will be the rule." Stalin also pointed out that "socialist

society is a collective body in which industrial workers and peasants carry on their production and consumption activities on a basis of mutual cooperation. Socialism will not emerge from such a collective body if industry is not closely coordinated with agriculture, which provides industry with raw materials and foodstuffs and consumes a large part of its products. Thus the relations between industry and agriculture and those between the proletarian class and the peasantry are the basic problems of the socialist economic construction" (See Stalin, Problems of Leninism).

The Great October Revolution created the necessary conditions for the construction of the socialist national economy. "In October 1917, the working class set up their own political dictatorship, thus inflicting a political defeat upon the capitalists. From that time onward, the Soviet government has made a consistent effort to crush the economic strength of the capitalist class and at the same time create the necessary conditions for the development of a national economy of a socialist nature. The Soviet government deprived the capitalist class of its property, nationalized the land, factories, banks and means of communications, adopted the New Economic Policy, established socialist enterprises, and put into effect what Lenin called cooperative planning. At the present time, the main task is to expand the socialist sector in such a way as to bring about the complete destruction of capitalism on the economic front. Our every activity must be aimed at accomplishing this supreme goal. The working class is capable of accomplishing it and will accomplish it. But the fulfillment of this great task must begin with the industrialization of the nation. Socialist industrialization of the nation is the basic requirement for the construction of a socialist national economy" (See, "A Short History of the Communist Party (Bolshevik) of the Union of Soviet Socialist Republics").

The national economy of China is a gigantic productive organism of the whole nation, led by the state socialist sector. "The state-owned sector is socialist. All enterprises vital to the economic life of the country and to the people's livelihood shall come under the unified direction of the state. All state-owned resources and enterprises are the common property of all the people. They are the main material basis of the People's Republic for the development of production and the creation of a prosperous economy and are the leading forces of the social economy" (Article 28 of the Common Program). Thus we see that national economy is concerned with the livelihood of the people.

National Income

National income is one of the important indexes of the condition of a national economy. Its volume and rate of increase reflect the development of the national economy, while its distribution and utilization indicates the income levels of the various social classes and agencies of society. The distribution and utilization of the national income may also reveal the social and cultural standards of living of the various classes and the conditions of capital accumulation and economic growth.

National income is the net material output of a nation measured in terms of economic value. Industry, agriculture, communications, construction, and trade may create to certain extent, material wealth. This material wealth is regarded as the gross product of society. Let us suppose the annual gross product is 200 billion rubles and the means of production consumed in production amounts to 75 billion rubles, we know that the gross product is larger than the net product, which is only 125 billion rubles. In other words, national income is equal to gross product minus the amount of means of production consumed in the production process. From the above we know that the national income is created by human labor and represents the total material value created by productive labor during a given year. But many members of society do not take part in material production, they merely render services in such fields as health, public-welfare, housing administration, education, the fine arts, and so on. Their income is certainly not as important as that of those who take part in material production. But it helps indicate that the total sum of the various kinds of income is larger than the total national income. Capitalist economists often try to use this situation to exaggerate the total amount of national income and cover up the fact that the exploiting class gets a large share of it. They count all incomes as components of the national income regardless of whether they are earned by those who actually take part in the material production process or by those who merely render some services such as policemen, soldiers, judges, singers, and so on. This is why the national-income figures of the capitalist countries do not represent the true material value. They actually represent the sum of incomes earned from participation in the material production process and from rendering services. Thus the national-income statistics issued by such capitalist countries as the United States, Great Britain, and France usually do not represent the true material value created by their respective people. Their figures exaggerate the real material value of their national income by 20 to 25 or even 30 to 40 percent.

In the Soviet Union national income is computed on a strictly scientific basis, including only the sum of net values of material production. Incomes earned as a result of redistribution of the incomes earned in the material production process are excluded from the national income.

Requisites for Increasing National Income

The main requisite for increasing national income in the Soviet Union is the development of the socialist economy in a planned and systematic manner, free of the handicaps of the contradictions between production and consumption, the decline in effective demand, and the economic depressions and crisis which take place in the capitalist countries. The systematic increases in production in the various branches of the socialist national economy provides the material basis for expanding national income.

Generally speaking, any increase in national income is usually brought about by the following three basic factors: (1) Expansion of labor utilization, which means that more people are participating in production. When more people participate in production more material value is created, thus producing more national income. (2) Increase in

productivity, which has been a decisive factor in increasing national income in the Soviet Union. Exploitation of man by man has been done away with. People no longer work for an exploiting class, but for themselves. Labor has become a matter of honor. Consequently, productivity has increased rapidly and has led to the continued improvement of the workers' cultural and material standards. (3) Economy in the consumption of materials -- which is attained primarily by using less material to produce a given volume of goods. When more products are produced with a given amount of materials the extra value may be used as national income. The nation-wide drive for savings in raw-materials consumption has been an important factor in expanding national income in the Soviet Union.

Distribution of National Income

Only under socialism can national income become the income of the people. For the socialist principle of income distribution provides that the individual is rewarded according to his work and he that does not work, does not eat. Under the socialist system, there is no such thing as exploitation of man by man. Stalin put it thus: "The distribution of national income is not used to enrich the exploiting class and their hangers-on, but rather to guarantee the systematic improvement of the material well-being of the workers and peasants and to expand socialist production in the city and the countryside." In the Soviet Union all the national income belongs to the working people.

Two Kinds of Ownership Under the Socialist System

In the Soviet Union socialist ownership takes two forms -- state property (the property of all the people) and cooperative and collective-farm property (property of collective farms and cooperative societies). The socialist system of ownership is stipulated in the Constitution of the Soviet Union. The land, its mineral wealth, waters, forests, mills, factories, mines, railroads, waterways, airlines, banks, communications facilities, large state-organized agricultural enterprises (state farms, machine-tractor stations, and the like), and municipal enterprises and the bulk of the residential housing in the cities and industrial centers are state property, that is they belong to all the people. The common enterprises of collective farms and cooperative organizations, with their livestock and implements, the production of the collective farms and cooperative organizations, and their common buildings, constitute the common, socialist property of the collective farms and cooperative organizations.

Commodity Production Under the Socialist System

As a result of the public ownership of the means of production and the absence of exploitation, commodity production has been under the severest restriction under the socialist system. Commodity production under the socialist system can never enjoy the same magnitude as under capitalism. Commodity production under the socialist system is not the production of general commodities, but rather special commodities. No capitalists take part in the production of such special commodities. These special commodities are merely articles for personal use and convenience. In other words, only articles for personal

use can be produced as commodities. As for means of production, they may not be purchased by anyone. They are distributed by the state to its enterprises for use in production. But the state does not lose its ownership over them even after they have been distributed to the various enterprises. On the contrary, the state retains sole ownership. Having obtained means of production, the various enterprises use them according to the plans formulated by the state, and merely act as agents of the state.

Socialist property in the Soviet Union exists in the form of either state property or cooperative and collective-farm property. All means of production and products of the state enterprises belong to all the people. Although the means of production of the collective farms also belong to the state, their products are the property of the collective farms. Thus the state can only dispose of the products of the state enterprises. The products of the collective farms can be disposed of only by the collective farms themselves. The model Charter of the Agricultural Labor Cooperative specifically stipulates that the assembly of the agricultural cooperative shall allocate a certain percentage of the grain and livestock produced by the collective for sale to the state or the urban markets, while the remainder of the grain and livestock shall be distributed among the members of the collective according to the number of work-days earned. Members of the collective are free either to use or sell the grain and livestock assigned to them. On the collective farms, ownership of the products confers the right to sell the products. Thus members of collective farms are required to pay for the small agricultural implements and consumer goods delivered to them by the state enterprises.

During the first stage of communism -- socialism -- the principle governing labor emolument is "From each according to his ability, to each according to his work." This principle stimulates the working people to take a direct personal interest in their productive activities, thus providing incentive for steadily increasing productivity, which, in turn, increases the output of society. Under this principle, the interest of the individual working man may be best linked with that of society. Individual working people are paid for their labor not in goods but in money, which they can use freely to purchase articles for their personal consumption. In other words, during the socialist stage individual workers must obtain personal consumption articles through trade. Thus commodity production has a certain role in the first stage of communism.

The Law of Value Under the Socialist System

Stalin tells us in his "Economic Problems of Soviet Socialism" that as long as there are commodities and commodity production there must be some law of value. But the law of value in the socialist economy is not like that under capitalism.

In capitalism all exchanges of goods involve money. In other words, the value of a commodity is expressed in terms of money. The value of a commodity so expressed is called the price. Price is the expression of the value of a commodity in terms of money. Thus the price is determined by the value of the given commodity. In capitalist society a commodity is not sold on the basis of its value but on

that of the market price, which is in turn determined by the law of supply and demand. Under the law of supply and demand, prices rise if demand exceeds supply and fall if supply exceeds demand. But the main factor causing the fluctuations in prices is not the law of supply and demand but the values of commodities. Thus when prices exceed the values of commodities by a large gap, the prices will drop back of themselves. On the other hand, if prices drop very far below commodity values, they will also rise automatically. For instance, if production department A is over-producing, then supply will exceed demand in its field. As a result, sellers of the products of this field will compete with each other for customers on the market. Under these circumstances, prices, will drop below the values of these products. On the other hand, if production department B is under-producing, then demand will exceed supply. As a result, competition will take place among the buyers of these products, thus causing prices to rise above the actual commodity value. If these two situations coincide, some producers in production department A will close down and invest their capital in production department B. Should this be the situation, the output of production department B will rise, thus putting more commodities on the market. Prices will consequently fall until they are very close to the actual values of the commodities. Meanwhile production in department A will decline, bringing about decline of the supply of its products. As demand for its products becomes relatively larger, the prices of its products may gradually rise until they approach the actual value. In capitalist society all producers are forced to expand or curtail production by price fluctuations and the coincidence of commodity prices and commodity values. Thus commodity prices always fluctuate around the commodity value. Prices fluctuating in this manner determine the course of commodity production and affect the distribution of labor in the given society. This is the law of commodity value in capitalist society. The law of commodity value is the basic regulator of the movement of the commodity economy in the capitalist society.

In a socialist society the law of commodity value is no longer the basic regulator of the development of the social economy. It becomes an auxiliary economic law. The functions of the law of commodity value in socialist society are highly restricted by the basic laws of the socialist production, especially the planned development of the national economy. Under the capitalist system, the distribution of labor and capital among the various branches of production is determined by the law of commodity value. The capitalist wants to invest his capital where he can enjoy high interest and huge profits. In socialism the distribution of labor and the means of production among the various branches of production is not determined by endless price fluctuations or the profit motive of the capitalist but by well formulated economic plans. In a socialist society the production and distribution of goods is not only planned in terms of actual goods but also in terms of money. Hence the law of commodity value is relegated to playing the part of a subsidiary indicator in the distribution of labor and means of production among the various branches of production. In a socialist society the law of commodity value is only an adjunct to the planned development of the national economy. For instance, the Soviet Union once used the law of commodity value as an aid in implementing a certain price policy. This is to say

planned prices fluctuated in accordance with the law of commodity value. Under socialism the sum total of prices of all commodities should equal the sum total of their values. But in individual cases, the state may fix the price of a given commodity below or above its value in consideration of the cost of production of the commodity and the general conditions of the socialist construction. Such prices are planned and are used to stimulate the development of the national economy. They are therefore useful to the development of the socialist economy.

The law of commodity value is a legacy of the society that preceded socialist society. It still exists in the new society, but in a new form. It is not only an instrument for realizing the principle that workers shall be rewarded according to their work, but also an important means of conducting cost accounting, cutting production costs, and improving production methods.

Two Phases of Communism

In 1875 Marx, in his Critique of the Gotha Program stated for the first time the difference between the lower and higher phases of communist society. The lower phase of communism is socialism, while the higher phase of communism is completely developed communism (See Yukin, On the Soviet Union in Transition From Socialism to Communism). Lenin, in his "The State and Revolution" says: "What is generally called socialism was termed by Marx the 'first' or lower phase of communist society. Insofar as the means of production become public property, the word 'Communism' is also applicable here, providing we do not forget that it is not full Communism...In its first phase or first stage, Communism cannot as yet be economically mature and entirely free of all tradition and of all taint of capitalism." In a higher phase of communist society, after the enslaving subordination of individuals under division of labor, and therewith the antithesis between mental and physical labor, has vanished, after labor has become not merely a means of life but has itself become the prime necessity of life, after the productive forces have also increased with the all-round development of the individual, and all the springs of cooperative wealth flow more abundantly -- only then can the narrow horizon of bourgeois rights be fully left behind and society inscribe on its banners the slogan "From each according to his ability, to each according to his needs" (See Marx, Critique of the Gotha Program).

Dr. Yukin also says "None of the new social systems ever emerge overnight from existing systems and take their final forms. They usually have to go through a period of transition from a lower to a higher stage. Communism as a social system also has its stage of development and its stage of maturity. The development of communism must comprise two stages -- a lower stage and a higher stage" (Yukin, idem.).

Three Basic Prerequisites of Communism

In his Economic Problems of Socialism in the USSR, Stalin gives a concrete and penetrating analysis of the three basic prerequisites of communism. He says that in order to attain the stage of communism in practice rather than in propaganda, at least three basic prerequisites must be met: First, we must adequately guarantee not only the rational

organization of productive forces but also a steady increase in the production of the means of production, with the latter enjoying priority. Production of capital goods must be given priority not only because such production should guarantee both the enterprise producing it and the other enterprises of the national economy the equipment they need, but also because without such production it would be impossible to expand the process of reproduction. Second, we must elevate collective-farm ownership of land to the level of ownership by the whole people through a gradual transformation that will be beneficial both to the collective farms as a whole society. We may likewise use methods of gradual transformation to replace commodity circulation by direct exchange of products, thus enabling the central authorities and other centers of social economy to control the entire product of society. Third, society must have reached that stage of cultural development where all its mature members are able to develop their physical and intellectual powers to the fullest extent. In other words, we must have a society in which all mature persons have the education that makes them all active participants in the development of the society itself, having the opportunity and ability to choose occupations at will and without being tied to one particular occupation throughout their lives because of division of labor, as they are now under existing social conditions,

Only after these prerequisites have been met can we hope that labor will become the primary necessity of life rather than drudgery from the point of view of all members of a society. Labor will have then become a pleasure rather than a burden, as Engels put it. Public ownership will be regarded by all members of society as the inviolable and unshakable basis of the very existence of their society.

Only after these prerequisites have been met can we replace the labor principle of socialism of from each according to his ability, and to each according to his work, with the labor principle of communism of from each according to his ability, and to each according to his needs (See Stalin, Economic Problems of Socialism in the USSR, Chapter headed "The Mistakes of Comrade Yaloshenko").

Economic Policy of the New Democracy

The primary tasks in the new democratic economic construction at the present time are to develop the people's economy and steadily transform the country from an agricultural to an industrial country (Article 3 of the Common Program). The independence, freedom, democracy, and national unification of the New Democracy cannot be consolidated without the basis of stable economy, including an agriculture many times more productive than the one we now have, a large-scale industry having a dominating position in the national economy, and enterprises in communications, trade, and banking (Mao Tse-tung, "On the Coalition Government"). Article 26 of the Common Program clearly states: The basic principle underlying the economic construction of the People's Republic of China is attainment of the goal of developing production and creating a prosperous economy through a policy of considering both public and private interests, benefits to both labor and capital, mutual aid between the city and the countryside, and both domestic and foreign trade. This economic policy takes into account all phases of the problem, and it is thus called "an all-round policy." At the present time all of our financial and economic measures are based upon this policy.

But the all-around policy of the New Democracy does not mean that the state shall treat all sectors of the national economy equally and without discriminating among them. In the actual handling of any of the above-mentioned problems, the state must take the measures that in its opinion best suit both the interests of the particular group concerned and the interests of society as a whole, apart from considering both the immediate and remote consequences of the measures and domestic and international conditions. Generally speaking, when regulating relations between public and private interests, primary consideration should be given to the public interest, for the public interest accords with that of all society or of a majority of the people. When regulating relations between labor and capital, primary consideration should be given to labor, for political leadership is vested in labor and the ideology of the laboring class must prevail over that of all social classes. When regulating relations between city and countryside, primary consideration should be given to the city, for in the future industry must lead agriculture and the workers must lead the peasantry. When regulating the trade between China and other countries, primary consideration should be given to Chinese interests, for China is now an independent country, no longer semi-colonial and semifeudal. It is perfectly correct and necessary for us to take this position on the matter. Only by so doing can we transform China from an agricultural into an industrial state and from a new democratic society into a socialist society.

The Policy of Taking Both Public and Private Interests Into Account

The policy of taking both public and private interests into account refers with the relations among the state-owned sector of the economy, the private capitalist sector, and the individual sector of peasants and handicraftsmen. On the one hand, the private sector must accept the leadership of the state-owned sector and abide by the economic plans and policies of the state, thus bringing its activities into harmony with the interests of the people and the state. On the other hand, the state shall coordinate the state-owned and private sectors in the spheres of operation, raw materials supply, markets, labor, technical equipment, public-finance policy, trade, etc, so the needs of the private sector can be met and so both the state-owned and the private sectors can play their part and effect a division of work. In other words, the government should not only vigorously develop the state-owned sector, but also should encourage the active operation of all private economic enterprises beneficial to the national welfare and the people's livelihood, thus bringing about a balanced relationship between the state-owned and private sectors.

The Policy of Taking Into Account Benefits to Both Labor and Capital

The policy of taking into account the benefits accruing to both labor and capital refers primarily with the relations between the working class and the national bourgeoisie. The working class shall devote themselves to developing production and shall maintain labor discipline, for only by developing production can the working class get higher wages and attain better living standards. After having recognized the working class's political leadership, the national bourgeoisie shall abide by the wage policy and the labor-protection policy of the state and shall improve factory safety and health measures. Insofar as possible they shall also ameliorate the life of the workers. Only when capital and labor cooperate fully on the basis of mutual benefit can they produce successfully.

Mutual Aid Between the City and the Countryside

Mutual aid between the city and the countryside refers to the relations between industry and agriculture and between workers and peasants. The workers will produce more of the commodities needed by peasants in daily living and in production, and the peasants will plant more industrial crops so industry will have an adequate raw-material supply. There should be a reasonable price ratio between industrial and agricultural products so that a sharp divergence between prices of manufactured goods and those of agricultural products can be avoided. The exchange of goods between the city and the countryside must be promoted through the state trading company, the cooperatives, and the private trading organizations. The relations between the city and the countryside in the new China are unlike those in any of the capitalist countries where the city dominates and exploits the countryside. In the new China there is no contradiction between the city and the countryside. Instead cooperation and mutual aid are the order of the day. Such economic cooperation is bound to strengthen the political alliance between the workers and the peasants.

Trade Between China and Other Countries

We shall first establish trade relations with the Soviet Union and the people's democracies on the basis of friendship and mutual benefit. We shall also study the technology and experience of the Soviet Union in economic construction. We may also resume or develop trade relations on the basis of equality and mutual benefit with those capitalist countries which have shown a friendly attitude toward us. Of course we shall allow only those items which are useful to our production to be imported and shall either prohibit or restrict the importation of many luxuries and personal-consumption goods in order to protect and stimulate the development of China's national economy.

Five Economic Sectors Under the New Democracy

While China is in the stage of New Democracy, her economy has the following five sectors: (1) the socialist state-owned sector; (2) the semi-socialist cooperative sector; (3) the individual sector of peasants and handicraftsmen; (4) the private capitalist sector beneficial to the interests of the state and the livelihood of the people; and (5) the state capitalist sector.

Article 26 of the Common Program reads in part: "The state shall coordinate and regulate the state-owned sector, cooperative sector, individual sector of peasants and handicraftsmen, private capitalist sector, and state capitalist sector in the spheres of operation, raw-materials supply, markets, labor, technical equipment, public-finance policy, trade, etc, so that all components of the social economy can play their part in effecting a division of work and cooperate under the leadership of the state-owned sector to promote the development of the entire social economy."

The State-Owned Sector

The state-owned sector in the Soviet Union is a socialist sector, while in the New Democratic China it is of a socialist nature (Article 28 of the Common Program). The difference in this connection between the Soviet Union and China lies in the fact that China today is still in the stage of the New Democracy. But the present-day state-owned economy of China does have some elements of socialism.

(1) The means of production are concurrently owned by the state and the people. The machinery, raw materials, and buildings of the state enterprises are owned by the state. Since the People's Republic of China is led by the working class, based upon the alliance of workers and peasants, the property of the state is therefore also the common property of all the people.

(2) The contradictory relations between labor and capital have been eliminated. All persons participating in the production and management of the state enterprises have equal status. There is no more class oppression and class exploitation. The relations between factory managers and workers are relations between the leaders and the led. They are not relations between bosses and employees. Workers are no longer slaves dominated by machines. They have become conscious machine operators. The worker's creative spirit and initiative have been greatly improved.

(3) Productive activities are carried on in accordance with plans formulated by the state. The productive activity of the state enterprises is not aimed at the pursuit of profits as is the case in the capitalist countries. They proceed in accordance with plans carefully drawn up by the state, which guarantee a planned and systematic development.

(4) The distribution of the product of labor is made in accordance with fixed principles. Workers in the state enterprises work for themselves and for all the people. The products are distributed by the state in accordance with certain fixed principles: (A) to satisfy and improve the workers' daily needs; (B) to accumulate capital for expanding the reproduction process in a more scientific and advanced manner; (C) to consolidate and strengthen the political authority of the state both domestically and internationally; and (D) to develop education, health work, and social and cultural activities.

The new democratic state-owned economy is made up of the factories, mines, railroads, steamship companies, banks, etc., that were originally owned by the Japanese imperialists and the bureaucratic capitalists of the Kuomintang regime. It is quite evident that the New Democratic state-owned economy differs completely from the state-owned economy existing under the reactionary Kuomintang regime. The state-owned economy under the reactionary Kuomintang gang was actually under the control of a bureaucratic capitalists headed by four big families (the Chiang, Sung, Kung, and Ch'en families). The so-called state-owned economy under the Kuomintang served no others than the four big families and a few other bureaucratic capitalists, serving as an instrument for exploiting workers, peasants, and the petty bourgeoisie. Since it reeked feudalism and commercial speculation, its very existence was a handicap to the development

of a national industry and commerce. At the same time, the new democratic state-owned economy also differs from the nationalized economy of a capitalist country, for the political power of a capitalist country is completely monopolized by the capitalist class so that nationalization in a capitalist country is aimed at preserving the established interests of a few groups of big capitalists. In nationalizing an industry a capitalist country does not confiscate it or use any revolutionary method so that "the exploiters can be exploited." On the contrary, a capitalist country usually compensates the original owner of the nationalized industry in accordance with the latter's will. For instance, the Government of Great Britain paid 1,000,000,000 pounds sterling in bonds for nationalizing the transport facilities. Moreover, the original owners of these facilities draw 3 percent per annum on their bonds. Hence we know that nationalization under a capitalist system does no harm to the capitalist class. Nor can it have any significant effect on the distribution of national income. Consequently, nationalization of industry in capitalist countries cannot serve the purpose of gradually eliminating the economic elements of capitalism.

Individual Sector of Peasants and Handicraftsmen

Individual sector of peasants and handicraftsmen is a kind of small commodity economy. Its characteristics are as follows: (1) Production units are very small and scattered, with the family as a basis in most instances; (2) Instruments of production are usually very simple, the operators relying primarily upon their own labor; (3) Productivity is generally low; (4) Producers own their products, having the exclusive right to consume or sell them; (5) Operators are at the same time both laborers and private owners. As Lenin has said, such a small commodity economy breeds capitalism and the capitalist class by the hour and minute. But such individual economy will not develop into a capitalist economy in the new democratic China since the correct leadership of the Communist Party and the People's Government, the state-owned sector is the leading force in the entire social economy and the cooperative sector is accorded preferential treatment. In other words, in the new democratic China it cannot be that some of the small individual producers will become powerful enough to hire and exploit others, thus making themselves small capitalists, while others become so poor due to economic or natural distress as to be forced to sell their labor to the fortunate ones. As a matter of fact, the individual sector of peasants and handicraftsmen in the People's Republic of China will develop toward socialism. Under the leadership of the state-owned sector small individual producers will organize themselves into cooperatives. Beginning with collectivization in the fields of purchasing and marketing, they will march forward toward the collectivization of production, thus reaching the stage of socialism. This is the only way in which many of the small individual producers can rise out of poverty and be able to cope with both social and natural adversities. This is also the only way in which small individual producers may find the financial strength to make use of modern technical equipment, thus expanding their production. Of course, it will take some time to achieve all of these goals, and, in the meanwhile, individual producers have to go through stages of re-education, reorganization, and elimination of undesirable elements.

Small-Commodity Economy

Small-commodity economy means that individual peasants and handicraftsmen engaged in commodity production with their own labor. A small-commodity economy differs from a nature economy in that under the farmer the producers make goods not primarily for their own consumption but for sale whereas the latter the producers produce for their own consumption. Moreover, a small-commodity economy is also unlike capitalist economy, for under a small-commodity, the means of production belongs to the producers -- they are either peasants or handicraftsmen -- the producers use their own labor, they sell that part of their products that they want to exchange for means of living, and their production is invariably small-scale. On the other hand, under a capitalist economy, the workers do not own any of the means of production, and the capitalist hire workers for large scale production merely for the sake of profit.

For instance, the farmers grow industrial crops such as tobacco and cotton because they want to sell their products to others, and buy in exchange the food or industrial products they need in their daily living. Hence they do not produce for their own consumption. Neither are the products made by handicraftsmen intended for consumption by the handicraftsmen themselves. They are engaged in small-commodity production. At the present time small-commodity production occupies an important place in China's over-all economic production, and it has a considerable role in the economic development of the new China.

Private Capitalist Sector

The private capitalist sector is characterized by the fact that the means of production and the fruits of labor are owned by the capitalists, that workers get nothing but wages, that production is under the control and direction of the capitalists or their agents, and that the pursuit of profits motivates production. In itself, a private capitalist economy contains certain undesirable elements. First, a private capitalist economy is usually marked by a state of anarchy in production. Wherever a profit is to be made, the capitalists compete with each other to invest capital there. In doing so they not only create overproduction in certain sectors and underproduction in others, but also waste capital and other social resources. Second, a private capitalist economy usually leads to concentration of capital. In other words, in the process of competing for profits the larger and better equipped enterprises always find themselves in a superior position than the small and poorly equipped ones. As a result, the large enterprises swallow the small enterprises, thus creating a monopoly of large capitalists.

At the present time, with the productive forces of China still underdeveloped, the private industrial and commercial enterprises are quite useful to the state and the livelihood of the people despite the fact that they are operated for profit. This is why the People's Government is using political and economic means to encourage the active operation of all private economic enterprises beneficial to the national

welfare and the people's livelihood and the long-term development program (Article 30 of the Common Program). But the private capitalist sector is not allowed to monopolize against the people's interests. Under the leadership of the state-owned economy, the private economic enterprises are to carry on their production on a planned basis, thus eliminating anarchy in production.

State Capitalist Sector

The sector of the economy based on cooperation between state-owned and private capital is called the state capitalist sector. Such cooperation may take many forms: (1) Joint operation, wherein that state and the private capitalist jointly operate a productive enterprise; (2) Private operation under the authorization of the state. If the state is temporarily unable to operate certain enterprises, it may authorize private capital to finance them in accordance with plans formulated by the state. For instance, the state may find itself financially unable to develop certain forests, farms, fisheries, mines, or other natural resources at the present time, and it may authorize private capitalists to operate them under conditions laid down by the state itself; (3) Cooperation during the processing stage, wherein the state may ask private enterprises to manufacture certain products from raw materials and semi-finished goods supplied by itself. In asking private enterprises to manufacture goods, for it, the state may set certain conditions as to quality and quantity of the goods, prices, delivery dates, and processing charges; (4) The state purchases goods from private enterprises. The state may order certain amounts of goods of specified quality from private enterprises; (5) Private enterprises act as buying and distributing agents of the state-owned enterprises. State-owned enterprises may ask private concerns to purchase or sell goods on their behalf on a contract basis; (6) Joint purchase and marketing arrangements, wherein state-owned enterprises may take part in the joint purchase and marketing arrangements made by private enterprises, thus bringing about closer cooperation between state-owned and private enterprises.

From the above we see that in the state capitalist sector private economic enterprises are not only put under the supervision of the state but are also given aid by the state in the form of a certain permissible profit. State capitalist economy is therefore better than private capitalist economy. Whenever necessary and possible, private capital shall be encouraged to develop in the direction of state capitalism (See Article 31 of the Common Program).

The New Economic Policy

The adoption of the New Economic Policy by the Soviet Union marked an important shift in the economic policy of the dictatorship of the proletariat. At the Tenth Congress of the Communist Party of the Soviet Union in 1921 it was decided that the New Economic Policy would replace the surplus grain requisitioning system and the grain tax in kind. The change from War Communism to the New Economic Policy fully reveals Lenin's insight for it greatly strengthened the alliance of the working class and the peasantry in the socialist construction. At the Fourteenth Party Congress, Stalin stated: "The New Economic Policy is a

special policy of the proletarian state under which capitalism is allowed to exist on the condition that all essential economic resources and means of production are under the control of the state of the proletarian class. The objective of this policy is to permit the socialist and capitalist sectors of the national economy to compete with each other, thus enabling the socialist sector to eliminate the capitalist sector so that the social class distinction may be done away with and socialism may have an economic foundation. He who does not understand the transitional nature of the New Economic Policy is a rebel against Lenin" (See Stalin Hsuan-chi [Selected Works of Stalin], Hsin-hua Shu-tien, Vol I, page 333). Stalin made historic contributions by developing the theory on the New Economic Policy and its two components -- the planned development of cooperative economy and socialist industrialization.

The New Economic Policy guaranteed the maintenance of a correct relationship between the workers and the peasantry. While allowing the peasants to carry on small-commodity production on their small plots of land and to exchange freely their own products for goods manufactured by the socialist enterprises, the state took steps to prove to the peasants the superiority of collective management. This was the first task of the New Economic Policy. The New Economic Policy was based on the fact that immediately after the October Revolution small-commodity economy was still dominant in the economy. To revive the large industrial enterprises that had been destroyed during the Imperialist War and the Civil War and to create a material foundation for the development of large modern industries socialist lines constituted the second objective of the New Economic Policy (See Chernomorskiy, Economic Policies of the Soviet Union During the Period of the New Economic Policy).

Five Economic Structures During the Period of the New Economic Policy

According to Lenin, during the period of the New Economic Policy, there was to be many economic structures and many types of production relationships. There were five economic structures in the Soviet Union during the period of the New Economic Policy: (1) Patriarchal economy, which was then largely a nature economy; (2) Small-commodity economy, which was then primarily agricultural. Peasants and handicraftsmen produced agricultural and handicraft products for sale. Most of the population at that time were engaged in such production; (3) Private capitalist economy, which was quite prosperous at the beginning of the period of the New Economic Policy; (4) State capitalist economy, which primarily took the form of concessions. (5) Socialist economy which then consisted of the socialist enterprises (quite weak at that time), the state farms, the collective farms (which still constitute a small percentage of the national economy), the state trade agencies, and the cooperatives. The task of the proletarian class was then to eliminate the multiple economic structures by making the socialist sector emerge victorious from its competition with the capitalist sector. Thus the proletarian class could consolidate the political victory they scored over the capitalist class during the 1917 Revolution. The New Economic Policy was used as a weapon to crush capitalism on the economic front.

Self-Help Through Production

Self-help through production is one of the basic principles guiding the relief activities of the People's Republic. Since the liberation in 1949 the New China has undertaken many relief activities with great success. For instance, in North China relief activities have been undertaken in accordance with the following principles (1) preparation for famine through practicing efficient management in daily life; (2) self-help through production; (3) mutual assistance among the masses; and (4) work relief. In North Anhui relief policy is guided by the principle that the main emphasis should be placed on self-help through production with the government work relief program as a supplementary measure. The relief slogan for Northwest China is "Organize the masses for self-help and mutual assistance." All of these relief policies are alike for the most part and each of them has proved to be adequate in solving problems.

The general principles governing relief work in all localities are as follows: (1) Whenever disaster occurs, emergency steps shall be taken to control the bad effects; (2) After the disaster is over, rehabilitation measures shall be taken (for instance, after floods, water will be pumped out so wheat can be planted; (3) If farming has been rendered impossible, the farmers shall be encouraged to engage in side occupations such as weaving, mat-making, fishing, collecting medicinal herbs, and collecting firewood; (4) The local government may institute work-relief programs so that calamity-stricken people may apply their labor in a productive way to such things as repairing dikes and so on. In places where the local people are unable to work at all as in flood areas, measures shall be taken to transfer them to other places; (5) No famine areas shall give aid to other famine areas (for instance, the armed forces in North China and the people of Peiping and Tientsin donated 8,000,000 catties of grain for the relief purposes; civic groups in Northwest China tried to help collect famine relief funds through sponsoring relief stage shows and relief auctions. In Honan and Hopei people called for a movement to donate food for others in famine areas).

In order that relief work be successful, self-help through production must be insisted upon as the guiding principle. The attitude that relief is a charity matter must be overcome. We insist on the exertion of the positive and creative nature of the masses in relief activities. In consideration of actual conditions, we shall organize various kinds of production to help disaster-stricken people to help themselves. We insist on the mass approach in relief and are opposed to bureaucratism. In famine areas we shall simultaneously emphasize thrift and production. In nonfamine areas we shall lay stress on thrift and famine relief through mutual assistance. There are general principles, and those in charge of relief work shall take the measures they consider the best suited to the actual conditions.

Unification of Management of the Financial and Economic Activities of the State

In order to balance receipts and expenditures, to coordinate the work of the revenue and spending agencies, and to guarantee that the 1950 budget would be executed faithfully, early in 1950 the People's Government promulgated the Decisions Relating to the Unification of

and the distribution of goods among the trade agencies throughout the country is defined and regulated by the Ministry of Trade.

(7) The state enterprises are administered in accordance with unified regulations. Unified regulation is also applied to investments and loan-making by the state enterprises. State factories and cooperatives pay taxes the same as private business concerns. Amortization reserves and profits are delivered to the government in accordance with fixed rates.

(8) A state treasury system was established. The People's Bank of China is designated as the general state agency for handling receipts and cash disbursements. It also acts as the state treasury, controls foreign exchange, and absorbs public and private deposits.

(9) The Ministry of Finance is called upon to guarantee that the armed forces and the government agencies, both central and local, have sufficient funds to meet their expenses and that the necessary capital is available for investment.

(10) The Administrative Council deems that if the above nine provisions are completely carried out, the present financial difficulties will be overcome, military expenditures will be adequately met, and great fluctuations in prices and the financial markets will be halted.

Land Reform

The essence of land reform is the confiscation of the land of the landlords for distribution to peasants who either have no land or have insufficient acreage. Land reform therefore has the effect of eliminating a social class -- the landlords. It transforms feudal land ownership into a farmers' land ownership system. This is the most through-going reform in Chinese history.

The reason for this reform is to be found in the old land system itself, which had many undesirable features. Generally speaking, landlords and rich peasants, who constituted not more than 10 percent of the rural population, possessed from 70 to 80 percent of the land. These landlords and rich peasants did everything they could to exploit the poor peasants. On the other hand, poor peasants, farm laborers, middle peasants, and others, who altogether constituted more than 90 percent of the rural population, possessed not more than 20 to 30 percent of the land. They toiled year in and year out. But they could never get sufficient food or clothing. This situation had undergone some changes during the last decade. Except for those areas where land reform has been put into effect, land ownership has been further concentrated in the hands of a few landlords in some places. For instance, in Szechwan and several other areas landlords own from 70 to 80 percent of the land. But in the middle and lower reaches of the Yangtze River land ownership is quite scattered. According to data recently obtained in East China and South Central China, landlords own from 30 to 50 percent of the arable land, rich peasants have approximately 10 to 15 percent of the arable land, and middle peasants, poor peasants, and farm laborers have about 30 to 40 percent of the arable land. Small absentee landlords own 3 to 5 percent of the arable land. From 60 to 70 percent of

the arable land is under complete tenancy. The acreage rented out by rich peasants constitutes 3 to 5 percent. The land tilled by the rich peasants themselves is about 10 percent of the arable land. This is another way of saying that while 90 percent of the arable land is tilled by middle-class peasants, poor peasants, and hired peasants, they own only a small percentage of the land. This is the basic reason why China is poor, economically backward, and oppressed by foreign imperialist. This is also the basic obstacle to making China a democratic, industrial, independent, unified, and prosperous country. If this situation is allowed to continue, the Chinese people's victory in their revolution cannot be consolidated, the productive forces of peasants cannot be expanded, and the industrialization of China cannot be achieved. In short, the Chinese people will not be able to gather the fruits of their revolution. We must change this situation by implementing the provisions of Article 1 of the Draft Land Reform Law. We must abolish feudal land ownership and institute a land-ownership system under which peasants own their own land. Thus may we unfetter the productive forces of the rural areas and increase agricultural production, opening a way for national industrialization. These are the basic reasons for, and the basic objectives of, land reform.

Dr. Sun Yat-sen long ago called for "the equalization of land ownership" and subsequently coined the slogan "The Tillers Must Have Their Own Land." The industrialization of China requires a vast rural market for industrial products. It is quite evident that if land reform is not thoroughly carried out, industrialization of the New China will be impossible. The historic crime committed by the landlord class in the past was due to the old social system. Thus despots and landlords who stubbornly oppose the land reform should be severely punished or sentenced to death by the people's courts, while landlords in general should be deprived of their title to the land but not of their lives. Our aim is to do away with the landlords of a social class, but not with landlords as human beings. This is why we stipulate in the draft of the land reform law that after the land and the means of production have been confiscated from the landlords, the former landlords will still be given their appropriate shares of land and means of production, thus forcing them to rely on their own labor to make a living and reform themselves through labor. After having passed through a lengthy period of reform through labor, the former landlords can be made into new men.

The purpose of the land reform fully reveal that it is not merely aimed at giving relief to the poor. Although the Communist Party has struggled for the interests of the poor people ever since its inception, its attitude has never been that of the philanthropist. To be sure, land reform is beneficial to the poor peasants and may help them eliminate some of their poverty. But the basic aim of the land reform is not simply to give relief to the poor peasants but to release the productive forces of the countryside from the yoke of feudal land ownership and to develop agriculture, thus the necessary prerequisite for industrialization. Only when agriculture has been greatly advanced can the industrialization of the new China be accomplished and the living standard of the Chinese people improved. Only when the country is on its way to socialist construction can the poverty of the peasants be finally and completely liquidated. Land reform can relieve some of the poverty of the peasants but not all. Hence, all steps taken in land reform must be in accord with the objective of developing agricultural production. The central authorities of the Communist Party

of China have proposed that hereafter the rich-peasant holdings will not be broken up during the process of land reform, for the existence of the rich-peasant economy and its development within certain limits will be beneficial to the development of the entire people's economy and to the peasants themselves (See Vice-Chairman Liu Shao-ch'i's Kuan-yu T'u-ti Kai-ko Wen-t'i Pao-kou [Report on the Problems of Land Reform]).

The land-reform work begun upon the promulgation of the Land Reform Law of the People's Republic of China in June 1950 has been concluded by the end of September 1952 thus basically completing the nation-wide land reform. During these three years land reform was pushed through in an area having an agricultural population of some 300,000,000. If the old liberated areas are added to this figure, we find that land reform has been carried out over an area containing more than 90 percent of China's rural population. Except for Sinkiang, Tibet, areas where national minorities reside, and Taiwan which has not yet been liberated, land reform has yet to be completed only in regions having a total agricultural population of some 30,000,000. Even in these areas, land reform will be completed by the end of 1952 or before the spring planting in 1953. Land reform will also be commenced this winter or next spring in the agricultural regions of Sinkiang, where various national minorities reside.

Land reform has had a great effect on the economic, political, and cultural life of the nation. It has also produced rapid changes in many fields. Since the land reform the countryside looks entirely different.

(1) Economically, the peasants having acquired land, means of production, and means of livelihood since have become more active in production. Agricultural production is rapidly recovering and growing and the peasants' standard of living is also rising. The number of peasants that have benefited from the land reform economically constitutes 60 to 70 percent of the entire agricultural population of the nation. Including the old liberated areas, we find that about 300,000,000 rural residents have been benefited economically by the land reform. Some 700,000,000 mou of land have been distributed to peasants. Prior to the land reform, peasants had to deliver annually at least 30,000,000 tons of grain to the landlords as land rent. But now they no longer need to pay any land rent. The peasants are now working for themselves. On their own land, the peasants are conducting a large-scale patriotic contest for increasing production. Millions or tens of millions of peasants are actively taking part in mutual aid organizations and agricultural production cooperatives. They are also making an effort to add to the means of production they were given during the land reform large numbers of draft animals, water wheels, and modern agricultural implements. As a result, their farm managements is gradually improving, their farming techniques are becoming better day by day, and their productivity is also rapidly rising. The output of grain in 1951 was 28 percent higher than that of 1949. It is expected that the output of grain in 1952 may be some 40 percent higher than that of 1949, thus exceeding the peak prewar year by 9 percent. The production of cotton and other industrial crops in 1951 all exceeded the highest records in Chinese history. With the expansion of agricultural production, the living standard of the farmers is also improving. In many places the percentage of middle-class peasants in the agricultural population has increased from 20 to 80; the percentage of poor peasants and farm laborers has fallen from 70 to 10 or 20 and is still falling.

(2) Politically, as a result of the land reform movement the political consciousness of the peasantry has been greatly improved. The vast multitude of peasants has become the mainstay of political authority in the rural areas, thus strengthening the people's dictatorship and consolidating the alliance between the workers and peasants. Trained during the land reform movement, a large number of politically active peasants have emerged in each village. In 1951 in East China alone some 300,000 politically active peasants joined the China New Democracy Youth Corps. In East, South-Central, Northwest, and Southwest China, four greater administrative districts in all, more than 88,000,000 peasants have joined the Federation of Farmers, and of this figure some 30 percent are women. A peasant hegemony has been generally established in the countryside. Local branches of the Federation of Peasants have real control over the political apparatus of the rural areas. The landlords have been politically disarmed. The peasants are keeping those landlords opposed to the land reform under control. The peasants have become the real masters of the countryside. Meanwhile, the conferences of peasants' deputies developed during the land reform movement has served as a basis for the establishment of the conferences of the people's representatives, thus extending and strengthening the people's democratic dictatorship in the rural areas and making China a real democratic state.

(3) Culturally, the land reform also has stimulated cultural development in the rural areas. The number of elementary schools and elementary-school pupils in the rural areas have registered a marked increase. In the second half of 1952 the number of elementary school pupils throughout the nation may reach 49,000,000 or 65 percent of the 75,000,000 children who have reached school age. But among the pupils currently attending school a number of them are no longer of school age. The number of adult men and women attending winter schools in rural areas has also increased. Some of the winter schools even have become permanent adult schools. Literacy schools, newspaper-reading circles, and wall-paper-reading circles are being established in villages. Knowing that peasants are urgently calling for improvement of their cultural level, the local authorities are making the necessary preparations for launching a movement in the winter of 1952 to give some sort of education to illiterate people through the word-reading method invented by Ch'i Chien-hua. This movement will greatly improve the cultural standard of the village. In the meanwhile, owing to the rapid revival and development of agricultural production throughout the nation, the entire population of China are getting a sufficient amount of food, industrial crops are being extended, and the purchasing power of the peasants is rising rapidly. The purchasing power of the entire population in 1951 was about 25 percent higher than in 1950. Taking the volumes of sales of a few daily necessities, we find that sales of cotton yarn and cotton yardgoods in 1951 were 10 percent higher than 1950; cigarettes 14 percent higher; matches 20 percent higher; sugar 44 percent higher; oil 47 percent higher; and tea 70 percent higher. From these figures we may see that the purchasing power of the vast multitude of peasants has risen rapidly since the land reform. The increase in agricultural production and the rise in the peasants' purchasing power present a large domestic market for the industrial products of China.

During the past year, the mutual aid movement in agriculture made remarkable progress in many localities. In Northeast and North China the organized agricultural labor force constitutes approximately 60

percent of the total agricultural labor force of these two regions. In some places, the percentage is even as high as 80. In the newly liberated areas such as East, South-Central, and Southwest China, the organized agricultural labor force constitutes 25 to 40 percent of the total agricultural labor force. In Northeast and North China there are also some two thousand agricultural producers' cooperatives in addition to mutual aid organization. The current drive to develop mutual-aid and cooperative organizations in rural areas will further facilitate raising agriculture productivity, which will in turn stimulate the industrialization of the nation. Industrialization will also make it possible to mechanize agriculture. The peasants of China will march forward on this bright road to the great future.

Business Accounting

Business accounting is the further development of cost accounting and commercial accounting. It is combined accounting system including production costs, sales, financial receipts and expenditures, and capital turnover. Business accounting is aimed at making full use of raw materials, labor, and production equipment, eliminating waste, cutting costs of production, increasing output, improving quality, speeding up commodity sales, increasing profits, facilitating accumulation of capital, and increasing the wealth of the socialist economy. Business accounting under the socialist system is quite different from the economic principle guiding the activities of capitalist enterprises. Capitalist economists think that the capitalist method of production is rational and will last forever. They also think that one economic principle is the basic principle governing all economic activity. They believe that all normal economic activity is governed by the principle of minimum sacrifice for maximum gain. In other words, they believe that all the capitalist enterprises merely seek the largest profit when making any investment. This economic principle is closely linked with the private ownership of the means of production, which constitutes the social foundation of capitalism. Laws and decrees of the capitalist state stipulating free investments in all branches of the economy have their basis in the state of anarchy in production and in the acute competition among the capitalists. Business accounting under the socialist system is precisely the opposite of the economic principle of the capitalist system. For business accounting is aimed not at bettering the interests of individual but the interests of society as a whole. Socialist enterprises carry on production with the means of production owned by all the people for fulfilling the state tasks stipulated in the national economic plan. In order to save labor, to accomplish the goals set out in the national plan, and to improve the cultural and material standards of living of the broad masses, socialist enterprises must use business accounting as an instrument.

The basic features of business accounting under socialism are as follows: (1) In order to secure fulfillment of its production and marketing plans, the state must provide the necessary capital and goods to the enterprises and other economic organizations. (2) The enterprises have the responsibility of preserving and enlarging the capital and goods given to them by the state. (3) Within certain limits, the state allows the enterprises to dispose of their resources freely.

(4) There must be an established system under which the enterprises and the economic agencies will be always deeply concerned with their own business condition.

The basic features of business accounting under the New Democracy are as follows: (1) The various enterprises shall conduct their business according to commercial principles and not as bureaucratic organs. The various state enterprises shall have prescribed amounts of fixed and working capital so that they may operate as independent units under the over-all leadership of the national economic plan. (2) A unified, independent accounting system is to be established, including an independent state-treasury system, a budgetary system, and a final-accounts system. (3) An audit system is to be established independently of the accounting system. (4) A system under which production plans are periodically approved by superior agencies, and the execution of the periodic production plans is reviewed is to be established. (5) An industrial inspection system is to be established. (6) A periodical statistical reporting system is to be established. (7) A unified system with regard to the purchases, storage, distribution, and consumption of materials is to be established. (8) There will be a cost-accounting system. (9) There must be a unified system governing the making of final accounts at the end of the fiscal year. (10) There will be a system for clearing credits and debits. It is not necessary to establish all of these systems simultaneously. Their establishments shall depend upon the state of business activity. Before establishing any one of these systems, thorough preparations must be made. In order to operate the new democratic enterprises on a normal basis, we must make business accounting as accurate as possible, so that we can execute production plans with certainty, improving thereby quantity and quality and cutting production costs.

Revaluation of Assets and Revising Capital Requirements

Revaluation of assets and revising capital requirements are preliminaries to instituting the business-accounting system. In other words we want to use the investment capital of the state to the best advantage through a revaluation of assets and a revision of capital. Efficient use of capital is important, and revaluating assets and revising capital requirements are the important steps toward efficient use of capital. Revaluation of assets is aimed at determining whether the present assets of the various state enterprises (including fixed and liquid assets) are the minimum amounts really needed by the enterprises. Revising capital requirements means that the state reviews and decides how much fixed and working capital each of these enterprises shall need for fulfilling their respective production plans. Without a revision of capital requirements enterprises may find themselves either over-capitalized or under-capitalized. If an enterprise is over-capitalized, it means that the state is wasting part of its capital there. But if an enterprise is under-capitalized, it would be unable to carry on its legitimate activities, thus causing the state to suffer economic losses. But revaluation of assets does not mean merely checking the amount of assets, but also the nature, quality, norms, and whether the assets are adequate for fulfilling production plans. Thus without a revaluation of assets, the enterprises would be unable to draw up realistic production plans, and without giving attention to the proper use of capital, the execution of the production plans would be greatly handicapped. Only after assets have been revalued and capital requirements have been redefined can we assign scientific and precise production quotas to the various enterprises.

Revaluation of Assets and Revision of Capital Requirements in State Enterprises

Early in June 1951 the Committee on Financial and Economic Affairs of the Administrative Council promulgated Decisions Relating to Revaluing Assets and Revising Capital Requirements in the State Enterprises. On 31 July of the same year the same agency promulgated two further measures concerning the application of the above measures -- Provisional Regulations for the Revaluation of Assets in the State Enterprises and Provisional Regulations for Revision of Capital Requirements in State Enterprises. These decisions reveal that since the confiscation of the state enterprises by the People's Government from the Kuomintang regime, a general inventory-taking has been concluded and that preliminary figures on the assets of these enterprises are already available. But with the exception of Northeast China, the capital assets of the various enterprises have not been formally reviewed and decided upon by the government. Thus some enterprises have more capital than they really need while others are under-capitalized. In order to fix the capital of the various state enterprises as a basis for instituting business accounting, the Committee on Financial and Economic Affairs of the Administrative Council made the following decisions.

(1) All enterprises operated by the state and various greater administrative districts, including factories, railroads, communications services, trade agencies, banks, agricultural and forestry agencies, and water management projects shall reevaluate all their fixed and liquid assets and review their capital requirements.

(2) Committees on revaluation of assets and revision of capital requirements will be organized at various levels, with the vice-chairmen of the committee on financial and economic affairs of the people's government on the various levels or other heads of appropriate government agencies as their respective chairmen and chiefs of the various agencies concerned as their respective members. These committees may also have staff members to handle routine business. The National Committee shall make regulations and draw up model forms with regard to the revaluation of assets of the state enterprises and reviewing capital requirements. It will also lead and supervise the local committees. Committees on the greater administrative district may appoint members of the provincial and municipal committees on financial and economic affairs to direct and supervise the revision of capital requirements of state enterprises within the jurisdiction of the respective greater administrative districts.

(3) All the fixed and liquid assets of the state enterprises will be re-examined and reregistered and shall be revaluated in terms of people's yuan as of the end of June 1951. If by the end of June 1951 an enterprise has already revaluated its assets according to a procedure in conformity with the principle established by the National Committee on Revaluation of Assets and Revision of Capital Requirements they need merely review their work and register their revaluated assets with the local committees. The latter are to report to the national committee. In registering their assets, the enterprises must use the prescribed forms. If by the end of June 1951 some enterprises find that their methods of evaluating assets are at variance with the principles laid down by the National Committee either in whole or in part, they shall reevaluate all or part of their assets in accordance with the prescribed principles.

(4) The amounts of working capital of the various enterprises shall be redefined in the light of the production goals assigned to them in 1951, thus assuring that the production goals may be attained with a minimum use of materials and monetary capital. The local committees on revaluating assets and revising capital requirements shall establish the amounts of fixed capital that each of the enterprises may have. But they shall report their action to their superiors all the way up to the national committee. When revising their capital requirements the enterprises shall keep in mind that their working capital is to enable them to fulfill their production quotas. Specifically, they shall figure out the amounts of working capital and their rates of turnover on the basis of their production, purchases of materials, and sales. Then they shall determine how much working capital they should have and ask the local committee to transmit their plans to the national committee for final approval. In submitting their plans, the enterprises shall also present their balance sheets of assets and liabilities.

(5) Before the end of June 1951 all agencies concerned shall be well prepared ideologically and administratively for undertaking the revaluation of assets and revision of capital requirements in the state enterprises. On 1 July 1951 revaluation and revision shall begin throughout the country. All work must be completed by the end of 1951. The Ministry of Finance shall then proceed with the bookkeeping work. By the end of January 1952 the Ministry of Finance shall submit its report to the Committee on Financial and Economic Affairs of the Administrative Council.

The Jen-min Jih-pao pointed out in an editorial that the revaluation of assets and revision of capital requirements involved large groups of people. Officials dealing with financial and economic affairs both in the central and local governments and in the enterprises should work together. Technically, the most important task was the evaluation of the assets. Owing to depreciation and increment in recent years, the actual values of assets owned by the state enterprises must be at great variance with those shown on the books. Except for a few cases of over-evaluation the assets of most enterprises have generally proved to be under-evaluated. In some extreme cases, the actual values of the assets are several times the values on books. Both over-evaluation and under-evaluation hamper cost accounting. They also adversely affect the acquisition of new assets. Among the components of working capital, raw materials and semi-finished goods in storage constitute the largest percentage. Thus the evaluation of raw materials and semi-finished goods has an important bearing on cost accounting. If they are over-evaluated, production cost will be higher, thus hindering marketing. If products are sold at market prices or lower than market prices, enterprises would either lose money or make no profit. On the other hand, if raw materials and semi-finished goods are under-evaluated, production costs will of course be low, but the sale of these products will not earn sufficient money to finance the purchase of sufficient reproduction materials. If these products are sold at higher prices, the profits of the enterprises will not be real profits but the cost of the materials. All of these are detrimental to cost accounting.

Three Great Features of Production

In his classical work entitled "A Short History of the Communist Party of the USSR," Stalin indicates that when we speak of production and forms of production we talk about not only the productive forces of society but also the human relations in production. The productive forces of society and human relations in production are in harmony during the process of material production. Stalin says: "The first feature of production is that it never stops at a certain point for too long but is constantly in a state of change and development. At the same time, any change in the forms of production must lead to changes in the social system, social ideology, political ideas, and political systems. In other words, any change in the forms of production will lead to reorganization of the entire social and political structure.

"The second feature of production lies in the fact that the change and development of production always begin first with changes and developments in the instruments of production, which, in turn, lead to changes and developments in the forces of production. Thus the forces of production are the most dynamic revolutionary elements in production.

"The third feature of production is that the new forces of production and their corresponding production relations do not take place independently of the old system or after the extinguishment of the old system. They take place within the old system. The new forces of production and the new production relations also do not arise as a result of any conscious action on the part of human beings but come into existence naturally, unconsciously, and free from the influence of human will."

Distribution of Means of Production Under Socialism

Soviet economist Lobosin says in his article "The Distribution of Means of Production Under Socialism:" "Part of the total sum of the social product appearing in material form constitutes means of production. The distribution of means of production among the various branches of the national economy is one of the most important tasks of socialist planning. Distribution of means of production is the principle aspect of the distribution of the entire social product. At the same time it is conditioned by the nature of the social reproduction process. The process of reproduction as a whole is a collective process of production, circulation, distribution, and consumption.

"Capitalist economists regard distribution as an economic phenomenon independent of the forms of production and therefore the basic object of study in economics. This attitude is characteristic of the capitalist economists. But as a matter of fact production is the major element in the process of reproduction, determining all other elements including distribution." Thus Mr. Lokosin quotes Marx in saying that "The structure of distribution is completely determined by the structure of production. Distribution itself is a product of production. This is

so not only in terms of objects but also in terms of form. For things that can be distributed are results of production and the forms of distribution are determined by the forms of production. Consequently, the form in which each person takes part in production determines the form of distribution, i.e., the form in which each person takes part in distribution" (See Marx, Critique of Political Economy).

Lokosin further says: "Under socialism the distribution of the social product, like production, is not a spontaneous matter but is carried out according to the state plan. The economic plans of the state cover the entire field of the process of reproduction. Economic planning is one of the basic economic principles of socialist society. The socialist state applies a modified law of value as a means of distributing materials, financial resources, and labor to the various branches of national economy according to the tasks assigned to them by the plans for communist construction (See Bolshevik, No 2, 1952).

Responsibility System

The responsibility system is one of the new features of China's enterprises. Responsibility in enterprises was first introduced in a socialist state. In 1931 Stalin emphatically pointed out in a speech to a conference of business executives ("New Conditions -- New Tasks in Economic Construction") the importance of personal responsibility in enterprises. He called for the introduction of a responsibility system in all enterprises in order to improve the organization of labor. Stalin said: "What does lack of personal responsibility mean? It means complete lack of responsibility for work entrusted to a person, lack of responsibility for machinery and tools. Naturally, when there is no personal responsibility we cannot expect any tangible increase in labor productivity, improvement in the quality of products, or care in handling machinery and tools."

"What is the personal responsibility system? The personal responsibility system means that every blue- or white-collar worker must assume a certain responsibility for the work entrusted to him, assert his creative and positive spirit, do away with lack of responsibility in work, and increase the productivity of labor. This system may greatly increase the conscientiousness of the masses of workers and strengthen labor discipline. It may also prevent laziness on the part of a few workers. This system is one of the important guarantees of the leadership of the proletarian class in industry (See "An Important Reform in Enterprise Management," editorial in the Tung-pei Jih-pao [Northeast Daily]).

The responsibility system is far reaching. It includes individual responsibility in business management and personal responsibility for the work entrusted to the individual, regardless of position and rank. According to experience gained in the various localities, the responsibility system will be introduced first with regard to the following matters: (1) Responsibility for production, which means that certain persons in a productive enterprise must assume responsibility

for fulfilling and overfulfilling the production goals by providing correct leadership. (2) Responsibility for factory safety, which means that certain persons in a factory must assure the responsibility for promoting industrial safety and preventing accidents. Thus there must be regulations governing work-shifts, machine inspection, equipment maintenance, and reporting on safety conditions. With these regulations strictly enforced, the factory may place responsibility squarely upon certain people if any accident or damage occurs. (3) Responsibility for the quality and quantity of products, which means that the blue-and white-collar workers in a factory must produce goods of the prescribed quality and quantity, and a special quality and quantity inspection unit will be charged with the responsibility of inspecting the output. (4) Responsibility for supply of materials, which means that certain persons in the factory shall be made responsible for determining how much material is needed and procuring it. If these persons fail to keep the factory supplied with the necessary and prescribed materials, they shall be called to account.

Profit in the Socialist Economy

Profit in socialist economy is the difference between the price charged by a factory for its product (excluding the turnover tax) and the actual cost of production. In statistics such profit is called the sales profit. The net profit of the enterprise, or the profit listed on the balance sheet, differs from the sales profit, for the net profit is affected by expenditures for business building, public utilities, packing supplies, and bad debts. Commercial profit is the difference between prime price and sales price. Profit earned by the enterprises may be used to supplement its working capital or to expand investment. But part of it must be delivered to the state treasury as budgetary revenue.

Surplus Profit

The National Conference of the Budget, Accounting and the State Treasury (convened by the Ministry of Finance) made the following resolutions with regard to surplus profit:

(1) Surplus profit may occur under anyone of the following conditions: (A) When, with no expenses added to production and management, excess output of prescribed quality occurs. (B) When goods are produced at costs lower than those originally planned with quality still in conformity with the prescribed standard. (C) Profits created as a result of cutting working capital or storage costs.

(2) No profit shall be regarded as surplus profit under the following conditions: (A) When the wholesale prices of goods are raised artificially by the authorities. (B) When the prices of raw materials and fuel are reduced. (C) When railroad freight rates, tax rates, interest rates on loans, and electric-power charges are reduced. (D) When commodity prices are reduced. (E) When additional equipment is added to a factory.

Readjustment of Industrial and Commercial Relations

Readjustment of industrial and commercial relations is one of the three basic factors responsible for China's financial and economic recovery (See the section "Striving for the Basic Recovery of the Nation's Finances and Economy"). The readjustment of industrial and commercial relations embraces the following: (1) Readjustment of relations between the state-operated industrial and commercial enterprises on the one hand and private industrial and commercial enterprises on the other. (2) Readjustment of relations among individual industrial and commercial enterprises, both public and private. (3) Readjustment of relations between industry and commerce. (4) Readjustment of relations between the banks and the industrial and commercial enterprises. (5) Readjustment of relations between the city and the countryside. (6) Readjustment of relations among the various parts of the country. (7) Readjustment of internal relations in the various enterprises. (8) Readjustment of relations between imports and exports. In readjusting relations between public and private interests, the People's Government is guided by the pertinent provisions of the Common Program, wherein the People's Government shall accord protection to all private capitalist enterprises beneficial to the national welfare and the people's livelihood and suppress all activities that might be detrimental to them. On the basis of this principle, the People's Government shall take the following concrete measures: (1) With regard to industry: (A) Insofar as possible, the government and the state enterprises shall order goods from private factories or ask private factories to process raw materials owned by the government or the state enterprises. (B) The government shall purchase certain quantities of agricultural products from the peasants and shall accord favored treatment to industries manufacturing goods that may be exported in the near future, although not at the present time. (C) The government shall help organize public and private forces in an effort to speed up the turnover of industrial capital. (D) The government shall urge private enterprises to improve their management methods and management-labor relations so that both labor and management may cooperate to overcome business difficulties. (E) The government shall make a systematic effort to reorganize and coordinate all the productive activities undertaken by government agencies and the armed forces other than the state enterprises so that these productive activities will not conflict with the private enterprises, handicrafts, and subsidiary occupations of the peasants (Editor's note: on 29 February 1952 Administrative Council took steps toward solving this problem). (F) The government shall from time to time announce which branches, of the national economy are temporarily facing overproduction or reaching the production on limit so that producers may adjust their production plans accordingly. (G) The government shall institute unemployment relief programs in selected areas. Unemployed persons shall be organized to participate in such public work programs as water control and municipal work projects.

(2) With regard to commerce: (A) The government shall from time to time review its prices policy with a view to stimulating business and facilitating the recovery and development of production. (B) The state trade agencies shall establish only that number of retail and department stores sufficient to stabilize market prices and prevent commercial speculation. Retail stores of the state trade agencies shall sell only six consumer items -- grain, coal, cotton yardgoods, edible oils, table salt, and petroleum. The state wholesale agencies are responsible for

stabilizing wholesale prices by removing currency from circulation on the market. (C) At the present time the state trade agencies can purchase only principal agricultural products, goods for export, and a part of agricultural by-products. The state must encourage private traders and cooperatives to purchase other products from producers. (D) The government shall, on the one hand, maintain the prices of agricultural products at a certain level in order to guarantee the farmers a legitimate income and on the other hand take into account outlets for agricultural products and profits for those engaged in marketing. (E) Local people's governments shall make every possible effort to facilitate marketing and shipping by private traders. They shall also attempt to help private traders through local taxation policy and revenue collection procedure.

(3) With regard to banking: The state banks shall continue to assist the private banks in making loans through concerted action and to help them expand their business activities.

(4) With regard to industrial and commercial associations: The trade associations of the state and private enterprises shall from time to time consider problems of mutual interest.

State Enterprises

All enterprises operated by the agencies of the Central People's Government and the people's governments of the various greater administrative districts (including those enterprises operated by provincial and municipal governments on behalf of the governments of the greater administrative districts) are called state enterprises.

Local Public Enterprises

All enterprises operated by the local governments under the provincial level are called local public enterprises.

Joint Enterprises

Those enterprises which are operated jointly by private and state capital are called joint enterprises. In such enterprises the state takes an active part in the management.

Private Enterprises

Private capitalist economy is one of the five sectors of the national economy of the New Democratic China, and private enterprises are the concrete form of the capitalist economy. Article II of the Provisional Regulations Governing Private Enterprises (promulgated by the Administrative Council on 29 February 1950) provides: "The private enterprises mentioned in this instrument are economic enterprises financed by private capital and managed by private persons for the purpose of making profits." From this

provision we know that private enterprise must have three qualifications: (1) its capital is put up by private interests and not the state; (2) it is operated for the purpose of making profits and the investment is not made as a free gift or donation such as funds contributed to charity organizations or schools; and (3) it must be an economic institution such as an industrial, commercial, mining, or financial enterprises. If a firm has these three qualifications, it is a private enterprise; if a firm lacks any one of these three qualifications, it is not regarded as a private enterprise. For instance, some private schools are financed by private funds but they are not regarded as private enterprises because they are not profit-making economic institutions. Again, while offices of architects are financed by private capital, they are not private enterprises because they sell services for financial reward, thus not making profit as an economic institution. Stated concisely, private enterprises should be factories, mines, commercial enterprises, shipping enterprises, or banks operated by private interests for the purpose of making profits. As for handicraft shops operated by individual workers, they are not private enterprises because they primarily produce with their own labor and simple tools and they do not hire others or have apprentices. Nor can roadside stands, which have no fixed premises, be regarded as private enterprises.

Spirit of the Provisional Regulations Governing Private Enterprises

The Provisional Regulations Governing Private Enterprises supersedes the Company Law enacted by the regime of the reactionary Kuomintang clique. The new law is more extensive in that it embraces proprietorship, partnership, and the company. In other words, the new law deals with one of the five economic sectors of the new democratic economy, namely, the private capitalist sector. We must grasp the spirit of this instrument in applying it. In dealing with the internal organization of private enterprises, this law emphasizes the fact that as long as the contracts and business practices of a private enterprise do not violate the basic spirit of the policies and laws of the People's Government, the government will not interfere with it. This law also contains provisions encouraging private persons to invest their capital in economic enterprises beneficial to the welfare of the state and people's livelihood. In applying this law government officials must bear in mind that private enterprises are to be led to develop along the lines of the New Democracy and not of capitalism (See Chien Chia-chu, Ssu-ying Chi-yeh T'iao-li [On the Provisional Regulations Governing Private Enterprises]).

Distribution of Profits

According to Article 25 of the Provisional Regulations Governing Private Enterprises, an enterprise, if it shows a profit, shall put aside ten percent or more of earnings net of income tax and all financial losses as a surplus to be used to expand business or to meet contingences. After the surplus has been deducted from the earnings, part of the remaining profit shall be used to pay dividends on stocks. But the maximum annual dividend rate on stocks shall not exceed 8 percent. If a company does not show a profit or suffers financial losses during a given year and cannot pay dividends for that year, it may delay payment of dividends until a year which shows a profit. But in such case the company shall first deduct from the profit earned during the good business year the financial losses it suffered during the poor business year before proceeding to decide how large a dividend it should pay. After surplus and dividends having been deducted, the remaining profit shall be disposed of as follows: (1) no less than 60 percent shall go to members of the board of directors, members of the board of supervisors, and the managers; (2) a part shall be used as a reserve fund for improving safety sanitation, and so on (in mining and industrial enterprises, this portion shall be no less than 15 percent); (3) no less than 15 percent shall be used as an employee welfare fund and employee reward fund; and (4) other purposes. Surplus, dividends, and bonuses for members of the board of directors and supervisors all go into the pockets of capital owners. This profit earned by capitalist enterprises is undoubtedly the surplus value created by the working class. But, in order to provide incentive for private investment, the economic system of the New Democracy permits capitalists to exploit the working class on a limited basis. After capitalist have adopted a sound wage system, a sound labor-insurance system, a sound industrial safety system, a sound sanitary system, and comply with other labor laws, they should be given the right to take the largest share of the profit.

Organizational Forms of Private Enterprises

A private enterprise may take the form of a proprietorship, partnership, or company. A more detailed classification distinguishes seven forms -- the proprietorship, partnership, ordinary partnership (or

unlimited-liability company), joint-stock company, limited joint-stock company, limited partnership, and limited-liability company. The People's Government will promote the company-type private enterprises, for it is a natural law that the organizational form of enterprises develop from the simple to the complex or from the proprietorship through the partnership to the company.

Five Organizational Forms of the Company

The five forms of the company are as follows: (1) Ordinary partnership company, which is organized by at least two stockholders, who assume unlimited liability for the company; (2) Limited-liability company, which is organized by at least two stockholders, their personal liability being limited to the amount of stock or shares owned; (3) Limited partnership company, which is organized by more than one stockholder with unlimited liability and more than one stockholder with limited liability. The stockholders with unlimited liability have the joint responsibility of paying all debts incurred by the company if necessary, while the liability of the stockholders with limited liability is limited to the value of their stock or shares; (4) Joint-stock company, which is organized by at least five stockholders, each of which owns a certain number of shares, the liability of each stockholder being limited to their shares; (5) Joint-stock limited company, which is organized by at least more than one stockholder with unlimited liability and more than five stockholders with limited liability. The stockholders with unlimited liability have the joint responsibility of paying all debts incurred by the company if necessary, while the liability of stockholders with limited liability is limited to their shares.

Financial Plans of Enterprise

It is quite natural that all enterprises should have some sort of business planning. The finances of the enterprises reveal the mutual relations between the socialist state and the various economic units. These relations are determined by the state economic plan, which is the basis of the development of the socialist economy. Only when finance is planned can it perform its proper functions. The tasks of financial planning are to make plans for the formation of money capital and its utilization and to allocate labor and materials through allocating money capital. The financial plan must indicate the amount of work that the enterprise shall accomplish during the plan period in terms of value, the amount of capital required for the accomplishment of the task, the sources of the capital, and the amount of capital that should be delivered to the state treasury as budgetary revenue upon the accomplishment of the plan. It is therefore quite clear that the financial plan of the enterprise has the effect of determining the mutual relations between the various enterprises and the state budget.

Unlike the financial organization of capitalist enterprises, the finances of enterprises in the Soviet Union are well organized, capitalist enterprises cannot know in detail when, where, and at what prices, they may purchase their materials. Nor can they know with any certainty when, where, and at what prices, they may sell their products. During economic depression, capitalist enterprises cannot find markets for their products and bankruptcy is a constant threat. All these defects are inherent in the financial structure of the capitalist enterprises themselves.

The enterprises in capitalist countries always want to possess large amounts of materials and equipment. For instance, the amount of liquid capital tied up with each dollar of fixed capital in an enterprise in the United States is three or four times the amount of liquid capital tied up with each ruble of fixed capital in an enterprise in the Soviet Union. At the same time, in order to have working capital available at all times, enterprises in capitalist countries also tie-up large amounts of capital (including amortization charges) in stock shares and securities, which are more marketable than commodities. Furthermore, because they have difficulty in selling their products, capitalist enterprises often keep large stocks of commodities on hand and large amounts of capital in accounts with other firms. It is therefore very clear that the capitalist enterprises do not utilize all their capital in production.

Immediately after nationalizing the enterprises, the Soviet Union introduced financial planning. With the expansion of the socialist sector and the improvement of economic planning as a whole, financial planning in enterprises is becoming more efficient and significant.

Balance Sheet of Income and Expenditures

According to a decision made by the Committee of Economic Affairs of the Council of People's Commissars on 22 July 1939, approved balance sheets of income and expenditures are the financial plans of the various government agencies and enterprises. An enterprise's balance sheet of income and expenditures consists of three parts: (1) Incomes which include income from sales, proceeds from liquidation of assets, income from auxiliary enterprises or agencies, and income received as school tuition. Incomes of enterprises are equal to gross income minus accumulation (profit) and turnover tax; (2) Expenditures, which include expenditures for production, new investment in fixed assets, new investment in liquid assets, and expenditures for social and cultural activities; (3) Budgetary accounts, which include budgetary appropriations for an enterprise and the amount of money that an enterprise delivers to the state treasury as budgetary revenue. The financial plan must clearly indicate the sources and outlets of capital. The balance sheet of income and expenditures is the most perfect form of financial planning that has ever been devised.

Listing all the incomes of an enterprise, the balance sheet of income and expenditures clearly differentiates between gross and net income. Income and expenditures listed in this kind of balance sheet may be classified into three groups: (1) Incomes and expenditures closely connected with the basic activities of the enterprise. Incomes in this category include proceeds from sales of products and owned surplus liquid assets. Expenditures of this category include expenditures for production and increment in liquid assets; (2) Incomes and expenditures connected with fixed assets, and expansion of reproduction, which include depreciation charges, profit, funds retained as a result of reducing construction costs, and proceeds of sales of surplus assets. Expenditures of this category include investments in physical construction and large-scale repair projects; (3) Incomes and expenditures connected with social and cultural activity, which include housing rents, management funds, budgetary appropriations for training personnel, and money contributed by heads of families to kindergartens. Expenditures under this category include payments to finance cultural and welfare activities sponsored by the enterprises.

By analyzing a balance sheet of income and expenditures one may obtain a great deal of information on such matters as budgetary relations between the state and the various enterprises, production costs, investments in basic construction projects, and personnel training expenses. One may also determine from a balance sheet the sources from which the funds for basic construction investment and personnel training programs are derived such as proceeds of sales, profit on sales, and budgetary appropriations.

Joint Operation and Consolidation

Joint operation and consolidation are different business arrangements. Joint operation is a method used by small and middle size business establishments to obtain some of the benefits of large-scale operation without losing their identities. This device involves assuming complete or partial management of a large number of independent businesses by a central organization through contract. The central organization so created does not, however, have financial gains or losses on its own account. In a consolidation, two or more businesses by agreement and under legislative authority merge into a new corporation. Thus, a consolidated business must go through the business registration process again, while businesses entering into joint-operation agreements need only secure the approval of the appropriate authorities on their agreements and do not have to go through another registration process. The Provisional Regulations Governing Private Enterprises contain special provisions giving legal protection to joint-operation and consolidation arrangements. This indicates that the People's Government is encouraging the formation of the joint-operation and consolidation business organizations under certain conditions. Article V of the Provisional Regulations Governing Private Enterprises reads: "Enterprises engaged in the same kind of business activity or having common interests may enter into agreements for jointly operating all or part of their business on a voluntary basis and without losing their separate identities. Upon entering into such agreements, the enterprises concerned shall seek the approval of the appropriate local authorities. Both state enterprises and enterprises jointly owned by state and public interests may, like the private enterprises, participate in such joint-operation arrangements. After having been approved by the proper authorities, such joint-operation arrangements enjoy the protection of the law. State enterprises may extend aid to such joint-operation organizations. Enterprises engaged in the same business or having common interests may voluntarily merge into a new corporation with the approval of the proper authorities, thus losing their original identities. A newly consolidated corporation must again go through the process of registration."

Basic Forms of Joint Operation

A joint-operation arrangement may be made for either purchasing, marketing, transportation, production, or investment. But in practice joint operation may take numerous forms. Some arrangements provide for the joint-operation of a single function and others for several functions. In industry there are joint-operation arrangements for raw-material purchasing, marketing, production, supply and marketing, production and marketing, supply, production, and marketing, and supply, production, and marketing on a partial-basis. In commerce there are joint-operation arrangements for supply, marketing, supply and marketing, granting loans, and making investments. Joint-operation arrangements usually aim first at eliminating undesirable competition between enterprises engaged in the same business, overcoming

common difficulties, and improving efficiency. But after such arrangements have been shown to work well, they are then used to develop production and expand business. With the encouragement of the government, many medium-sized factories are entering joint-operation agreements for the purpose of obtaining more contracts from the government or for other purposes. Some of these arrangements are made by enterprises engaged in the same business and others by enterprises engaged in different lines. Some of these arrangements are made between industrial enterprises, others between commercial enterprises, and still others between financial institutions.

Three Major Tasks

At the third session of the First National Committee of the Chinese People's Political Consultative Conference it was resolved that the major tasks of the Chinese people in the immediate future are as follows: (1) intensifying and expanding the Anti-America and Aid-Korea movements; (2) expanding the patriotic movement for production and savings; and; (3) expanding the ideological reform movement. This resolution was made in accordance with the suggestions of Chairman Mao, who stressed that we must continue to intensify the Anti-America and Aid-Korea movements, increase production and savings, and reform and re-educate ourselves.

Movement for Increasing Production and Savings

The main task of China at the present time is to organize and develop the movement for increasing production and savings. It must be clearly understood that this movement is not being resorted to as an expedient for solving temporary problems but that it is program fundamental to the construction of the people's state. Unlike the imperialist countries, which obtain their industrial capital by exploiting their own people and their colonies, exacting indemnities from defeated enemies, or by borrowing capital from foreign sources, the People's Republic of China must try to raise funds for her industrialization through gradual accumulation of capital by way of savings in agriculture, state enterprises, and government agencies. The experience of the Soviet Union in accumulating capital for industrialization fully indicates that industrial capital can be in this manner raised. China must seek her capital for industrialization through savings. On 20 November 1951, the Jen-min Jih-pao, in an editorial entitled "The Movement for Increasing Production and Savings is the Main Task of the State at the Present Time," enumerated some concrete things that should be done in connection with the movement.

(1) Full utilization of materials and goods stockpiled by factories. Because of lack of experience the People's Government has not made efficient use of some of the raw-materials and goods stored in many factories taken over from the old regime and foreign imperialists. In some instances, even newly acquired raw-materials and equipment are not being properly utilized or are even lying idle. These things must be corrected immediately.

(2) Accelerating the turnover of working capital. Many state enterprises -- factories and mines -- are wasting a great deal of financial resources by turning over their working capital too slowly. If the turnover of working capital is accelerated, the state may make fuller use of available funds.

(3) Supervision of basic construction investments. A considerable amount of capital invested in basic construction projects is being wasted. Because of lack of adequate planning before starting construction projects, large financial losses have resulted in many places. In numerous cases government agencies are undertaking construction projects which are not urgent and might have been postponed to a later date. For instance, large auditoriums, gymnasiums, swimming pools, and street-paving projects need not have been undertaken until the country has become financially stronger, if the state had exercised closer control over the financial and economic activities of the various local agencies. Such occurrences must be eliminated immediately.

(4) Improving efficiency in production. The foremost task is to make full use of the available industrial equipment. At the present time the equipment of the electrical industry is being utilized at only 35 percent of its full capacity. The percentages of waste and idle equipment in many state enterprises remain quite high. All these things must be corrected during the movement for increasing production and savings.

(5) Making a continuous effort to cut costs of production. Reducing costs of production depends primarily on reducing the consumption of raw materials per unit production and reducing the administrative expenses of factories. Materials which may be used to build large structures should not be used on small ones. High grade materials must not be used to build lower grade structures, if so, production cost increases. Enterprises should also cut unnecessary personnel.

(6) Simplifying organizational structure. Many government agencies and enterprises at the present time are still overstaffed. Overlapping agencies are quite common. The administrative hierarchy in many factories and government agencies is too complex. Such phenomena lead only to a waste of manpower and materials and to inefficiency. Moreover, some agencies are given more budgetary appropriations than they really need. Surplus budgetary appropriations and surplus rationed grain must be returned to the state treasury.

(7) Eliminating extravagance and waste. Government agencies and state enterprises shall practice economy and simplicity on occasions such as dinners, memorial meetings, receptions, and conventions. Badges and souvenir publications shall not be ordered indiscriminately. Unnecessary gifts should not be exchanged. Use of automobiles should be strictly limited. Some higher-level personnel should correct their propensity for luxurious living.

(8) Eliminating graft. All agencies and enterprises must be resolute in combating graft and financial irregularities. Grafting and dishonest officials are destroyers of state property. They often cause the state large financial and economic losses. We must not allow them to exist. With regard to agriculture, we should increase the output per unit. In the field of cultural and educational affairs, we should strive to accomplish more with our limited human and physical resources. Private enterprises and society in general should also practice savings and cut down unnecessary expenditures for the purpose of increasing capital for production. People in general should lead a simple life. Extravagance must be strongly

opposed. All should try to deposit savings and avoid waste. In order to develop the movement for increasing production and savings, the masses must be accustomed to mutual criticism and self-criticism. Thus, may they disclose such undesirable activities as graft, inefficiency, waste, and luxury.

Calculating Increases in Production and Outlay Control

In calculating increases in production, individual factories should all be used as units. Only the proceeds of marketed commodities and services are subject to calculation. Products which are still in the manufacturing process and self-made work tools are not to be included in calculation of increases in production. The difference between actual output and planned output is the increase in production. If actual output is smaller than planned output, the difference is called a decrease in production. The total value of the increase in production may be obtained by multiplying the amount of excess products (the increase in production) by the selling price. The total value of the decrease in production may be obtained by multiplying the amount of deficit products by the selling price. If a factory has an excess output in some products and deficit output in others, the value of total net excess output may be obtained by taking the algebraic sum of the total value of the excess output and the total value of the deficit output.

The formula for calculating the amount of working capital saved is as follows:

The amount of working capital saved = proceeds of average daily sales X (working capital turnover period during the preceding year - turnover period during the current year)

For example, in 1950 a certain factory's working capital turnover period was 150 days and in 1951, 100 days. The proceeds of the average daily sales are 250,000,000 yuan. Thus, the amount of working capital saved is obtained in accordance with the above formula:

The amount of working capital saved = 250,000,000 yuan X (150-100) = 12,500,000,000 yuan

This formula can also be used to calculate the amount of working capital saved during a given month by replacing the annual working capital turnover period with monthly turnover period.

The Three-Antis and the Five-Antis Movements

The Three-antis movement is a movement against corruption, waste, and bureaucratism. Article 18 of the Common Program clearly states: "All state organs must enforce a revolutionary working method of honesty, simplicity, and service to the people, must severely punish graft, extravagance, and oppose the bureaucratic method characterized by alienation from the masses of the people." Corruption, waste and bureaucratism are legacies of the old society. If these are not eliminated, the construction of a new society will be quite difficult. In November 1951 at the third meeting of the First National Committee of the Chinese People's Political Consultative Conference, Chairman Mao indicated that "the main task of the people at the present time is to support the Chinese People's Volunteers' Corps in Korea through increasing production and savings." In December of the same year he called upon the

whole nation to join in a movement against corruption, waste, and bureaucratism. From that time on, the movement for increasing production and savings and the movement against corruption, waste, and bureaucratism have become mass movements, not confined to single government agencies or individuals. In a sense, these movements are class struggles. Like the Anti-America and Aid-Korea movement, the land reform, and the suppression of counter-revolutionaries, these movements have their own historic significance. They are revolutionary movements in their own right. Started on 10 December 1951, these movements quickly carried to every corner of the country and were concluded in June 1952 with fundamental success.

The so-called Five-antis movement is a movement against bribery, tax evasion, theft of state property, cheating on government contract, and stealing economic information for speculation. Article 8 of the Common Program says: "It is the duty of every citizen of the People's Republic of China to defend the Homeland, to observe the laws, to maintain labor discipline, to protect public property, to perform public and military service, and to pay taxes." Bribery, tax evasion, theft of state property, cheating on government contracts, and stealing economic information for speculation are serious crimes. After having obtained political status and the economic right to make high profits, the national bourgeoisie have not only shown no sense of gratitude toward the working class and the Communist Party, but are, instead, waging a struggle against the working class and the Communist Party by actions intended to disrupt the state economic-construction program, jeopardize national defense, sabotage the campaign to resist American aggression and Aid-Korea, and hamper the development of the national economy. The national bourgeoisie are making systematic efforts to bribe personnel in government and in public organizations, especially those who are stationed in their factories by the government agencies in charge of financial and economic affairs. They are also making brazen efforts to smuggle, evade taxes, steal state property, do shoddy work, use inferior materials on government contracts, and steal economic information for purposes of speculation. If we permit the capitalist class to continue their economic offensive against the state, it will be very difficult to build a national economy along the lines of the New Democracy and to raise the living standard of the people. The final result will be the impossibility of establishing a socialist society. Thus the Five-antis movement is aimed at eliminating the criminal activities of the capitalist class. It is a very timely and necessary measure. In launching this counter attack against the capitalist class, the people's government does not mean to change its policy toward them as a class. Unlike the land-reform movement, the Five-antis movement is not aimed at eliminating the capitalists as a class. It is aimed at eliminating those elements among the national bourgeoisie that are detrimental to the welfare of the state and the people's livelihood. Only after these five inimical activities have been eliminated can the national bourgeoisie be expected to operate their enterprises faithfully in accordance with the Common Program and the laws and decrees of the People's Government under the leadership of the working class and the state-owned economic sector for the purpose of bringing about a prosperous national economy.

Both the Three-antis and Five-antis movements are intended to tackle the same problem but from different angles. The things that these movements attempt to do away with are all harmful legacies by the old society. We must root them out completely. The fact that these movements have

been developed so intensively and widely once again illustrated the practical nature of Mao Tse-tung's ideas. These movements are great social movements, involving a reform of human behavior. They represent political and intensified class struggles.

"Three Harms" and "Five Poisonous Things"

The "three harms" are corruption, waste, and bureaucratism. The "five poisonous things" are bribery, tax evasion, theft of state property, cheating on government contracts, and stealing economic information for purposes of speculation. Both are dark legacies of the old society, threatening the economic construction program of the new China. In order to enable the state economic construction to progress without obstruction, the "three harms" and the "five poisonous things" must be eradicated, thus purifying the rank and file of the revolutionary camp.

Conference of the Representatives of Cadres of the People's Bank, the State Trading Agencies, the Revenue Bureau, the Customs Office, and the Cooperatives

Cadres of the People's Bank in charge of granting loans, cadres of the revenue bureau in charge of revenue inspection, cadres of the customs office in charge of assessment, and cadres of the state trading agencies and the cooperatives in charge of purchases and stock control were called upon by the Committee of Financial and Economic Affairs of the People's Government of Central-South China on 29 August 1951 to hold conferences in the various localities for discussing ways and means of consolidating the achievements made during the "Three-antis" and the "Five-antis" movements. At the same time, these conferences were required to criticize and correct some wrong attitudes resulting from the two movements on the part of some personnel. It was disclosed that some personnel were harboring the idea of not dealing with the bourgeoisie anymore or were showing reluctance to assume responsibility. These conferences were expected to take further steps toward the complete elimination of bureaucratism and the continued improvement of business and efficiency, thus strengthening the leadership of the state-owned economic sector and preparing for the beginning of the forthcoming large-scale economic construction program. These conferences are to be convened periodically by the local committees on financial and economic affairs within the jurisdictions of the South-Central China District. The decisions of these conferences are to be executed by the agencies concerned, which are also required to make reports on the execution of the decisions to their respective superior agencies. Delegates to such conferences also have the duty and right to report to their respective superiors as to the work, life, and ideology of their colleagues. In short, such conferences are expected to become regular channels through which the agencies concerned may improve their work by democratic and mass action. In replying to questions posed by reporters of the Hsin-hua News Agency, Vice-Chairman of the committee on Financial and Economic Affairs of the People's Government of South-Central China Niu P'ei-tung pointed out that in order to make such conferences useful, the leadership must grasp the following facts: (1) The leadership on the various levels must fully understand the importance of such conferences and must offer active leadership in this matter; (2) Delegates to these conferences must be elected by their colleagues and should not be appointed by the heads of the agencies concerned, for otherwise the delegates would not be able to reflect the opinion of the masses; (3) After having been elected, the delegates shall make every effort to search out the views of their colleagues and shall convey the decisions of the

conferences back to their colleagues; (4) At these conferences officials in leading positions must lead others by persuasion and inspiration and must not show hastiness in improving the ideological level of their fellow delegates; (5) If the leadership of such conferences do not dare to allow the other delegates to act in the most democratic way, such conferences will be unable to fulfill their proper functions.

Striving for the Basic Recovery of the Nation's Finances and Economy

On 6 June 1950, at the Third Plenary Session of the Seventh Central Committee Meeting of the Communist Party of China, Chairman Mao Tse-tung brought forth a famous document entitled "Striving for the Basic Recovery of the Nation's Finances and Economy." This historic document pointed out a new way for the development of the nation's finances and economy. Chairman Mao's foresight has been borne out by subsequent events. After having analyzed the basic conditions of the country, Chairman Mao indicated that there were three fundamental prerequisites for the basic recovery of the nation's finances and economy: (1) completion of the land reform; (2) readjustment of the existing industrial and commercial enterprises; and (3) drastic reduction of the administrative expenses of all government agencies. Chairman Mao further pointed out that it will require some time, even three years or more, to meet these three prerequisites. After three years or so all of us shall be able to witness the basic recovery of the nation's finances and economy.

The Basic Recovery of the Nation's Finances and Economy

In response to Chairman Mao's appeal the Chinese people in the last two years have made great achievements in reviving, transforming, and developing the national economy and cultural activity. The over-all industrial output in 1951 was 26.7 percent higher than 1950 and will be even higher in 1952. The output of 35 principal industrial products are already 26 percent higher than the prewar levels. Land reform has been carried out in most of the regions and agricultural productivity is rising at an unprecedented rate. As early as 1951, the total agricultural output reached 92.8 percent of the highest prewar level. In 1952, the total output of grain will exceed the highest level in Chinese history. Cotton output in 1952 will also reach the level of self-sufficiency. Once self-sufficiency is achieved in grain and cotton production, China's unfavorable balance of trade of the last hundred years will be changed. Moreover, remarkable progress has also registered in railroad construction, forestry, water management, and state trade activities. In 1951 the higher educational institutions numbered 210, with 175,000 students; middle schools and technical schools 5,442, with 2,050,000 students; elementary schools, public and private, more than 541,000, with over 43,000,000 pupils, or 55 percent of the children of school age. In 1952 cultural and educational activity will continue to progress, thus training more useful personnel for the national construction. The increase in the economic strength of the state, the improvement of the living standard of the people, and the increase in the purchasing power of the people are all responsible for the basic recovery of the nation's finances and economy.

In the last two years the American imperialists have occupied Formosa, launched a large-scale aggressive attack upon Korea, blockaded our coasts, and conducted bacteriological warfare inside our territory. Thus we are forced to wage a campaign to resist American aggression and Aid-Korea. That is also why we must accelerate the rate of strengthening our national

defense. It follows that our budgetary expenditures must take account simultaneously of three tasks -- resisting America and aiding Korea, stabilizing prices, and developing selected branches of the national economy. As a result of the rapid recovery of the national economy, government revenues are also increasing. In 1950 our budget was quite close to being balanced. After we had waged the Anti-America and Aid-Korea movements, the land reform, the suppression of counter-revolutionaries, and the "Three-antis" and the "Five-antis" movements, the budget of 1951 was no longer in the red but showed a surplus. In 1952 the budget was in balance even when it was made up. The achievements in budgeting provide a good basis for the forthcoming large-scale economic construction.

The execution of the 1951 budget and the 1952 draft budget fully reveal the determination of the Chinese people to build a peace economy and the continuing devotion of the Central People's Government to the improvement of the people's cultural and material living standards. Although the 1952 budget provides a large amount for national defense, it is still able to earmark a huge amount of capital for economic construction. Of the various expenditures in the budget, those for economic construction constitute the largest item -- over 50 percent of total expenditures. During the current year plans have been made to increase the production of steel, iron, electricity, cotton yarn, cotton yardgoods, and other products. Other projects to be undertaken simultaneously include over 1,000 kilometers of railroad, flood-control work on the Chin River, the second series of the water conservation work on the Huai River, improvement of educational facilities (including spare-time adult schools), and medical and pharmaceutical programs.

Economic Problems of Socialism in the USSR

A book with this title was written by Stalin on the eve of the Nineteenth Congress of the Communist Party of the USSR (Bolshevik). It is a classic work of historic significance. The Nineteenth Party Congress used this book as a basic for revising the party statute. The book consists of four parts. The first is entitled "To the Participants of the Economic Problem Study Conference" and embodies Stalin's views of the economic problems that were to be discussed by the conference held in November 1951. These problems were: (1) the pattern of economic development under socialism; (2) economic value under socialism; (3) commodity production under socialism; (4) elimination of the contradictions and differences between the city and the countryside and between mental and manual labor; (5) the collapse of a unified world market and the intensification of the crisis of the capitalist economy in the world; (6) the inevitability of wars between capitalist countries; (7) the patterns of economic development under modern capitalism and socialism, (8) other problems; (9) the international significance of the textbook on Marxian political economy; and (10) ways to improve the tentative draft of the textbook on Marxian economy.

The second part of Stalin's work is entitled "Reply to Comrade A. I. Notechin," the third, "On the Mistakes of Comrade I. I. Yaloshenko, and the fourth "Reply to Comrades A. B. Saninno and B. T. Venshir." Pravda published a special editorial commenting on this book. It pointed out that Comrade Stalin's Economic Problems of Socialism in the USSR was a great contribution to the theory of Marxism-Leninism.

In this book Stalin discusses the basic economic problems of socialism from every angle and analyzes the patterns of economic development under socialism. His analysis is the first of its kind in Marxian literature. He clearly defines the basic economic laws of socialism and enumerates the prerequisites for the transformation from socialism to communism. He points out that the laws of economic development under socialism are not controlled by human will but objective laws. He emphasized that while men may discover the laws governing the development of the universe and society and may even use these laws for their own purposes, they can, however, never change or abolish these laws. He therefore concludes that it is entirely wrong for those who think that under socialism human beings may change or abolish the laws governing economic development at will. Nor can human beings create new laws governing economic development.

Stalin says, "The main feature of the basic economic laws of socialism may be roughly stated as follows: Through the continuous improvement and expansion of socialist production, which is based upon superior technology, the economy will guarantee the maximum satisfaction of the ever-increasing demands of society for the improvement of material and cultural standards." These words fully state the fundamental nature of socialism. Stalin here indicates the aim of socialist production and the means of achieving that aim. The basic principle of socialist economy reveals the superiority of socialism over capitalism. Pravda commented that Stalin, in analyzing the major economic problems of socialism, clearly pointed out the essentials of commodity production under socialism. Stalin draws a scientific conclusion on this point: Under the socialist system production is divided between commodity production and socialist production. The latter produces socialist producer goods and the former produces only consumer goods. Speaking of the scientific definition of communism, Stalin says, "that Lenin's formula on communism is the only correct one, i.e.," "Communism is the political dictatorship of the Soviets plus nationwide electrification."

Translating the prerequisites for the transformation from socialism to communism in concrete terms is another of Stalin's theoretical contributions to the science of communism. In the present work, Stalin also makes a profound analysis in the major problems of capitalism from the point of view of Marxism. He points out that at the present time capitalist economy is sustained by the capitalists' exploitation of a large majority of the population within the respective capitalist countries, enslavement of the peoples of the backward countries, and waging international war and militarization of national economics, which guarantee the capitalists maximum profits. Stalin clearly indicates the intensification of the general crisis of capitalism at the present time. He stressed the disintegration of the world market as the most important economic consequence of World War II. In his opinion the disintegration of the world market marks the intensity of the crisis of capitalism.

Capitalism in the world is facing political and economic crisis on many fronts. The basic causes of the present crisis of capitalism are the intensified disintegration of the economic system of capitalism and the steady growth of the strength of the noncapitalist states such as the Soviet Union, China, and the other people's democracies. The decline in the strength of capitalism intensifies its internal contradictions and the competition among the various capitalist countries.

As Pravda said, "Comrade Stalin's study of the economic problems of socialism in the USSR marks the highest stage of development of Marxian political economy. The publication of this work was a great event in the history of the Communist Party and the Soviet people and has historic significance. Stalin's work will exert a tremendous influence on the development of Soviet science. It will help our cadres to understand more clearly the laws of social development. It will also play a great role in strengthening the ideology of Communist parties and workers outside the Soviet Union."

Economic Cooperation Between China and the Soviet Union

On 14 February 1950, the People's Republic of China and the Soviet Union signed a historic document known as "The Sino-Soviet Treaty of Friendship, Alliance, and Mutual Assistance" in an atmosphere of cordiality and friendly mutual understanding and with a desire on both sides to strengthen and develop their friendly cooperation in every way and to cooperate for the purpose of ensuring peace and security for the peoples of all nations. Article 5 of the Treaty reads: "Each contracting party undertakes, in the spirit of friendship and cooperation and in conformity with the principles of equality, mutual benefit, and mutual respect for the national sovereignty and territorial integrity and non-interference in the internal affairs of the other contracting party, to develop and consolidate economic and cultural ties between China and the Soviet Union, to render the other all possible economic assistance, and to carry out necessary economic cooperation." In the meantime, the two countries signed an agreement on credit to be granted to China by the Soviet Union. The principal points of the agreement are as follows: (1) The Soviet Union grants to the Central People's Government of China a loan of US \$300,000,000 at an interest rate of one percent annually; (2) The credits will be made available over a period of five years starting 1 January 1950, in equal portions of one-fifth of the loan per year, to be used in payment for deliveries from the USSR of equipment and materials for the restoration and development of the national economy of China. Any part of the credit which remains unused in the course of one year may be carried over to the following year; (3) China will repay the loan with interest by deliveries of raw materials, tea, gold and American dollars. The loan will be repaid in ten equal annual installments -- one-tenth of the total amount to be repaid not later than 31 December every year. The first payment is to be effected not later than 31 December 1954, and the last on 31 December 1963. Interest on the loan, which will be computed for the amount actually used and from the date of use, is to be paid every six months; (4) Types, quantities, prices, and dates of delivery of the equipment and materials from the Soviet Union will be determined by special agreement between the two parties. Prices will be determined on the basis of world-market prices. Prices for raw materials and tea and their quantities and dates of delivery from China will be also established in special agreements, with prices to be determined on the basis of world-market prices.

On 27 March 1950, the Soviet Union and China signed three more agreements stipulating the establishment of three Sino-Soviet joint-stock companies, namely, the Sino-Soviet Petroleum Company, the Sino-Soviet Non-ferrous-Metals Company, and the Sino-Soviet Civil-Aviation Company. The two agreements establishing the Sino-Soviet Petroleum Company and the

Sino-Soviet Nonferrous-Metals Company provide that Chinese and Soviet capital and citizens will assume equal responsibility in the management of these enterprises. These joint-stock companies are intended to help in the industrialization of China and to strengthen the economic cooperation between China and the Soviet Union. The expenditures, products, and profits of these companies will be shared equally by the two nations. Leadership of these companies will be exercised alternately by representatives on either side. The directors and vice-directors of these companies will exchange positions every three years. The agreement on the Civil-Aviation Company was also made in the same spirit. All of these joint-stock companies are to observe the laws and decrees of the People's Republic of China concerning enterprises and taxation.

II. ECONOMIC PLANNING

Planned Economy

Planned economy exists only in a socialist society. Socialist planned economy is an orderly economy, with all branches of production closely coordinated and with consumption properly adjusted to production. Socialist planned economy is characterized by the fact that all means of production are owned by society as a whole. Lenin and Stalin elucidated many great theories on the establishment of socialist society and communist society, and their theory on economic planning is an integral part of these theories. Economic planning is an important instrument of the dictatorship of the proletariat in developing socialist economy. It also reflects the functions of a socialist state in the development of its national economy. Molotov once said: "The plan embodies the common goals of the entire laboring class and the state in the economic construction of the nation." Galatekov, in an article entitled "The Planned Development of Socialist Economy," says: "Economic planning marks the most important point of superiority of socialism over capitalism. The great achievements of the socialist planned economy in the Soviet Union have completely refuted the ideas of the capitalist economists that the capitalist economic system is the best and final form of economy. The socialist planned economy has withstood the test of extremely unfavorable conditions. It proves by actual fact the correctness of the Marxian theory that capitalist economy is already obsolete and that it must give way to socialist economy, which is a new and advanced form of economy.

The superiority of socialism over capitalism has been proved over a very short span of history. As everyone knows, it took some two hundred years for feudalism to prove that it was superior to a slave economy. Capitalism proved its superiority over feudalism only during the last one hundred years or so. But the socialist system, which was first brought into being by the October Revolution, proved its superiority over capitalism in only ten years (the periods of the two prewar five-year plans). This means that public ownership of the means of production and free labor have defeated individual ownership and the exploitation system. It also means that the socialist planned economy has won a great victory over the capitalist economy, which is characterized by anarchy in production and consumption.

In his classic work "Economic Problems of Socialism in the USSR" Stalin says: "... The planned development of the national economy derives from the acute competition and anarchy in production existing under capitalism. A planned economy comes about only when competition and anarchy in production have proved detrimental to the national economy and when the means of production have been placed under public ownership. Only when the national economy is developed in a planned and systematic manner can the socialist state accomplish its tasks. In other words, the planned development of the national economy enables the economic planning agencies to formulate correct plans for social production.

The Basic Tasks of Socialist Economic Planning

Speaking of the necessity of making economic plans, Stalin points out that economic planning in a socialist state must take the following three factors into account: (1) It must enable the socialist economy to develop independently in the face of capitalist encirclement by providing the necessary conditions for industrialization and giving priority to the development of heavy industry and the machine-building industry; (2) It must strengthen the complete hegemony of the socialist economy and eliminate the causes for the development of capitalist economy; (3) It must prevent unbalanced economic developments and use labor and material resources efficiently. Stated in greater detail, Stalin's views may be put as follows:

(1) Economic planning must guarantee the independent development of the national economy, especially that of heavy industry. In order to build socialism in the face of imperialist encirclement, the Soviet Union must strengthen its national defense with every means and make sure that its national economy can develop along an independent course. But national defense cannot be strengthened and the national economy cannot develop independently without industrialization. At the Fourteenth Party Congress, Stalin said: "Our general task is to transform our country from an agricultural to an industrial state, an industrial state that may produce all the necessary mechanical equipment." In order to make the Soviet Union an industrial state so that it will not have to rely on the capitalist states for producer goods and can strengthen its military power within a short span of time, industrialization must begin with heavy industry. Stalin explained that not all industrial development has the effect of industrializing a nation. The core and basis of industrialization is the development of heavy industry. In short, industrialization means the development of the industries manufacturing means of production -- the machine-building industry. The task of industrialization are not confined to increasing the percentage of industrial production in the entire national economy. Industrialization must also have the effect of making the Soviet Union, encircled by capitalist countries, an economically self-sufficient state and of preventing her from becoming an appendage of the capitalist countries. Stalin led the Soviet Union in putting this policy into effect and in making actual plans for the development of industry. As a result, within a short span of time (approximately 13 years) the Soviet Union progressed as far as the capitalist countries had in 50 to 100 years, transforming a backward, agricultural country into an advanced, industrial country. Socialist industrialization guarantees the Soviet Union its independence in economic affairs and makes it militarily unconquerable.

(2) Economic planning must aim at expanding the socialist economy and eliminating capitalist elements. The foundation of socialism is public ownership of the means of production. Thus the main task of economic planning is the consolidation and expansion of the socialist ownership of the means of production. The Soviet Union does not want any kind of industrialization that will not assure the hegemony of the socialist sector. The Soviet Union does not want to expand its national economy in an unplanned manner or for the sole purpose of increasing output. Instead she wants to develop her national economy in a planned and systematic manner, progressing toward a definite goal. In the first place, economic planning in the Soviet Union is aimed at industrializing the country. In the second place it aims at expanding the socialist sector both in production and commodity circulation.

Socialist industrialization is the material basis for strengthening and developing the socialist sector. It also provides the material basis for the socialist transformation of agriculture and for restricting and eliminating the capitalist elements of the national economy. The rapid development of socialist industry, especially the heavy and machine-building industries, is a prerequisite for modernizing agriculture. It is also a prerequisite for materializing Lenin and Stalin's plans for developing agricultural cooperatives and collective farms. With the successful development of collective farms in rural areas, the socialist economic system will gradually attain a dominant position in the entire national economy, thus strengthening the economic independence and defensive might of the Soviet Union.

(3) Economic planning must guarantee a balanced development of the national economy. A socialist society is a common organism in which industrial and agricultural workers carry on production and consumption activities. If in this organism industry is not carefully coordinated with agriculture, which provides the former with raw materials and consumes a large part of its products, then the national economy will not develop in a balanced manner. Economic planning is precisely aimed at preventing an unbalanced development of the national economy. Stalin says: "In undertaking economic construction we must be farsighted and precise. We must have plans for economic development so that we may avoid miscalculations." Unbalanced development must be prevented by economic planning and leeway must be left for unforeseen circumstances.

(4) Economic planning must aim at improving the material and cultural standards of the working class. The steady expansion of the socialist economy and the policy of the Soviet Government toward the distribution of the national income are decisive factors in the improvement of the material and cultural standards of the working class. In the Soviet Union the exploiting class has been eliminated and unemployment has become a historical curiosity, thus providing good conditions for the improvement of the cultural and material standards of the working class and for increasing the national income. In 1928 the total national income was 25 billion rubles. By 1940 it had risen to 128 billion rubles or four times the 1928 figure. In 1948 the total amount of wages paid was more than two times that of 1940. In other words, in 1948 some three-fourths of the national income went into consumption and one-fourth into investment in reproduction.

Tasks of Economic Planning Under the New Democratic System of Economy

The tasks of economic planning under China's new democratic economic system are as follows:

(1) Economic planning will aim at preserving the independence of China's national economy, developing heavy industry, reviving and readjusting light industry, and bringing about close cooperation between China, the Soviet Union, and the other people's democracies in economic affairs. The first and most important task of economic planning is to develop heavy industry with every means at our command, thus enabling us to develop our own light industry, transform China from an agricultural to an industrial state, and strengthen China's defensive ability. But the development of heavy industry requires large sums of capital. Besides using the increase-production-and-savings drive to raise capital, we must at the same time make a proper effort to revive and readjust our light industry so that on the one hand we may provide the broad masses with the necessary consumer goods and on the other, use light industry to finance heavy industry.

(2) Economic planning will aim at consolidating and strengthening the leadership of the state-owned sector over other sectors. It will be used to guide the development of the private capitalist sector toward the goal of state capitalism. It shall also be aimed at developing the cooperative sector, which is semi-socialist in nature, thus laying the foundations for a completely socialized economy.

(3) Economic planning will aim at developing the national economy in a balanced and systematic manner and eliminating anarchy in production. In capitalist countries economic development is always unbalanced. In the socialist society of the Soviet Union the various branches of the national economy develop in proper proportion owing to the public ownership of the means of production and socialist planning. Because the private capitalist sector still constitutes a large part of the entire national economy in the people's democratic China, our national economy still cannot develop on a balanced basis. But we may achieve a balanced economy if we take special measures such as price control, proper distribution of raw materials and manufactured goods, increasing production, and controlling basic construction projects.

(4) Economic planning will aim at improving the cultural and material standards of the working people. Stalin once said that "Marxian socialism does not advocate the diminution of the individual's needs, but seeks to expand and develop those needs. It does not want to restrict the individual's needs but to satisfy as completely as possible the needs of the working class" (see Problems of Leninism). Economic planning is actually the management of the economic affairs of the broad masses with the long-range objective of the rapid improvement of the cultural and material standards of the working class.

Basic Principles Governing National Economic Planning

Economic planning is one of the most important instruments with which the Soviet Union built its socialist society and is transforming its socialist society into a communist society. The supreme principle governing economic planning in the Soviet Union is that the national economy shall develop toward communist society. All plans for basic construction projects, geographical distribution of productive forces, agricultural and industrial production, and introduction of new technological methods into the various branches of the national economy are made in accordance with this principle. Other principles governing economic planning include:

(1) Accuracy and balance. In order to accomplish the tasks necessary for transforming a socialist society into a communist society, economic plans must be accurate and balanced, making sure that the development of agriculture is in accord with that of industry, that the mining industry is in step with the processing industry, that the transport facilities are in accord with the development of the national economy, and that capital accumulation is in accord with consumption. The development of the national economy is often conditioned by many factors such as the supply of raw materials, reserves of materials and resources, the maintenance of production norms, and availability of capital.

(2) Advanced production norms. All economic planning shall aim at applying advanced production norms to all workers and peasants. Only by so doing can all production units increase their productivity. Plans shall not be made on the basis of average productivity but the advanced norms of the leading enterprises, shops, individual workers, and farm groups. In other words, quotas fulfilled by those enterprises or production units which are advanced in equipment, raw materials, and so on shall be taken as a basis for all enterprises and production units. In making a plan, the planner must take into consideration the potential ability of the advanced workers and the advanced members of collective farms in their fulfillment and overfulfillment of production plans.

(3) Complete elimination of bureaucratism. In making economic plans no agency shall be influenced by bureaucratism. Bureaucratism tends to place the interests of individual enterprises, regions, or government agencies above those of the nation as a whole. Owing to bureaucratism, many enterprises conceal their existing production capacity in formulating their production plans and neglect the advanced experience that may lead to increases in productivity. Staff members of planning agencies must be 100 percent sincere and objective. They must forget sectional interest and consider the interest of the country as a whole. They should do everything they can to draw up economic plans that fully reflect the nation's economic potential. At the present time economic planning agencies are found in every enterprise, every machine-tractor station, every state farm, every collective farm, and every government agency. Each production unit carries on production in accordance with a plan, and the plan of each state enterprise, each state farm, and each collective farm is a part of the national economic plan.

(4) Active spirit of the toiling masses. The Soviet Union has attained decisive success in the drive to fulfill and overfulfill the post-war Five-Year Plans by relying on the active and creative spirit of the broad working masses, the great productive potential inherent in the socialist economy, and the broad dissemination of advanced experience in production. The fulfillment of the economic plans is moreover facilitated by the various socialist competitions conducted everywhere for the purposes of increasing capital accumulation, improving the utilization of fixed capital, cutting production costs and improving quantity and quality of production.

The Bolshevik Style of Economic Planning

This style of economic planning originated with the Bolshevik Party of the Soviet Union. Lenin once pointed out that the plan is the political program of the Bolshevik Party expressed in concrete terms. Lenin said: "Ours is not merely a party program, but a program for the economic

construction of the nation." Lenin once called the All-Union Electrification Commission the second party program, stipulating the development of the national economy with modern technology. In an editorial on the "Bolshevik Style of Economic Planning," the Economic Planning magazine of the Soviet Union emphatically points out that the most important feature of the Bolshevik style of economic planning is that whether it is a short or long-range plan, it must be fully based on the policies of the Communist Party for the fulfillment of the historic tasks of that party. Economic planning aims at materializing the over-all program of the Bolshevik Party, strengthening the socialist fatherland, and building communist society.

Legal Aspects of Economic Plans

In the Soviet Union the national economic plans express the economic functions of the Soviet state. The national economic plans are law. Thus all branches of the national economy have the responsibility of executing these plans. Stalin once said: "Our economic plans are not based on imagination. They are in the nature of government directives and they must be carried out by the various agencies. They determine the direction in which the national economy will develop." Speaking of the legal aspects of economic plans in the Soviet Union, Soviet economist Koshchenko pointed out that state economic plans are laws that may not be disregarded by any enterprises. Strict observance and faithful fulfillment of the plans are the sacred duty of the leaders of economic institutions.

Prerequisites of Economic Planning

The fact that economic plans are formulated by the state is one of the superior features of the socialist economic system as compared to the capitalist system. The prerequisites for economic planning are political power in the hands of the working class and public ownership of the means of production. When some capitalist economists talk about capitalist planned economy, they are just trying to fool the people. Under no condition can the capitalist countries have planned economy even when they reach the stage of state monopoly capitalism. For in the capitalist countries the means of production are largely owned by the capitalist class and anarchy in production still exists.

In the Soviet Union, since the means of production have been socialized, both anarchy in production and the economic institution that may bring about anarchy in production have been eliminated. The individual enterprises are no longer isolated and do not produce commodities whose fate is decided by conditions on the capitalist market. The enterprises are now closely coordinated in their operations.

Private ownership of the means of production isolates the individual enterprises from each other and causes an irreconcilable contradiction between the socialized nature of production and the private ownership of the means of production itself. Only socialized ownership of the means of production, which is in complete accord with socialized production, can make close coordination possible among the various branches of the economy. It is not only possible, but even indispensable, for a socialist state to make economic plans on a national scale. National economic planning is a prerequisite for bringing about and developing a socialist economy and is a basic feature of socialist production. Without economic planning or without systematic coordination of the individual enterprises, the existence and development of the socialist economic system would be impossible.

Indexes in Economic Planning

Fixing indexes is an important problem in economic planning. Indexes must be able to perform the following functions: (1) They must be able to reflect the political implications of an economic plan in concise, correct, and concrete terms; (2) They must indicate the responsibility of each production unit in a given period of time; (3) They must be applicable to the same kind of enterprises so that a plan of a district may be easily integrated into a provincial plan and a provincial may be easily integrated into a republic plan; (4) They must be conducive to coordination of the various branches of the national economy and to the work of the agencies in charge of the inspection of the execution of plans; (5) They must be standardized in themselves. The State Planning Commission of the Soviet Union takes charge of not only the formulation of economic plans, but also the making up of indexes. Indexes of economic plans show the tasks of ministry of the all-union government, each republic, each oblast, and each rayon. These indexes also show measures to be taken to guarantee the complete fulfillment of the tasks assigned to each institution.

The supreme objective of making economic plans is the expansion of reproduction. Thus an economic plan must cover the various processes of reproduction.

Concrete Classification of Indexes in Economic Planning

A national economy plan establishes indexes in the following fields: (1) General (the over-all indexes for the development of national economy); (2) Industry (indexes for total output, commodity output, and technical standards); (3) Agriculture (indexes for planting acreage, tractor utilization, farming methods, yields, draft animals, and productivity of animal husbandry); (4) Transport, Post, and Telecommunications (indexes of freight capacity per day and per night, of the various transport services, the utilization and repair of cars and vehicles, and development of postal and telecommunications services); (5) Investment (indexes for basic construction investments, newly production capacity, new housing, fixed capital invested in industries producing consumer goods, construction costs, development of construction industry, and development of geological survey); (6) Technical Planning (plans for introducing new technological methods); (7) Raw Materials, Fuel-stuffs, and Equipment Supply; (8) Cultural Development (indexes for development of cultural facilities for children, health facilities, schools, cultural development, and development of motion-picture theaters, opera theaters, radio broadcasting, and public utilities); (9) Labor (indexes for numbers of workers, productivity, wages, and personnel training); (10) Commodity Circulation and Purchases of Agricultural Products; (11) Costs of Production; (12) National Budget Credit, and Monetary Circulation; and (13) Expansion of the Economic Activities of the Various Republics and Regions.

Departmental Planning

In the Soviet Union the various ministries formulate preliminary plans for themselves. For instance, machine-production quotas are distributed among the various machine-building plants of the ministries (Ministry of Heavy Machine-Building Industry, Ministry of Machine and Instrument-Making Industry, Ministry of Transport-Machinery Industry, and Ministry of Munitions). Grain production quotas are distributed between the Ministry of Agriculture and the Ministry of State Farms.

The fact that the ministries make up preliminary plans helps develop a sense of responsibility on the part of the organs that are to execute these plans subsequently.

The ministries distribute their production quotas among their subordinate agencies and enterprises. In 1945 the production of industrial products was undertaken by more than one hundred agencies.

Economic Planning by Branches of the National Economy

Economic plans are made in the Soviet Union on departmental, geographical, and functional lines. With regard to the functional basis, the economic plan assigns production tasks to industry, agriculture, and so on. Within each branch of the national economy, there is further breakdown of the plan among subdivisions.

Coordination in Economic Planning

Coordination in economic planning is absolutely necessary because economic planning not only involves the assigning of production quotas but also the supply of raw materials, equipment, metals, fuels, construction materials, and labor. Meanwhile, thought must be given to the reduction of production costs and the accumulation of capital.

In formulating its economic plan, an agency must consider the economic plan of the state as a whole. It must consider whether the rate of economic development it plans matches the requirements of the national economy as a whole and whether its plans is in accord with the over-all plan in terms of supply of raw materials, fuels, labor, and capital. For instance, with a lack of coordination between the machine-building industry and other industries in economic planning, the other industries would not be sure whether they could get sufficient machines for their own operations. Again, if the state farms, the collective farms, and the subsidiary agricultural occupations fail to coordinate their economic plans with those of the other branches of the national economy, the population would not be certain whether they could get sufficient grain and animal products. Likewise, a national plan on the supply of fuels would be unrealistic if the production capacity of the production units was not taken into consideration when the plan was made.

In drawing up economic plans, the various agencies must collaborate closely with other agencies as regards availability of equipment, fuels, raw materials, labor, and capital on the basis of the balance sheets and the distribution plans.

Economic Plans Made on the Basis of the Different Economic Sectors

The economic plans of the Soviet state are made on the basis of the two existing forms of property--state property and cooperative-farm property.

The output of state enterprises, the distribution of the output of state enterprises, and the wages of the workers in state enterprises are all fixed by the national economic plan. But the distribution of the products of the collective farms is only partially stipulated in the national economic

plan and members of the collective farms are allowed freely to dispose of the remainder (a part of the remainder is sold at the collective farms at market prices). The main features of the planning work of the state enterprises and the cooperative enterprises are also reflected in the national economic plan.

Regional Planning

A national economic plan must be made on the basis of geographical division. It would be impossible to assign production quotas properly to industry, agriculture, construction, and transport agencies if the geographic distribution of the productive forces were not reckoned with.

Regional planning involves a balanced distribution of productive forces with a view to eliminating the economic and cultural backwardness of some regions where national minorities reside and giving priority in economic development to regions which are vital to the consolidation of national strength. Economic plans made on the basis of geographical division are essential to a planned development of the economic activity of the various regions. Furthermore, economic plans made on the basis of geographical division are of a responsible nature, for they clearly stipulate what economic activities shall be developed in what places on what scale and by what organizations. The regional breakdown of the economic plan is not only useful on the national level but also on the local levels. Under the national economic plan production quotas are first assigned to the various union republics, the autonomous republics, and then the oblasts and rayons. In the interest of making the economic plan realistic, regional planning is quite necessary. For instance, planting and harvest plans would lose their practical significance if they were not based on administrative divisions.

The union republics and oblasts set the following principal norms in their respective economic plans: (1) output of industry (output of local industry is listed separately); (2) planting acreage; (3) number of livestock; (4) construction projects contemplated; (5) volume of commodities in circulation; (6) amount of agricultural products to be purchased; (7) number of schools; (8) cultural and health facilities; (9) housing; (10) public utilities; and (11) budgetary expenditures and revenues.

Not only are administrative divisions used as a basis for economic planning, so are natural geographical divisions. For instance, the coal industry's plans are made on a regional basis including the southern coal-producing region (Donbas), the central region (Kuzbas), the Urals, Kazakstan, and Siberia. Each region is given a specific coal-output quota. This method has the following advantages: (1) it may help determine the role of each coal-producing region; (2) it may help determine the marginal cost of production in each region; (3) it may help decide in which region new coal mines should be opened; (4) it may help in selecting locations where geological surveys should be conducted. Ferrous-metal production plans are also drawn up on a regional basis including the southern region, the central region, the Urals, Siberia, and the Far East. Economic planning on a large geographical basis may help determine more accurately the geographical distribution of the consumption of metals and the allocation of raw materials, fuels, and classification of products.

By making up coordinated plans for the various regions we may help utilize the local resources more efficiently and develop production to the maximum extent. Regional planning in mining may also make it unnecessary to transport raw materials, fuels, and foodstuffs for miners over long distances.

In drawing up the third Five-Year Plan, the Soviet Union solved the problems concerning regional planning along the following lines. Each union republic was regarded as an economic region. The Russian Soviet Federated Socialist Republic was divided into regions including the Northern part of European Russia, Northwest region, central region, Volga River region, North Caucasus region, Ural region, Western Siberia region, Eastern Siberia region, and the Far East region. The State Planning Commission assigns and distributes quotas and norms to the various ministries of the all union government and the ministries of the union republic before they proceed to make their own plans.

Long-Range Economic Plans

Economic plans designed to cover a period longer than one year are called long-range plans. The Five-Year plans of the Soviet Union are good examples. Short-range plans are made on the basis of long-range plans.

Current Plans

Plans covering a period of one year or less (such as quarterly plans and monthly plans) are called current plans. Current plans are also termed short-range plans and are made in pursuance of long-range plans. But if in the course of executing short-range plans it is felt that changes should be made in the long-range plans, revision of long-range plans is permissible. The successive five-year plans of the Soviet Union have been, for instance, fulfilled ahead of schedule. The difference between a long-range and a short-range plan lies in the fact that the tasks set in the long-range plan are broader than those of the short-range plan. Annual, quarterly, and monthly plans made in the light of actual conditions for the purpose of fulfilling the long-range plan step by step are short-range plans. Thus short-range plans are means by which the long-range plans can be executed. Coordination between short-range and long-range plans is therefore essential in economic planning.

Direct Planning

Direct planning can be applied only to the state-owned sector. It can be applied to the cooperative and state-capitalist sectors to some extent. In other words, enterprises which are bound by the government's directives of their operation form the areas where the state may make direct plans.

Indirect Planning

Indirect planning is applied to the private-capitalist sector and individual sector of peasants and handicraftsmen, for the state cannot rely upon the issuance of directives to effect economic planning in these sectors. Instead it may conduct a kind of economic planning in these sectors through taxation, price policy, credit policy, and other indirect means. For instance, the government may stimulate an increase in the

cotton crop if it fixes a price ratio between cotton and grain favorable to cotton. Again the government may restrict the production of native cotton cloth in an effort to ensure sufficient cotton for the modern cotton mills, if it imposes a heavier tax on native cotton cloth.

Four Stages in Economic Planning

Economic planning affects the work of millions and millions of people. Economic planning involves consecutive stages and is a constant task. The formulation of the economic plan may be divided into four stages.

(1) The drafting of various directives concerning the future plan, which set forth the political and economic goals of the plan period and represent a general picture of the future plan. In China before commencing the elaboration of an economic plan, the Central People's Government Council issues directives on the contemplated plan to the Committee on Financial and Economic Affairs of the Administrative Council, while in the Soviet Union such directives are issued by the highest authorities of the Communist Party. In drafting such directives the authorities concerned must take into account the productivity levels, class relations, international relations, rate of the expansion of production, production equipment, utilization of existing facilities, adoption of new techniques, production costs, reserves of raw materials and fuels, and the prevention and exposure of undesirable practices in the national economy. The directive-issuing authorities must also decide what branches of the national economy are to be given priority in development and at what speed and in what directions the other branches of the national economy should proceed. At the same time, the directive-issuing authorities must devise such ways and means of fulfilling the plan as labor policy and price policy.

(2) A draft plan is then elaborated in accordance with the directives. Upon receipt of the directives the Committee on Financial and Economic Affairs of the Administrative Council both draw-up a draft plan and compile a series of norms to be transmitted to the various agencies of the Central People's Government, the greater administrative districts, and the provinces. Every norm must have a uniform and clear connotation and be capable of showing the mutual relations among the various branches of the national economy and among the various geographical divisions.

(3) The plan is approved by the government. The draft plans made by the various agencies, enterprises, and regions must be examined by the proper authorities on a higher level, who state their opinions on these draft plans in their reports to still higher authorities until the authorities having the power to give final approval to these plans have been reached. The various levels of examining authorities express opinions on the following matters: (A) whether the draft plans are in accord with the directives of the superior authorities and the assigned quotas; (B) whether the draft plans assure a balance of development among the various departments of an enterprise and among the enterprises themselves, and whether the draft plans assure sufficient raw materials, capital, transport facilities, labor, and adequate technology for accomplishing the production goals; (C) suggestions concerning the elimination of the various disequilibriums in the draft plans, and (D) suggestions concerning the improvement and revision of the draft plans in general. When these draft plans are submitted to the Committee on Financial and Economic Affairs of the Administrative Council, they have

already been put in some sort of coordinated form. The Committee then makes final adjustments in the draft plans and combines them into a general plan to be submitted to the Central People's Government Council for approval.

(4) Execution and supervision of the plan. Upon approval by the Central People's Government Council, the plan becomes the law of the land. The agencies concerned must take immediate steps to implement it. In order to ensure that the plan can be fulfilled completely, the agencies concerned must undertake the following: (A) full mobilization of the means and instruments of production, labor and capital available to the state; (B) application of the business accounting system to assure maximum profits and the expansion of capital accumulation; (C) organizing workers for fulfilling the plan including the use of piecework rates, overtime rates, and all kinds of bonuses on output above a certain norm; (D) extension of advanced norms throughout the enterprises in order to assure rapid and continuing expansion of the national economy; (E) systematic inspection and study of the execution of the plan with a view to disclosing shortcomings and overcoming difficulties; and (F) close coordination among the various branches of the national economy in the execution of the plan. Close coordination is very important for the fulfillment of the over-all plan. For instance, because a Soviet foundry failed to produce the planned amount of metals, during the second and third quarters of 1950, the planned number of tractors could not be produced.

Directives Concerning the Formulation of Economic Plans

Directives concerning the formulation of economic plans are issued by the Communist Party and the government. For instance, the directives issued for the elaboration of the first Five-Year Plan of the Soviet Union were approved by the Fifteenth Party Congress and those on the second Five-Year Plan were approved by the Seventeenth Party Congress. Directives issued by the Communist Party and the government form the basis of all plans in the Soviet Union. The political and economic programs of the Bolshevik Party and the theories of Marxism and Leninism on the development of society serve as ideological guidance for the working class of the Soviet Union in drawing up plans for economic and cultural development. The directives issued by the Communist Party and the government of the Soviet Union are aimed at establishing a Communist society and thus the basic aims of the various plans are in harmony.

(1) Study of the Existing Productive Forces: In issuing directives on economic plans, the party or the government consider the actual situation of the national economy. A clear picture of the situation may be obtained by studying the existing productive forces, the class relations, and the international situation. Study of the productive forces enables the authorities to know the amounts of raw materials, fuels, and equipment available and to disclose the weak links in the economic chain. Study of the existing productive forces is essential to economic planning. In the Soviet Union the authorities usually study the execution of the plan for the preceding period before issuing any directives on a new plan.

(2) Priority in Economic Development and Rates of Development: Directives on economic plans must be based on the political policy defined by the party and the government. Thus, such directives must clearly state

what branches of the national economy should be given priority in development and at what rates during the period that the plan is intended to cover. The rate of economic development is a very important matter in socialist construction. The fate of socialist construction hangs on it.

In fixing the rates of economic development, the directive issuing authorities must consider the political and economic conditions of the nation as a whole. In the first Five-Year Plan the Communist Party of the Soviet Union established a policy of an accelerated development of industry. It was felt at that time that if industry were not developed at an accelerated rate, it would be impossible to modernize all branches of the national economy within a reasonable period of time, it would be impossible for the Soviet Union to march forward in her socialist construction, and it would be impossible quickly to strengthen national defense and national independence.

In deciding what branches of the national economy should be given priority in development and at what rates, the authorities are guided by the existing conditions in the national economy, the economic needs of the people, and the political and economic goals set out for the planned period. For instance, in drawing up the second Five-Year Plan, the authorities of the Soviet Union decided that the main task of heavy industry during the five-year period was to raise technology to a level surpassing the average standard of the European countries and that the main goal of light industry, the food industry, and agriculture was to increase output to an extent double the average consumption levels.

In their directives, the authorities not only set out the general control figures but also the directions which other planning bodies should follow and the basic measures to be taken to fulfill the tasks listed in the plan such as labor allocation and price policies. It is therefore quite clear that the directives issued by the Communist Party or the government determine the shape of the economic plan and the nature of the planning machinery.

Economic Analysis

Economic planning requires the use of numerous kinds of data. But data alone cannot enable the planners to know what will happen once the plan is put into operation. Thus, the planners must undertake comprehensive economic analysis of the data with a view to determining the factors that might affect the smooth execution of the plan. Without such analysis economic planning would be inconceivable.

Basic Tasks of Economic Analysis

The basic tasks of economic analysis are as follows: (1) determining to what extent the plan has been fulfilled at the time of the analysis; (2) determining what changes have taken place in the various enterprises since the plan was put into effect; (3) searching for reserves not being currently utilized; and (4) suggesting ways and means of improving the operation of the various enterprises.

There are a number of premises for undertaking economic analysis.

(1) Analysis must be made from the standpoint of the state. In other words, the analysts must take the directives issued by the Communist Party and the government as a criterion in analyzing the execution of the plan. They must regard the various enterprises as organic parts of the whole of the national economy and not place the interests of any individual enterprise or agency above those of the state as a whole.

(2) Analysis must be concrete. In other words, analysts must carefully study the actual situation, reveal practical factors affecting the execution of a plan, and make concrete proposals for improvement. Lenin once said: "A capable economist does not make abstract proposals. Instead he carefully studies reports, figures, and data, and analyzes practical experience." He also said: "When something goes wrong somewhere, we should find ways to correct it. A capable administrator will take the proper measures to correct a mistake on the basis of the research reports made by capable economic analysts" (see Lenin's Collected Works, Vol 26, Page 173).

(3) Analysis must be performed in an active and creative spirit. The job of an economic analyst is not limited to exposing the reasons for the achievements that have already been made and the shortcomings that have already been disclosed. He must make suggestions for the improvement of the operations of the enterprises under analysis.

Basic Methodology of Economic Analysis

The basic method of economic analysis is the comparative method. The indexes under analysis must be compared with the following items: (1) control figures and quotas set out in the directives of the party or the government and tasks listed in the plan; (2) indexes of the preceding period; (3) data of institutions or enterprises operating under the same conditions but having advanced achievements; and (4) indexes of the various subbranches of the enterprises under study.

In analysis, both absolute figures (in terms of both prices and materials) and relative figures (percentages) must be used.

Procedure of Economic Analysis

The procedure in economic analysis consists of three stages--collection of data, study of data, and drawing conclusions and formulating proposals.

Equilibrium in Formulating Economic Plans

An economic plan must guarantee a balanced development of the national economy as a whole. This is an important and very difficult task. The planning agencies rely primarily upon the various balance sheets to effect a state of balance among the various branches of the national economy, among the various regions, and between production and consumption. The drawing up of the various balance sheets may also determine the material reserves of the state. Thus economic planning is done primarily on the basis of balance sheets.

The theories of Lenin and Stalin on expanded reproduction serve as the basis for making up the balance sheets of the national economic plan. The principles governing expanded reproduction in the socialist economic system of the Soviet Union are as follows: (1) a continuing increase in the fixed and liquid assets of the various branches of the national economy, particularly of the heavy industry; (2) improvement of the living standard of the working people; and (3) an increase in population and an increase in the number of skilled workers. Expanded reproduction in the socialist economic system of the Soviet Union has strengthened socialist ownership and the friendship among workers, members of collective farms, and intellectuals.

Balance sheets help the Communist Party and the government fix the mutual relationships among the various branches of the national economy and assure them the necessary amounts of materials. Balance sheets concerning the following branches of the national economy are vital to the formulation of a national economic plan: ferrous metals, nonferrous metals, fuels, electric power, machine tools, chemicals, grains, cotton, animal skins, leather, productive power, specialized cadres, money income of the population, budgetary incomes and expenditures of the state, and national income. The various balance sheets serve to coordinate the activities of the many branches of the national economy.

Indexes of the Balance Sheets of the National Economy

The balance sheets of the national economy must be drawn up in accordance with the theories of Marx and Lenin on reproduction. They must give concrete figures on the expanded socialist reproduction of the economy. These figures cover the following items: (1) the class structure of Soviet society and the process of reducing the class distinctions between the two friendly classes--the workers and the peasants; (2) the mutual relationships between the two sectors of the socialist economic system--the state sector and the cooperative and collective-farm sector; (3) allocation of production materials among the various branches of the national economy, redistribution and utilization of these materials, and increase in productivity; (4) reproduction conditions in material and monetary terms, including (A) the replacement of the worn-out means of production; (B) consumption goods for the population; and (C) increases in the means of production and consumption goods and their relation to the current tasks of the socialist construction; (5) commodity exchanges among the branches of the national economy and between the city and the countryside; and (6) the distribution of social products and incomes and the increase of profits of the socialist enterprises.

Theoretical Foundation and Composition of the National Economic Balance Sheets

The theories of Marx and Lenin on reproduction provide the necessary theoretical basis for the over-all economic balance sheets of the Soviet Union. Although the reproduction formula presented by Marx in his *Capital* shows the process of reproduction under the capitalist system, it is, nevertheless, still useful when studying reproduction under the socialist system. Lenin once pointed out that the relationship $I(V/m)$ to IIC will not lose its significance even in the highest stage of communism. But

the formulas which can be applied directly to drawing up the national economic balance sheets are those suggested by Marx in his Critique of the Gotha Program regarding the distribution and replacement of the social product.

The over-all balance sheet not only unifies the individual lower-level balance sheets but also reveals the reproduction of social products and the reproduction of the labor force. In other words, the over-all balance sheet of the Soviet Union consists of the following: (1) Balance sheets of production, distribution, consumption, and accumulation of the social product. The balance sheets must harmonize the processes of production and reproduction, reveal the class structure of Soviet society, and show the process of the diminution of class distinctions between the two fraternal classes -- the workers and the peasants; (2) Balance sheet of labor. The over-all balance sheet must be based upon the basic factors of production, namely, means of production and labor. Thus the labor balance sheet must show the reproduction of labor and managerial cadres; (3) Financial balance sheet, which includes the socialist state's revenue and expenditure balance sheet and the citizens' monetary income and expenditure balance sheet.

Aims of the Balance Sheet

The aims of the balance sheet are as follows: (1) to assure coordination among the various parts of the plan; (2) to show the basic content of the economic plan in a more general form; and (3) to show the laws governing the reproduction process in the socialist economy, which is gradually progressing toward a communist economy, and to show the general achievement of socialist reproduction of the Soviet Union.

Balance Sheet of Production, Consumption, and Accumulation of Wealth

The third component of the over-all balance sheet is the balance sheet of production, consumption, and of accumulation of wealth.

Theories on the nature of the social product were formulated by Marx on the basis of his theory of surplus value and the capitalist accumulation of profits. To understand correctly Marx's theory of reproduction of capital requires a study of his theory of money and credit. The reproduction formula given by Marx in Chapter 3 of the second volume of his Capital is not only an analytic chart of the process of material reproduction but also an analytic chart of the reproduction process of the production relations in a capitalist society. One may distort Marxism if Marx's formula on reproduction is studied without taking account of Marx's entire theory of capital.

The balance sheet of production, consumption, and accumulation of wealth shows the process of reproduction of the social product both in material and monetary terms. In such a sheet the entire social product is classified into means of production and consumer goods. Means of production and consumer goods are in turn classified into many categories. Items in such a balance sheet include: (1) production, transportation, and trading costs; (2) consumption of products by branches of the national economy; (3) consumption of products by the population; and (4) increase in national wealth. The balance sheet on production, consumption, and accumulation of wealth shows the proportions of the various branches of

the national economy in production, consumption, and accumulation of wealth. From such a balance sheet we may determine the amount of national income, the amount of products consumed, the amount of wealth accumulated, and their relation to the fulfillment of the economic plan.

Analyzing the reproduction of the social product in material terms does not stop at the general balance sheet of the social product. We must make separate balance sheets for the different kinds of products. Taking agricultural products as an example, we not only need to make a general balance sheet but also separate sheets for the various kinds. Furthermore, we not only need to make national balance sheets on the various kinds of agricultural products but also balance sheets for each province. However, we cannot make balance sheets for all kinds of industrial products, but only for a few of the important ones. These sheets are to serve as a basis for making up a balance sheet of goods and resources.

Of the various material balance sheets, those for raw materials and fuels are the most important, for they show whether there are discrepancies between the amounts of raw materials and fuels actually produced and the amounts needed according to the plan.

Trade Balance Sheet

It is not only necessary to analyze the mutual relations among the various branches of the national economy in terms of production, but also in terms of goods exchange. An exchange of goods does not exist independently of production. Trade in socialist society differs essentially from that in capitalist society. In socialist society not only does economic crisis disappear, but overproduction as well. Thus there is no such thing as a lack of outlets for surplus commodities in the trade sphere of a socialist economy. In the Soviet Union trade problems relate to how to accelerate the movement of commodities from producers to consumers and how to prevent commodities from being tied up in the circulation process. At the Seventeenth Party Congress, Stalin said in his report: "We once found ourselves in a situation where we had a fair quantity of agricultural and industrial products on hand, but these products did not reach the consumers; for years they drifted back and forth in the bureaucratic backwaters of our so-called commodity-distribution system, out of reach of the consumers. It goes without saying that under these circumstances industry and agriculture lost all stimulus to increase production; commodity distribution centers became overstocked, while the workers and peasants had to do without these goods but continue to produce. The result was a dislocation of the nation's economic life, notwithstanding the fact that goods were available. If the economic life of the country is to make rapid progress and industry and agriculture are to have a stimulus for further increasing their output, one more condition is necessary--fully developed trade between town and country, among the various areas of the country, and among the various branches of the national economy. The country must be covered with a vast network of wholesale distribution bases and retail outlets. There must be a ceaseless flow of goods through these bases, shops, and stores from the producer to the consumer ..."

Thus a trade balance sheet must show how trade is stimulating production, what the trade relations between town and country are, how the various branches of the national economy are coordinated, and the financial conditions of the trade institutions.

Closely connected with commodity circulation is money circulation. One may perceive the special features of money circulation by comparing the amount of money in circulation and the amount of money involved in commodity cash transactions.

In the past Soviet economists frequently overlooked the problems of transport and the geographical factor when speaking about general balance sheets. We must consider reproduction of the social product not only in terms of time, but also in terms of geographic divisions, for geography is an important factor in the development of the national economy. Neither in planning nor in circulation may we overlook this factor. Thus a trade balance sheet must clearly show the trade relations among the various regions and the basic trends in the flow of goods. It is therefore necessary that an over-all balance sheet also include a transport balance sheet.

Class Structure and Ownership Balance Sheet

The drawing up of a balance sheet of the national economy must begin with the class structure and the distribution of wealth in the form of ownership (ownership of the means of production and ownership of the instruments of production). The class structure and the distribution of wealth both at the beginning and at the end of the plan period must be shown in the balance sheet. In this way it is possible to determine the rate at which the Soviet Union is being transformed from a socialist to a communist state.

In analyzing the class structure and the social mode of production one cannot limit one's attention to a single balance sheet. All the important indexes of the subsidiary balance sheets must be noted. Thus may one understand how the various branches of the national economy are striving for the establishment of a communist society.

Materials Balance Sheet

The following example shows how the method of balanced estimates is used to achieve a coordinated planning of the development of related industries and to establish a closer connection between measures taken in the different branches of the national economy. The following items make up the iron and steel rolling industry balance sheet:

Resources

1. Stocks on hand at the beginning of the plan period
2. Outputs of ferrous metals of the various ministries
3. Total resources

Consumption

1. Consumed by production:

A. Consumed by the principal branches of production (military industries, automotive industry, tractor-building industry, locomotive-building industry, vehicle-building industry, metallurgy industry, boiler industry, diesel-engine industry, machine-tool industry, electric-machine industry, mining industry, and oil-drilling industry).

B. Consumed by the various ministries (repairs, basic construction, and operation), of which: iron rails

2. Increase in reserves
3. Reserves of the state

In making up a balance sheet of rolled ferrous metals, one must carefully study the demand for such metals of the machine-building industry and the basic construction projects. At the same time attention should be given to economizing in the use of metals through diminution of waste, cutting down the specific consumption of metals, and substituting other materials for metal products in construction and other uses. The balance sheet for rolled ferrous metals must provide sufficient metals for consumption in the principal branches of the national economy. During the last war the Soviet Union's iron and steel rolling industry considered its supreme duty was to provide the military industries with sufficient metal.

The most important task is to provide the state with large metal reserves so that in the course of the execution of the plan for the development of the national economy it may provide the various industries with the necessary amounts of metals.

The need for metals, including reserves, is determined by the balance sheet, and must be met principally by production. Thus a balance sheet for metal products is closely linked with the production plan of the metallurgical enterprises. Balance sheets of metals, fuels, equipment and so on show the proportions between the production and consumption of the respective products. These are commonly called materials balance sheets. Other balance sheets showing more complicated balance relations are also worked out apart from the materials balances of the separate branches of the national economy; these are sheets showing supply and demand and the balance sheets showing capital construction and consumption. They are called composite balance sheets. Composite balance sheets play a significant role in the elaboration of draft plans for the development of the national economy.

The Functions and System of Materials Balance Sheets

Under the capitalist system, allocation of production materials among the various enterprises is determined by price and value movements. Under the socialist system, allocation of production materials is determined directly by a materials distribution plan. The materials balance sheets and the materials distribution plans must take account not only of the proper allocation of materials among the branches of the national economy, but also the coordination of separate materials

balances into a system of balances. As are the production and basic construction plans, the plans for the distribution of equipment, raw materials, fuels, and electric power among the branches of the national economy must also be approved by the government.

The various materials balance sheets provide the chief foundation for making up the general economic balance. Materials balance sheets must correspond to the two basic kinds of social product and therefore must be divided into two categories, namely, balance sheets of instruments of production (to guarantee fulfillment of the planned production and construction goals) and balance sheets of consumer goods (to stimulate commodity circulation and regulate the redistribution of national income).

Balance sheets of instruments of production are, in turn, classified into the following groups:

1. Industrial products used as working capital in the national economy -- ferrous metals, nonferrous metals, electric power, fuels, lumber, minerals, coke, cotton yarn, and others.
2. Agricultural products used as working capital -- grain, cotton, flax, sugarbeets, animal skins and leather, sheep wool, meat, and others.
3. Industrial products used in basic construction projects -- construction equipment, cement, bricks, and other construction materials.

Through these materials balances, plans for capital construction equipment, and raw materials for the expansion of the socialist reproduction are established. In other words, materials balances must be worked out for the "priority links" of the general plan.

Planned socialist reproduction requires that the materials balance sheets of the principal branches of the national economy, which determine the rate of expansion of reproduction, be separated from those of other branches. The principles formulated by Lenin and Stalin with regard to the separation of the principal branches of the national economy in making up materials balance sheets are essential to the development of the national economy. The political and economic goals established for each plan period determine the speed at which these main branches of the national economy should be developed.

Classification of Materials Balance Sheets

In accordance with Marx's classification of the social product, materials balance sheets must be classified as: (1) balance sheets of capital goods; and (2) balance sheets of consumer goods.

Capital-goods balance sheets may in turn be classified into the following: (1) balance sheets of the industrial products that may be used as working capital such as iron and steel, nonferrous metals, electric power, fuel, lumber, minerals, coke, cotton yarn, and so on; (2) balance sheets of agricultural products that may be used as working capital such as grain, cotton, flax, sugarbeets, animal skins, leather, meat, and so on; and (3) balance sheets of industrial products that are used in basic construction projects such as construction equipment, cement, bricks, and other construction materials.

Functions of Materials Balance Sheets

Materials balance sheets have the following functions in the formulation of a general plan for the development of the national economy.

(1) They are used to determine the kinds of products needed to fulfill the planned tasks, to allot the respective shares to be provided by related industries, and to establish the rate of production of the various industries.

(2) Materials balance sheets and materials distribution plans must first satisfy the needs of national defense and guarantee a coordinated development of the principal branches of the national economy. They must allocate industrial and agricultural materials, fuel, electric power and consumer goods in such a way that it will be possible to attain urgent objectives and to solve important current problems concerning the development of the principal branches of the national economy.

(3) Because the materials balance sheets show the kinds of products needed to fulfill the tasks set out by the plan and allot the respective shares to be provided by related industries, they not only bring bottlenecks to light but also furnish solutions. In order to turn out the planned products, all existing reserves, new resources, raw materials, fuels, substitute materials, and modern techniques must be fully utilized by means of the materials balance sheets. They should mobilize all the available domestic materials for production, thus cutting imports of equipment and materials. Consequently, materials balance sheets have a great role to play in the achievement of technological independence and economic self-sufficiency.

(4) Materials balance sheets have a great deal to do with planning for the improvement of the utilization of equipment, raw materials, fuel, and electric power. The utilization norms for resources serve as a basis for distributing material resources among the branches of the economy for the purpose of assuring the fulfillment of the planned production targets. For instance, a certain amount of fuel was originally allocated to an electric power plant to enable it to generate the planned amount of electric power. Now, this amount of fuel is allocated to the plant as regular matter. The materials balance sheet must try to provide ways of economizing in the use of fuel.

(5) The most important task of the materials balance sheets is to create material reserves, particularly reserves of fuel, electric power, and other resources essential to national defense, in order to meet the needs of the continuing development of the national economy and national defense.

(6) Materials balance sheets are essential to a planned development of the basic construction projects. Basic construction plans must allot the necessary amounts of such materials and equipment as cement, steel, lumber, and so on. Thus, materials balance sheets may be used to indicate the purposes for which the material resources are to be used, coordinating in this way the use of materials with the tasks and targets set by the general economic plan.

(7) Another basic aim of the materials sheets is to enable the enterprises in the principal economic regions to find sufficient materials and resources for local production, thus avoiding long distance haulage. Hence, materials balance sheets must be formulated for each province and republic.

Manpower Balance Sheets

The second component of the over-all balance sheet of the economy is the manpower balance sheet, showing the utilization of the labor force. The manpower balance sheet must include the following items: (1) the total amount of manpower and the class distribution of manpower; (2) utilization of manpower and manpower reserves; (3) distribution of manpower among the various sectors and among the different branches of the national economy; and (4) fluctuations in manpower.

The general and subsidiary manpower balance sheet must show the distribution, utilization, and fluctuations of manpower, for manpower balance sheets have not only theoretical, but also practical significance. In addition to an all-union manpower balance sheet, separate ones must be drawn up for the provinces. The provincial manpower balance sheets must in turn consist of balance sheets for each collective farm.

In order to determine the conditions of manpower utilization during each year and each quarter on the collective farms, the farms must make not only yearly but also quarterly manpower balance sheets, showing the fluctuations in the utilization of manpower during peak and slack seasons. Furthermore, balance sheets must also be made for skilled labor by occupations. The 1939 Census provides rich statistical data for the manpower balance sheets. From the manpower balance sheets and the indexes of the fixed assets in each branch of the national economy, the planning agencies can compute the investment rate per unit of labor and the indexes of power utilization.

A general balance sheet of the economy must include the following items: (1) the increase of manpower; (2) quality of cadres in the principal branches; (3) training of a reserve labor force; and (4) replacement of labor force and cadres.

Besides showing the relationships between the manpower balance sheet and the balance sheet of the social product, the general balance sheet of the economy should also show the manpower reproduction rate, which is more vital to increase in production.

General Manpower Balance Sheet

The general manpower balance sheet is a part of the general balance sheet of the economy. It is made up of the manpower balance sheets of the republics, oblasts, and rayons, balance sheets of skilled workers by occupations, balance sheets of specialists, balance sheets of labor distribution, and balance sheets of labor training.

Execution of the Plan for the Development of National Economy

Once a plan is approved by the appropriate authorities, it becomes the law of the land and is to be executed by the enterprises, state farms, and collective farms. Upon approving the plan, the planning authorities must then go on to make preparations for the execution of the plan and

to direct the execution. This is only another aspect of planning. As Stalin said: "Only bureaucrats would think that planning ends with the completion of the drawing up of a plan. Drawing up the plan is only the beginning of planning. Only when the planning authorities offer leadership over the execution of the plan by way of controlling the fulfillment of the planned tasks, detecting shortcomings, studying how the plan fits in with conditions and what causes the actual course of events to depart from the planned course, and devising suitable measures either to alter the plan or to take steps to achieve the planned tasks, can the plan be regarded as being in operation." To harmonize the concepts embodied in the plan with the facts is essential to plan fulfillment. The effort of the tens of millions of people devoted to the execution of a given plan are ideal yardsticks for measuring the value of the plan and for determining whether the plan is in accord with the urgent needs of social development.

The realization of the plan requires certain prerequisites:

(1) The state must control the instruments of production, labor, and the supply of capital. In preparing and guiding the execution of a plan, the government of the Soviet Union utilizes all the economic levers at the disposal of the socialist economy. Owing to the socialist ownership of the instruments of production, the socialist state controls the land, numerous factories, the transport facilities, raw materials, and fuel, which can be used to produce the planned amounts of goods. At the same time because the state has monetary capital, commodities, housing, and schools for training skilled workers at its disposal, it is able to supply the manpower needed by the national economy for the purpose of plan fulfillment. Through financial and credit plans the state also may provide the various enterprises with the capital they need.

(2) Business accounting must be thoroughly enforced. Business accounting makes it possible to increase the accumulation of capital in the socialist economy and to provide a profit for the socialist enterprises. Business accounting is an instrument of calculating and checking on the production and circulation of goods in the enterprises in terms of money. Through business accounting the state may stimulate the enterprises to fulfill and overfulfill the production trade, and socialist accumulation (profit) plans. Business accounting has the following features: Each of the economic organizations is given a certain amount of capital which will enable it to carry on its operations, and each of them is given authority to dispose of this capital at will. Each economic organization, in order to nourish the capital the state gives it, must utilize it in the most effective way. The economic organizations must assume responsibility for economic losses attributable to them, but they may get material and monetary benefits if they gain profits through their own efforts. Business accounting may therefore have the effect of reducing production costs and increasing internal capital accumulation in every branch of the national economy.

(3) The broad working masses must take an active part in plan fulfillment. In preparing and guiding the execution of a plan, the party and the government mobilize tens of millions of working people. The toiling masses must be told of the current tasks of the economic construction, and material rewards should be given to active and loyal workers in order to make them enthusiastic about the accomplishment of production goals. Rewarding each

worker according to the quantity and quality of his work is essential to plan fulfillment. These measures are prerequisites for conducting socialist competition in the fulfillment and overfulfillment of an economic plan. From the standpoint of the planning agencies, supervising and organizing plan fulfillment are their foremost tasks.

(4) The planning agencies must organize and supervise the execution of the plan. Supervising plan fulfillment is an essential element of economic planning. Molotov once said: "We need plans as a guide in our economic work. We need specific plans for branches and regions, covering years or shorter periods, adequately coordinating the various sections of the plan and the time limits set for their fulfillment. According to the results of actual plan fulfillment, it is necessary to make changes in individual branches, regions and dates of fulfillment of the plan. We need plans to verify the progress in our economic work. If the plan is not bound up with supervision of plan fulfillment it is a mere scrap of paper. This applies to all our economic organizations and to all our economic work. By seriously improving our control of plan fulfillment we shall improve at the same time both our economic work and the formulation of our plans." Supervision of plan fulfillment must be continuous and systematic. The task of supervising fulfillment is not limited to determining the degree of fulfillment of the plan. The main task is rather detection of failures to fulfill the plan and devising suitable means either to alter the plan or to take steps to assure fulfillment.

(5) The individual branches of the national economy must be closely coordinated. The national economy is an organic whole. If any part of it fails to develop according to plan, the whole mechanism may be adversely effected. In other words failure to fulfill part of a plan may disturb the smooth development of the national economy envisaged by the plan. A smooth development of social reproduction calls for the preservation of certain relationships among the various branches of social reproduction in terms of exchange value on the one hand, and the preservation of certain correct relationships in terms of exchange value between those products -- equipment, raw materials, and fuel -- which have use value, on the other. Besides, a smoothly operating reproduction process requires the full satisfaction of the workers' demand for food, clothing, and other daily necessities. Thus a plan for the development of the national economy must not only determine the total value of the planned production but also determine its quantity and kind. Only when the tasks established by the plan are fulfilled in terms both of quantity and quality and at the costs envisaged by the plan, can we say that the plan has been fulfilled. The Eighteenth Congress of the Communist Party of the Soviet Union (Bolshevik) called upon all the enterprises to fulfill the plan not only in the quantitative indexes but also in terms of quality, in terms of interbranch relations, in terms of observance of fixed norms, and in terms of production costs.

To assure that the plan is fulfilled in terms of quantity, quality, classes, and production costs is the most important aim of the supervision of plan fulfillment. Statistical work dedicated to the investigation, research, and reporting of plan fulfillment has been highly useful to control of plan fulfillment. Stalin once said: "Planning work would be inconceivable without accurate calculation, and calculation is inconceivable without the support of statistical data."

Tasks of the State Planning Commission (Gosplan)

After having been reorganized several times, the planning machinery of the Soviet Union had already become a giant and all-pervasive organization before 1941. The State Planning Commission, or the Gosplan, is, however, the core of the planning machinery. The main task of the State Planning Commission and its subordinate agencies is to work out a general state plan in accordance with the basic instructions given by the Council of Ministers and the Economic Council (Ekoso) and to be approved by the Supreme Soviet and the government. According to a decree promulgated in February 1932, known as Regulations Governing the State Planning Commission of the Council of People's Commissars, the State Planning Commission has under it many departments and bureaus, which may be classified into three categories: The first co-ordinates problems of interbranch and interregion planning, works out methods of planning, and draws up a unified economic plan; the second elaborates the various component items of the plan for the corresponding branch of the national economy, and the third handles the general affairs of the Commission. The duties of the State Planning Commission are: (1) to work out and submit to the Council of People's Commissars prospective, annual, and quarterly plans for the national economy; (2) to submit to the Council of People's Commissars its conclusions regarding the prospective, annual, and quarterly plans drawn up by the people's commissariats and departments of the Soviet Union and the councils of people's commissars of the union republics; (3) to supervise the fulfillment of the approved plan; (4) to study the problems of socialist construction in accordance with the instructions of the Council of People's Commissars or on its own initiative; (5) to appoint expert commissions to deal with separate problems affecting the national economy; (6) to work out and submit to the Council of People's Commissars for its approval proposals on the methods of socialist planning; and (7) to direct the statistical work of the socialist economy of the Soviet Union.

In connection with item 4, the most important tasks of the State Planning Commission are to work out measures to guarantee in the over-all economic plan of the Soviet Union a proper correlation in the development of the various branches of the national economy and to introduce suitable measures to avoid disproportions occurring within its framework. The State Planning Commission is also charged with the duty of adjusting the relations among the related branches of the socialist economy, to adjust the relations between the minerals extraction industry and the processing industry, between industry and agriculture, between transport and other economic activities of the national economy, between production and consumption, and between production capital and means of production, and to ensure the proper location of enterprises with the view of avoiding long-distance and cross haulage and bringing production closer to its sources of raw materials and to its consumers. In addition to drawing up the plan, the State Planning Commission has another important task, namely, supervision of plan fulfillment. Article 5 of the previously mentioned document states that the State Planning Commission shall check up on the fulfillment of the over-all economic plan by the people's commissariats, government agencies, and enterprises of the Soviet Union and submit to the Council of People's Commissars proposals arising from its control over the fulfillment of the plan and individual government regulations. Furthermore, in order to facilitate its supervision work, the State Planning Commission may have representatives stationed at various places.

Structure of the State Planning Commission of the Soviet Union

The State Planning Commission of the Soviet Union is at the top of the pyramid of the nation's planning machinery. Under the State Planning Commission there are two sets of planning organizations, one being territorial and the other being departmental. These organizations also have their own subordinate agencies. At the present time, the planning machinery as a whole is a huge body. In 1942 the State Planning Commission had 54 departments and bureaus:

- (1) The chairman of Gosplan, USSR, deputy chairman of Gosplan, USSR, and the member of Gosplan, USSR
- (2) Department of the General Plan of the National Economy
 - Production and Major Repairs Section
 - Production Costs and Circulation Costs Section
 - General Plan-Fulfillment Supervision Section
 - Balance of National Economy Section
 - General Transport Plan Section
 - General Planning Section
- (3) Department of Capital Construction
 - Building Industries Section
 - The General Capital-Construction Plan Section
 - Water Power Section
- (4) Department of Finance
 - Financial Plan Section
 - Budget Section
 - Credit and Disbursement Plan Section
- (5) Department of Labor
 - Labor and Wages Section
 - Cadre Training and Distribution Section
 - Migration and Settlement Section
- (6) Department of Far East and East Siberian Districts
- (7) Department of the Ural and West Siberian Districts
- (8) Department of Central Asia and Kazakhstan Districts
- (9) Department of Transcaucasian District
- (10) Department of Southern Districts
- (11) Department of Central Districts
- (12) Department of Southeastern Districts
- (13) Department of Northern and Northwestern Districts
- (14) Department of Western Districts

- (15) Department of Enterprise Location and Regional Planning
- (16) Department of Fuel
 - Fuel Balance Section
 - Coal and Shale Section
 - Oil and Gas (including synthetic fuels) Section
 - Peat Section
- (17) Department of the Balance of Materials
 - Balance of Iron and Steel Section
 - Nonferrous Metals (including cables) Section
 - Balances of Timber and Lumber Section
 - Construction Supplies Section
 - High Grade Steels Section
- (18) Department of Balance of Equipment
 - Balance of Power Equipment Section
 - Balance of Lathes and Machine Tools Section
 - Balance of Technical Equipment Section
 - Balance of Building Machinery and Vehicles Section
- (19) Department of Electrification
 - Electric Power Production and Balance and Distribution of Electric Power Section
 - Capital Construction Section
- (20) Department of Engineering
 - Heavy Engineering Section
 - Middle Machine Building Section
 - General Machine Building Section
 - Power Equipment Section
 - Combined Plan Section
- (21) Department of Food Industries
 - Fish Industries Section
 - Food Industries Section
 - Meat and Dairy Industries Section
- (22) Department of Light Industry
 - Textile Industry Section
 - Light Industry Section
 - Balances of Raw Materials and Unfinished Goods Section
- (23) Department of Agriculture
 - Plant Cultivation Section
 - Livestock Breeding Section
 - Industrial Crops Section
 - Machine Tractor Stations Section
 - State Farms Section
 - Irrigation and Soil Amelioration Section

- (24) Department of Trade
Goods Distribution Section
Balance of Goods Inventory Section
Trade Turnover Section
Public Catering Section
Trade Network and Overhead Expenses
- (25) Department of Culture
Higher Education and Technical Schools Section
Arts Section
- (26) Department of Natural Resources
- (27) Department of Heavy Metallurgy
Production and Distribution Section
Capital Construction and Equipment Section
High Grade Steels and Alloys Section
- (28) Department of Nonferrous Metals
Production and Distribution Section
Capital Construction and Equipment Section
- (29) Department of Chemical Industry
Production and Distribution Section
Capital Construction and Equipment Section
- (30) Department of Air and Highway Transport
Air Transport Section
Highway Transport Section
Roads Section
- (31) Department of Timber and Lumbering Industries
Forestry Section
Cellulose and Paper Section
Timber Stocks and Floatage Section
Wood-Chemical and Match Industries Section
- (32) Department of Railroad Transport
Traffic and Operation Section
Capital Construction Section
- (33) Department of Water Transport
River Transport Section
Sea Transport (including Arctic Route) Section
- (34) Department of Agricultural Produce Procurement
Agricultural Produce Procurement Section
Flour and Flour Mills Section

- (35) Department of Prices
- (36) Department of Local Industries and Producers' Cooperatives
 - Local and District Industries and Local Fuel Section
 - Producers' Cooperatives Section
- (37) Department of Industrial Building Materials
- (38) Department of Housing and Municipal Services
 - Municipal Services Section
 - Housing Section
- (39) Department of Foreign Trade
- (40) Department of Health
 - Medical Institutions Section
 - Nurseries Section
- (41) Department of Communications
- (42) Department of Inventions (Patent Office)
- (43) Department of Economics and Substitute Materials
- (44) Department of Cadres and Personnel
- (45) The Chairman of Gosplan Secretariat and the Control Section
- (46) Department of General Affairs
 - Administration Section
 - Bookkeeping Section
 - Personnel Section
 - Secretariat
 - Library
 - Machinery Warehouse
 - Branch of Inward and Outward Document Registration
- (47) The Periodical Planned Economy
- (48) The State Planning Commission Publishing House (Gosplanizdat)
- (49) The Institute of Technical and Economic Information
- (50) The Central Administration of Business Accounting and Its Local
Organs
- (51) The Council of Gosplan USSR
- (52) The Council of Scientific and Technical Experts
- (53) The Academy of Planning
- (54) The Molotov All-Union Economic Institute

Planning Agencies Subordinate to the State Planning Commission

Planning agencies subordinate to the State Planning Commission constitute two sets of planning organizations, one being departmental and another being territorial or general.

(1) Territorial Planning Commissions -- The pyramid of general planning commissions had closely followed the administrative divisions of the USSR since 1930; Gosplan USSR is the central State Planning Commission for the entire Soviet Union with gosplans in the union republics and planning commissions in the autonomous republics, oblasts, okrugs, rayons and cities.

The first union republic to establish a planning commission was the RSFSR. Its Gosplan was organized on 13 February 1925. Gosplans were established in other republics between 1925 and 1927. The gosplans of the various union republics direct the activities of the Planning Commissions of the state organs, state enterprises, cooperatives, and social organizations within the given republics. They also work out general economic plans for their respective republics in accordance with the directives of the Gosplan USSR and submit them to the latter for approval (this was decided by the Central Executive Committee of the USSR and the Council of People's Commissars of the RSFSR on 20 June 1930). In addition to union republic gosplans there are also gosplans in the autonomous republics, oblasts, krays, okrugs, and cities.

All these planning commissions take charge of the planning work for the respective territories (republic, kray, oblast, etc) under the guidance of the Gosplan, USSR and their own superior agencies. Municipalities also have planning commissions. Planning commissions of Leningrad, Moscow, and Kharkov are equal to planning commissions of oblasts, krays, and border krays, while the planning commissions of other independent administrative and economic units are equal to planning commissions of rayon status. Rayon commissions are the lowest territorial planning organs. Although some rayons have villages with village planning commissions, they are not the rule. Village planning work in most cases is done by the village Soviets under the guidance of the rayon planning commissions.

(2) Departmental Planning Commissions -- Departmental planning commissions are attached to the USSR people's commissariats, the people's commissariats of the union republics and their subordinate sections, main administrations, trusts, enterprises and other administrative and economic units running the socialized sector of the national economy; the lower departmental planning commissions are subordinate to the higher ones on the same pattern as the general planning commissions. According to a decree issued by the Council of People's Commissars on 16 June 1928, the planning commissions of the USSR people's commissariats are the highest departmental planning organizations, taking charge of the planning work of the respective economic agencies under the direction of the respective people's commissariats and Gosplan USSR. The duties of the planning commissions of the people's commissariats are as follows: (1) To work out, in accordance with instructions of Gosplan USSR, the control figures for prospective, annual, and quarterly plans on economic development of the respective people's commissariats and submit them for approval to Gosplan USSR. (2) To work out, in accordance with the approved control figures, annual plans and submit them for approval to Gosplan USSR. To review the various plans on the development of the economic activities under the jurisdictions of the respective people's

commissariats and to supervise the fulfillment of the plan by enterprises subordinate to the people's commissariats. (3) To make systematic inspections of the conditions of the economic enterprises under the authority of the people's commissariats and make reports on them to Gosplan USSR. (4) To direct the activities of the planning commissions attached to the various enterprises and the people's commissariats of the union republics. (5) To formulate conclusions on the control figures for the prospective plan, and to work out in detail problems of socialist construction in accordance with the instructions of the respective people's commissariats and Gosplan USSR. (6) To undertake research work in connection with the elaboration of plans but such activities shall not be undertaken without the approval of Gosplan USSR.

Departmental planning commissions have differing setups in enterprises with differing administrative arrangements. In industry, the basic departmental planning units are the planning offices of the shops of the various factories. Immediately above these are planning commissions attached to individual enterprises, trusts, main administrations, and the government agencies in charge of industry in the respective rayons, okrugs, krays, oblasts, autonomous republics, and union republics. The highest organs of the departmental planning commissions are those attached to the USSR people's commissariats.

The principle of graduated subordination both in departmental and territorial planning is brought into line with the principle of complex regional planning, i.e., the plan drawn up by a general planning commission must include the plans of all the enterprises situated within the territory served by the given commission, irrespective of whether these enterprises are of all-union, republican, or local importance. From the point of view of administration, enterprises are subordinated to their superior managing bodies, but, parallel to this, their plans must also be submitted to the general planning commissions of the regional divisions in which they are situated; they thus form a component part of the general plan for the development of the national economy, which is drawn up by the corresponding regional planning commission for all enterprises situated within its territory. According to a decision of the Council of People's Commissars USSR, both the departmental planning commissions attached to enterprises and government agencies and the regional planning commissions on the various levels have the duty to furnish the Gosplan USSR with all data and explanations necessary for the drafting of economic plans and likewise for the purpose of verifying the execution of plans.

In short, despite the dual departmental and regional planning commissions, all planning agencies within this huge planning machinery are coordinated and integrated into a unified system. Gosplan USSR takes charge of the drawing up of a general plan of the nation's economy on the basis of the data furnished by both the departmental and regional planning commissions.

Counter-Plans

Counter-plans are made by the basic production units in the light of their own experiences with a view to making necessary revisions to the draft plans drawn up by the superior agencies. Counter-plans are designed to prevent plans from becoming unrealistic and to make the working people attentive to socialist construction. This is one of the special features of socialist planning.

Planned Economy During the NEP Period

After the October Revolution the Soviet Union found itself in a situation wherein production was rapidly declining and the divergence between the prices of manufactured goods and the prices of agricultural products was becoming wider and wider due to the policies of war communism. At the suggestion of Lenin, the Communist Party of the Soviet Union subsequently decided to give limited freedom to capitalist elements within the national economy to develop the political authority of the Soviets for the purpose of increasing productivity. Grain requisitions were replaced by taxes in kind payable in agricultural products, internal free trade was restored, and except for the large industries, communications, financial, and transport organizations, all small enterprises were again allowed to be operated by private capital. As a result, the national economy of the Soviet Union gradually became prosperous. But due to the existence of the Soviets, the socialist sector of the national economy eventually got to the top and laid the material foundation for the political authority of the Soviets. The New Economic Policy therefore had the effect of paving the way for the advance of socialism.

With the conclusion of the civil war, peaceful economic reconstruction began. Thus national economic planning became an urgent problem for the Soviet Union. During the period of the New Economic Policy the elaboration of plans for the development of the national economy proved to be a rather complicated matter, for while certain capitalist elements were allowed to exist the state urgently wanted to strengthen the alliance of the working class and the peasantry. During this period the planning work of some economic branches under the control of the Soviets had significant bearing upon the development of the national economy as a whole. The State Economic Plan of the Soviets at this time was mainly designed to rehabilitate the war-torn national economy. After the national economy had recovered, there arose the problem as to the direction toward which the economy should develop henceforth. Stalin gave this problem a classic answer. In his struggle against Zinoviev and Trotsky, Stalin defended and developed Lenin's theory on the victory of socialism in one country. He also worked out socialist industrialization plans for the Soviet Union, which served as a blueprint for the establishment of socialist society. The successive five-year plans (the greatest plans in socialist construction) ensured the continued development of the great socialist state.

The State Plan for the Electrification of Russia (GOELRO)

From its very inception, the Soviet Government had been operating some branches of the national economy in a planned manner. But an attempt to plan the development of the country's economy as a whole was made for the first time only in 1920 in the famous GOELRO plan. This plan was designed to bring about the electrification of Soviet Russia within 10 to 15 years. When this plan was adopted, the outputs of the large industries of Russia were only six-sevenths of that of the years prior to World War I, agriculture was declining, and transport facilities had been disrupted. According to this plan, thirty electric power plants each with a 1,500,000-kilowatt capacity were to be established in various places in Russia, coal output was to be increased 600 percent, iron and steel production were to be increased to a considerable extent, and the railroads were to be extended by 20,000 to 30,000 kilometers. Speaking of the GOELRO plan, Lenin said: "In my opinion this is our second party program. Without this electrification plan we shall be unable to undertake any construction project." In his letter to Lenin concerning the problems of the GOELRO plan, Stalin writes: "Excellent Book. Masterly draft of a really unified and truly statesmanlike economic plan without inverted commas. The only Marxian objective of ours at the present time is to apply modern production technology to the backward economy of Russia." In another of his classic works published recently, "Economic Problems of Socialism in the USSR," Stalin also says: ".... Another definition of communism or another formula of communism is Lenin's formula: 'Communism is equal to the Soviet Government plus nation-wide electrification'."

The first economic plan met opposition from the enemies of the Soviet people. Stalin resolutely defended Lenin's stand on this matter. This is one of Stalin's great contributions to the Soviet Union.

The First Five-Year Plan of the Soviet Union

The basic task of the first Five-Year Plan (1928-1932) was to build up an economic foundation for socialism. In order to accomplish this historic mission, the country had to be industrialized and the masses of peasants organized into collective farms. At the same time, the capitalist elements had to be reduced and the problem as to "who will defeat whom" in the economic development finally resolved (i.e., the socialist sector to defeat the capitalist sector in the course of the development of the national economy). The determining factor in accomplishing these tasks was the construction of heavy industry. Stalin said: "The principal link of the Five-Year Plan is heavy industry, especially the heart of heavy industry -- the machine building industry." During the period of the first Five-Year Plan, some 70 percent of the capital was invested in heavy industry, as a result of which, heavy industry was able to develop more rapidly than other branches of the economy. In order to accelerate the fulfillment of the Five-Year Plan, a famous slogan was taken up by the Soviet people -- "The Five-Year Plan in Four Years."

During the first Five-Year Plan, the Soviet Union created many industries which had not previously existed such as the automobile, tractor, machine-tool, chemical, aircraft, and agricultural-implement industries. In the eastern areas, a new metallurgical base was built. The plan created more than 1,500 enterprises. The proportion of industrial output, as compared with agricultural output, had risen to 70 percent by the end of the

Five-Year Plan period. During the same period some 200,000 collective farms and some 5,000 state farms were organized. Moreover there were 2,500 newly established machine-tractor stations. The proportion of national income of the socialist sector of the national economy, as compared with those of the other sectors, rose from 44 percent of the total at the beginning of the Five-Year Plan period (1928) to 93 percent at the end of the period. As a result of the realization of the Five-Year Plan in industry, agriculture, and trade, the Soviet Union was able to establish the principles of socialism in all spheres of the national economy and eliminated the capitalist elements. The achievement of the first Five-Year Plan also demolished the thesis of some people that it is impossible to build socialism in one country.

The Second Five-Year Plan of the Soviet Union

The basic task of the second Five-Year Plan (1933-1937) was to effect a technical reform in the national economy through increasing the output of the engineering industry. This plan's main political task was to completely liquidate the capitalist elements in the national economy, do away with all the causes for the rise of classes, and extirpate the exploitation system. After pointing out the significance of zeal on the part of the workers and cadres in the fulfillment of the first Five-Year Plan, Stalin continued: "But this is no longer sufficient for fulfilling our missions at the present time. In addition to this, we must now have the zeal to master new techniques and new trade methods. We must make a real effort to reduce production costs and to increase productivity. These are the important tasks at the present time."

During the first Five-Year Plan, 50,500,000,000 rubles were invested in the national economy. During the second Five-Year Plan period, the total investment was increased to 137,500,000,000 rubles. During the second plan, the industrial output of the Soviet Union increased by 120 percent. In 1937 over 80 percent of the industrial products were produced by industrial enterprises newly established or rebuilt during the period of the two Five-Year Plans. In terms of technology, Soviet industry was by this time leading the world. In 1937 grain output was 7,300,000,000 poods. Productivity in large-scale industrial enterprises increased by 82 percent instead of the 63 percent originally planned. In agriculture, 93 percent of the peasant households had joined collective farms and the acreage of the collective farms represented 99 percent of the total cultivated land. There were 450,000 tractors in agriculture, 200,000 combines, and 120,000 trucks. The socialist transformation of backward agriculture was therefore completed. Socialism had been basically established in the Soviet Union. In other words, the Soviet Union reached the first stage of communism during the period of the second Five-Year Plan.

The Third Five-Year Plan of the Soviet Union

During the third Five-Year Plan, the Soviet Union graduated to a new historic stage -- classless socialist society -- and was marching forward on its own feet toward communist society.

At this time the most urgent task of the Soviet Union was to increase the productivity of each industrial worker within the shortest possible time to an extent either matching or even surpassing the standard in the principal capitalist countries. The third Five-Year Plan was intended to accomplish this goal.

During the three and a half years that the third Five-Year Plan was in operation (1937-1940), the people of the Soviet Union made decisive achievements in the fulfillment of the plan. In 1940 industrial output amounted to 137,500,000,000 rubles (in 1937 it was 95,500,000,000 rubles). On the collective and state farms there were 523,000 tractors and 182,000 harvester combines. These farms delivered to the state 38,800,000 tons of grain. But when the third Five-Year Plan still had one year and a half to run, it was unexpectedly interrupted by Hitler's attack upon the Soviet Union. From that time until the end of World War II, the Soviet Union was forced to convert its national economy from peace-time construction to military expansion in order to ensure victory in the struggle against fascism.

Economic Plan of the Soviet Union During the Period of National Defense

Under the leadership of Stalin, the Soviet Union, upon the outbreak of Soviet-German hostilities, quickly put the national economy on a war footing in order to support military operations. The rapid and orderly conversion from a peace-time economy to a wartime economy further reveals the superiority of the socialist planned economy and the usefulness of socialist planning. Relying upon the spirit of self-abregation of the Soviet patriots (the working class, the collective farmers, and the intelligentsia), the wartime economic plan of the Soviet Union ensured a rapid increase in the production of weapons, ammunition, and combat equipment, sufficient food supplies for the war front, continued, orderly service by the transportation and communications systems, and the full mobilization of manpower and material resources.

During the war, the historical significance of the three Five-Year Plans, drawn up under Stalin's direction was fully understood. Their significance lies in the fact that they laid down the material foundation for the people of the Soviet Union to defend their fatherland successfully and to smash the fascist bandits who intended to destroy the independence of the Soviet Union. In drawing up and in guiding the execution of each of the Five-Year Plans, Stalin constantly gave special attention to the problem of increasing to the utmost the nation's defensive capacity. In his speech delivered on 9 February 1946 Stalin says: "Can we say that prior to the outbreak of World War II we possessed the minimum material strength to meet the needs of a war? I think we can. In order to prepare for this tremendous task, we put through three Five-Year Plans for the development of the national economy. It is precisely these three plans that helped us create that material strength."

Upon the successful conclusion of the war, the Soviet Union once again set herself to peaceful economic construction. Stalin drew up a new program for economic development. The realization of this great program will guarantee the establishment of communist society in the Soviet Union and will create a condition under which the Soviet Union will be free from all contingencies.

The Fourth Five-Year Plan of the Soviet Union

The first postwar Five-Year Plan (1946-1950) envisaged not only the restoration of the prewar economic level but also a surpassing of that level. According to the plan, the total industrial output of the Soviet Union in 1950 was to be 205 billion rubles (computed at 1926-27 prices). Thanks to the strenuous efforts of the workers and peasants, the prewar production levels in industry and agriculture were quickly restored. In 1948 total output had already surpassed the prewar level. In industry the 1948 output was 18 percent above that of the prewar years. The increase in national income at the same time was 16 percent above the prewar level. The proportion of the Soviet Union's industrial output, compared with industrial outputs of other countries, registered an increase. According to the planned figures, the total industrial output in 1950 would be 48 percent higher than that of 1940. In fact, the total industrial output in October 1949 was already over 50 percent higher than the average monthly output of 1940. The production level of the areas occupied by the enemy during the war had already been restored to the prewar level in September 1949. The grain production problem was quickly solved. Grain and industrial crops surpassed the prewar levels in output. Great achievements were also registered in livestock breeding. In 1949 the number of tractors and other machines used in agriculture were double that of 1940.

In a speech delivered on 9 February 1946 Stalin stated: "We must give special attention to the production of mass-consumption goods and to the elevation of the living standard of the working people through a gradual reduction of the prices of all goods." In pursuance of these instructions the first postwar Five-Year Plan made provision for a rapid growth of the industries producing consumer goods and for a similar development of agriculture in order to improve the material welfare of the peoples of the various nationalities inside the Soviet Union and to create sufficient means of consumption.

As a result of the currency reform of 1947, the abolition of rationing, and the adoption of a unified and reduced retail price system by the state trading organizations, sales of grain and industrial products by the state trading organizations and the cooperatives showed a marked increase. Because of the reduction in retail prices, the purchasing power of the ruble was doubled in 1948. Due to the increase of the purchasing power of the ruble and the increase in wages, the workers' real wage also increased more than 100 percent.

Up to the present time, prices have been cut five times across the board. During the first 3 years and 9 months of the first postwar Five-Year Plan, the state enterprises, the state organs, the local Soviets, and the population built and reconstructed, with the assistance of the state, urban and workers' housing occupying a total area of over 61 million square meters. During the same period, over two-million houses were built or reconstructed in rural areas. Like the previous Five-Year Plans, this plan was also fulfilled in four years.

Stalin's plan for transforming nature in the Soviet Union and the Three-Year Plan for developing grain production and livestock breeding are further illustrations of the Soviet government's concern for the people's welfare. The realization of these two plans will have a great effect on the creation of sufficient consumer goods and the improvement of the living standard of the Soviet people.

The Fifth Five-Year Plan of the Soviet Union

The fifth Five-Year Plan is also known as the second postwar Five-Year Plan. The draft plan for the development of the national economy during 1951-1955 has been completed and promulgated by the Central Committee of the Communist Party of the Soviet Union. The fulfillment of this plan will bring the Soviet Union one step closer to a communist society.

The draft plan stipulates that the industrial production level in 1955 will be 70 percent higher than that of 1950, or an annual increase in industrial output of 12 percent. In heavy industry, the output of pig iron during the plan period will increase 76 percent, steel, 62 percent, coal, 43 percent, petroleum, 85 percent, and electric power, 80 percent. In other words, in 1955 the Soviet Union will produce over 34,050,000 tons of pig iron, 44,170,000 tons of steel, 372,680,000 tons of coal, 69,960,000 tons of petroleum, and 162,500,000 kilowatt hours of electric power. In a speech delivered on 9 February 1946, Stalin set the goals that should be accomplished annually after three Five-Year Plans as follows: 50 million tons of coal, and 60 million tons of petroleum. The fifth Five-Year Plan tells us that at the end of 1955 these goals may be accomplished respectively by the percentages of 68, 73.6, 74.5 and 116.6. This will make the Soviet Union -- the fortress of world peace -- even stronger. The fifth Five-Year Plan also makes provision for increasing the production of consumer goods by 70 percent. During the same period, efforts will also be made to accelerate the mechanization of production processes. In order to carry out the above tasks, the plan provides that the Soviet government will invest twice as much capital in industry as during the fourth Five-Year Plan.

In agriculture, the draft plan contains provisions for increasing grain production 40 to 50 percent during the five-year period. This means that in 1955 the total output of grain will be 10,640,000,000 to 11,400,000,000 poods or 348,728,000,000 to 373,564,000,000 cattles. One of the important tasks in agriculture is to introduce electric tractors and other electric agricultural machinery. The plan stipulates that in 1955 from 90 to 95 percent of all plowing and sowing work on the land sown to industrial crops and feed and from 80 to 90 percent of the grain harvesting work will be mechanized. Expansion of livestock breeding is also planned. The amount of capital to be invested in agriculture by the Soviet government during the five-year period will be 2.1 times that invested during the fourth Five-Year Plan. Capital to be invested during the same period in irrigation and soil-improvement projects, it will be four times that invested during the fourth Five-Year Plan.

According to the draft plan, the Soviet Union will also exert tremendous efforts to expand trade, transportation, and telecommunication facilities. Retail sales of the state trading organizations and the co-operatives will increase 70 percent, and the state will increase its investment in these areas 63 percent over the volume of investments made during the fourth Five-Year Plan. Railroad freight will increase 35 to 40 percent, inland-waterway shipping 75 to 80 percent, and highway transport 80 to 85 percent.

With the continuing rise of production, the national income of the Soviet Union during the same period will also increase more than 60 percent. In other words, the annual national income will be more than 336,659,200,000 rubles. Owing the increase in real wages and the improvement of social welfare, the living standards of blue- and white-collar workers will climb still higher. The number of blue- and white-collar workers to be employed during the last year of the fifth Five-Year Plan in all branches of the economy will be 15 percent more than that of 1950. In other words, in 1955 the number of persons employed in all branches will be as much as 45,080,000. In 1955 institutions of higher education will provide society with two times the number of specialists that were graduated in 1950.

According to the draft plan, the Soviet people, in order to fulfill the great tasks set for them, must make full use of the nation's economic potentialities, launch a mass movement to make proposals on rationalization in industry, practice savings, strengthen the financial control exercised by the financial agencies, and obey the laws and discipline of the state. The national economy of the Soviet Union will reach a new peak and the cultural and material standards of the Soviet people will rise steadily.

Communist Construction Projects of the Soviet Union

In an effort to develop a material and technical foundation for the building of communist society, the Soviet Union is carrying out large-scale mechanization and electrification of production. The establishment of automatized factories and the amalgamation of collective farms in the recent years mark the rapid development of large-scale production. This development calls for a rapid expansion of power-supply and transport facilities and a plan for transforming nature on a grand scale. Thus the development and utilization of hydraulic engineering works are of supreme importance.

The resources of hydraulic power in the Soviet Union are quite plentiful. There are some 108,500 rivers, small and large, within its territory. Of these, 1,500 rivers alone may generate 2,700 billion kilowatt hours of electric power annually. The water power resources of the Soviet Union are four times those of the United States and seven times those of Canada. But the development of these resources require huge investments of materials and capital. It is estimated that the annual capital investment will be many billions of rubles, to which will be added advanced scientific technology and large numbers of technicians. After having fulfilled the first postwar Five-Year Plan, the Soviet Union is now in a position to undertake this great project.

The various hydraulic engineering projects of the Soviet Union are closely coordinated. Each project serves a triple purpose -- electric-power generation, communications, and irrigation. Upon the completion of the canal construction work on the Volga, Don, and Turkmen rivers, and the hydroelectric projects in Kuibyshev, Stalingrad, and Kakhovka, the hydroelectric stations may generate 4,220,000 kilowatts of power. In years with normal volume of water, the total power capacity will be over 22 billion kilowatt hours annually or 6 times that of the forty-five power plants of the TVA system, or the combined capacity of the hydroelectric systems stations of Denmark, Finland, Holland, Belgium,

and Spain, or 20 times that of the hydroelectric power stations of England. Thus the construction of these power plants will make the Soviet Union the leading country in electrification.

With regard to irrigation, the area to benefit from the new irrigation system is approximately 28,250,000 hectares or 3.5 times the area irrigated by the irrigation systems of the United States, which have been developed over the last hundred years. The wheat crop produced in this irrigated area alone will provide food for 70,000,000 people or one-third of the total population of the Soviet Union. Upon the completion of these projects, the Soviet Union will be in first place among the nations in agricultural production, livestock breeding, industrial-crop production, and fruit-crop production.

Upon the completion of the canal-construction projects on the Volga and Don rivers, the waterways in the European part of the Soviet Union will have been integrated into a well-designed system. This great transport network will greatly stimulate the flow of goods among the various parts of the country, thus rendering the national economy even more prosperous. Once the Volga River waterway is linked with the Aral Sea by the Turkmen Canal of when waterways are constructed between the six seas, the economic value of the communist construction will greatly increase. Undoubtedly, the completion of these projects will bring the Soviet Union closer to the highest goal of human endeavor, communist society, in which the distribution principle will be "From each according to his ability, to each according to his need."

Kuibyshev and Stalingrad Hydroelectric Power Stations

Stalingrad is situated north of the juncture of the Lenin Canal with the Volga River. Further north at the bend of the river is Kuibyshev. At the present time the Soviet Union is making a great effort to transform nature in these two places. Here the world's two largest hydroelectric power stations will be built (the station at Kuibyshev is to be built in 1950-55 and the one at Stalingrad in 1951-1956). Along with them will be irrigation systems. The primary aim of these two projects is to supply the central districts of the European part of the Soviet Union and the Volga Basin with electric power. The generating capacity of the Kuibyshev station will be 2 million kilowatts or in normal years 10 billion kilowatt hours. The capacity of the Stalingrad station will be 1,700,000 kilowatts or in normal years 10 billion kilowatt hours. The power generated by these two stations will far surpass the combined power output of the modern power stations in Italy, Sweden, and Switzerland. This amount of power can be used for any of the following produce 1,333 million tons of coal, or 714 million tons of petroleum, or 133,300,000 tons of pig iron or steel, or 200 billion meters of cotton cloth, which would encircle the globe 5,000 times or would make 40 billion suits, thus providing more than, 2,300,000,000 people in the world with 17 suits annually. This amount of power could also be used to produce 1,760,000,000,000 kilograms of bread annually, enough to feed the entire population of the world for 4 years with each person consuming half a kilogram per day. Of this power 10,100,000,000 kilowatt hours is to be transmitted to Moscow by high tension lines, 6,400,000,000 kilowatt hours to the cities in the Volga basin and Astrakhan and the central districts, Kuibyshev, Stalingrad, and Saratov, and 3,500,000,000 kilowatt hours to the collective

farms in the Volga basin and around the Caspian Sea. Thus upon the completion of these construction projects, there will be many more factories and mines in Moscow and the Volga basin. Electrification will be completed in all factories and railroads. Agriculture in the lower regions of the Volga River will also use electric power. Industrial-crop processing, threshing, and milking will all be electrified.

Apart from generating electric power, these two hydraulic engineering projects will also help improve shipping on the Volga River. The dams and locks of these two projects will increase the depth of the Volga, thus facilitating shipping. Furthermore, these two projects will irrigate the neighboring arid land. The Stalingrad station will irrigate a total area of 13 million hectares, and the Kuibyshev station one-million hectares. The combined area is equal to the size of China's Anhui Province.

Kakhovka Hydroelectric Power Station

The Lenin Canal runs southwest and joins the Don River, which empties into the Sea of Azov at Rostov. Since the Sea of Azov and the Black Sea are linked and the Dnepr River empties into the Black Sea, the Lenin Canal is therefore indirectly connected with the Dnepr River. This semicircle covers the southern part of the Ukraine and the Crimea, and it is in this area that another communist construction project is being developed. This project includes the construction of a hydroelectric power station on the Dnepr River at Kakhovka with a capacity of 250,000 kilowatts (to be constructed in 1951-1956) and the construction of two canals in the southern Ukraine and northern Crimea with a total length of 500 kilometers (to be constructed in 1951-1957). This project is primarily intended to improve agriculture in the southern Ukraine and northern Crimea where drought has been a natural handicap for centuries. Upon the completion of this project, some 600 to 650 cubic meters of water per second will be discharged from the Dnepr River into the two canals. This water may be used for irrigation purposes. At the same time part of the water in the Kakhovka reservoir may also be used for irrigation purposes. Thus the whole project will irrigate as many as 3,200,000 hectares of land or the equivalent of the entire area of Holland. Both the southern Ukraine and northern Crimea have fertile land, their only problem being a lack of water. Once the irrigation system is completed, they will have plentiful harvests. According to past experience, if the land is adequately irrigated, each hectare in these areas may yield 3,500-4,000 kilograms of winter wheat (that is to say, each shih-mou will yield 460-530 cattles of winter wheat in Chinese measure and weight system) or 1,800-2,500 kilograms of cotton (240-330 cattles per shih-mou) or 40,000-45,000 kilograms of vegetables (5,300-6,000 cattles per shih-mou) or 10,000-15,000 kilograms of grapes and other fruits (1,300-2,000 cattles per shih-mou). These are certainly excellent yields.

According to the figures given the Rome Agricultural Research Institute, the wheat yield in Canada, which is called "the granary of the world," is only 1,220 kilograms per hectare, the same yield in France is only 1,200 kilograms, and in the United States only 990 kilograms. But according to the estimates of Soviet experts, if there is cheap electric power and improved agricultural technology, the wheat yield in the southern Ukraine and in northern Crimea may average as much as 10,000 kilograms per hectare (that is to say, one shih-mou might yield some 1,300 cattles). The hydroelectric station in Kakhovka is being constructed to supply power to these areas. Some 600,000,000 kilowatt hours out of an annual output of

1,200,000,000 kilowatt hours will be used in mechanizing and electrifying thousands of collective farms in these areas. Upon the completion of the hydroelectric station in Kakhovka, a large number of electric tractors, harvester combines, and other agricultural machinery will appear on the village scene. Mechanization will also be introduced in livestock raising. The completion of this project will add to the glory to northern Crimea and the southern Ukraine, the latter having already been called the "granary of the Soviet Union" for sometime.

The Turkmen Canal-Construction Project

When one travels southeast along the Volga River from the place where it links with the Lenin Canal and crosses the Caspian Sea, one arrives in the Turkmen SSR -- a union republic in Central Asia. A world famous canal is being constructed here (1951-1957). This canal will stretch from the shore of the Caspian Sea to the Amu River, which empties into the Aral Sea. This canal will run through the western part of the largest desert in the Soviet Union -- the Karakum Desert, which occupies 80 percent of the area of the Turkmen SSR. In this area the Soviet people will pipe the water from the canal to create a miracle of human achievement -- conquering the desert. The Turkmen Canal will have a total length of 1,100 kilometers together with 1,200 kilometers of irrigation ditches and 1,000 kilometers of water pipes. The total length of the Turkmen Canal system will equal the distance between New York and San Francisco. The canal will draw from the Amu River 250-400 cubic meters per second (in the future the volume may be increased to 600 cubic meters per second) to be used to convert the desert into fertile land, which will consist of 1,300,000 hectares of farm land and 7,000,000 hectares of pasture land. The farm land will be used primarily to grow cotton. The average output of cotton per production unit is extremely high, surpassing the records of all the cotton growing countries in the world. In India the average output of cotton is 400 kilograms per hectare, in the United States, 900 kilograms per hectare, in Egypt, 1,600 kilograms per hectare, while in the Soviet Union, it is 2,000 kilograms per hectare (or Chinese units, 330 catties per shih-mou). But the yield of the land to be irrigated by the Turkmen Canal will even show a 50-100-percent increase over the above figure. The reason is that the Amu River water contains 9 times more potassium and 1.5 times more phosphorus than the water of the famous Nile River. Moreover the climate of the Turkmen Republic is more suitable for cotton growing. Upon the completion of the Turkmen Canal, the cotton output of the Turkmen Republic may be 7 or 8 times the present figure, with its yield of class A cotton being increased 2,000,000 tons annually. Thus the Turkmen SSR will become the second most important cotton producing area in the Soviet Union (second only to the Uzbek SSR) with two crops annually. Many fertile farms and orchards will appear on the land, which is a big desert at the present time. Upon the completion of the Turkmen Canal, some 7,000,000 hectares of pasture land, which can be fed by the irrigation facilities of the canal, may be used to feed cattle throughout the year and fodder may be harvested three or four times a year. Sheep alone will increase 600 percent. At the same time, the canal may supply water to factories, cities, and remote villages, thus completely transforming the population's way of life. Residents of Krasnovodsk will forget that they ever had to bring fresh water by boat from Baku on the opposite shore of the Caspian Sea. Mining, salt refining, vegetable oil refining, and the chemical industry will develop in this area, too. Apart from these, the Turkmen Canal will also provide electric-power and shipping facilities. Three

hydroelectric power stations will be constructed on the canal each having a capacity of 100,000 kilowatts. This power will be used by the factories and farms in the Turkmen and the Kazakh SSR's. The Turkmen Canal will also be an important waterway linking the Aral Sea, the Caspian Sea, and the Volga River, and thus making Moscow "a port of six seas."

Poland's Six-Year Plan

In pursuance of the decisions of the First National Congress of the Polish United Workers' Party, held in December 1950 [sic] and in consideration of actual circumstances at the time, the Council of Ministers of Poland drew up, in June 1949, a six-year economic development plan (1950-1955). This plan is designed to industrialize Poland rapidly, giving priority to the production of producers' goods. Its basic task is to seek a rapid development of small-scale socialist industry. According to this plan, the productivity of the various industries will be developed through tremendous efforts, including the development of industry, construction, communications, transport, trade, and agriculture. The national income of Poland in 1955 is scheduled to be 112.3 percent higher than that of 1949, the annual rate of increase being 13.4 percent. This rate of increase is quite high but the Soviet Union was successful in achieving it. The proportion of socialist industry, as compared with the total industry and handicraft, will increase from 89 percent in 1949 to 99 percent in 1955. The remaining one-percent will be small commodity handicraft production, while the production of capitalist industry will constitute less than one-percent of total industrial production.

In the field of agriculture, Poland will still have a capitalist class with a comparatively stronger economic position and a large membership. In 1949 the output of the capitalist farms represented 26 percent of the total agricultural production of that year. The proportion of the commodity production of these capitalist farms compared with the total commodity production is even greater. With the expansion of the socialist sector of agriculture, the consolidation of the state farms, the amalgamation of poor and middle peasants into co-operatives, and the increase in the proportion of commodity production by the cooperatives, conditions will become ripe for eliminating the capitalist class in rural areas. Thus the Six-Year Plan of Poland is also a plan for launching a general offensive against the capitalist elements both in urban and rural areas.

By 1955 the living standard of the Polish people will rise 50-60 percent over that of 1949. The number of people working in the socialist sector will increase from some 3,600,000 in 1949 to some 5,700,000 in 1955, an increase of approximately 60 percent. Of these workers some 1,230,000 will be women. Apart from agriculture, the proportion of women workers in the socialist sector, as compared with male workers, will increase from 29.1 percent in 1949 to 33.5 percent in 1955. Owing to this increase in the number of workers and the raises in wages, the wages paid in the socialist sector will increase 100 percent during the six-year period. Labor productivity will also increase greatly due to the reform of production organization and the improvement of technology. The increase in the productivity of the large and medium socialist enterprises during the same period is scheduled at 66 percent. At the same time, owing to the reduction of production costs, capital accumulation may be as high

as 3,000,000,000,000 zlotys, the equivalent of 50 percent of the total investment made during the Six-Year Plan period. Reduction of production costs, improvement of technology, and reform of production organization are guarantees of successful fulfillment of the Six-Year Plan.

Hungary's Three-Year Plan

On 1 August 1947, the government of Hungary put its first Three-Year Plan for economic development into operation, the main objectives of this plan being to raise production to above the prewar level and improve people's living standard. The plan envisaged a total investment of 3,000,000,000 forints in the principal branches of industry -- coal, iron, and steel -- over a period of 3 years. It is expected that by the end of the third year of the Three-Year Plan, national income would amount to 24,000,000,000 forints, thus making the Hungarian peasants self-sufficient. Early in 1949 the Hungarian people took up the slogan "Three-Year Plan fulfilled in two-years and five months." In the meantime, a nationwide production contest was launched. As a result, labor productivity increased greatly. Many factories overfulfilled their quotas. The whole plan was accomplished by the end of the year, 8 months ahead of schedule.

As a result of the fulfillment of the plan, industrial output was 114 percent of the prewar level, agricultural production was very close to the prewar level, the living standard of the working people was 37 percent higher than the prewar level, the health and cultural standards of the population were improved, and the structure of the national economy underwent great changes. Three years ago, factories, mines, metallurgy, banks, foreign trade, and the wholesale trade were almost exclusively controlled by the capitalist class. But now almost 92 percent of all industry has been nationalized, together with banks, foreign trade, and wholesale trade. Then the state trade organizations and cooperatives handled approximately 3 percent of the total retail trade. Now the state trade organizations and cooperatives handle 30 percent of total retail trade. Three years ago, large-scale collective farming was still in its infancy. Now 7 percent of the arable land of Hungary belongs to the state and the agricultural cooperatives. In addition to this, there are 220 machine-tractor stations in the country.

Hungary's Five-Year Plan

The Five-Year Plan was drawn up upon the fulfillment of the Three-Year Plan discussed above. This plan was designed to accelerate the nation's industrialization with priority of development given to the heavy and machine-building industries. With the completion of the Five-Year Plan, the socialist sector of the economy will be the dominant one. This plan envisages a total investment of 50,900,000,000 forints. The planned industrial output in 1954 will be 186.4 percent of the 1949 output. Planned agricultural production in 1954 will be 142.2 percent of the 1949 level. The plan also envisages a 185-percent rise in the living standard of the working people in 1954 over the 1949 level, with an average annual increase of 35 percent. The proportion of industrial incomes as compared with the total national income, will rise from 49 percent in 1949 to 58.7 percent in 1954.

The plan also contains provisions for increasing investments in industry, agriculture, transport, and in trade organizations. A heavy machine-building factory is to be erected at Munkacs with furnaces for making manganese alloys and for refining aluminum. In 1949 the number of basic machine-tools produced was valued at 185,000,000 forints, but by 1954 the number of basic machine-tools produced will value 610,000,000 forints. The number of tractors to be produced will increase from 2,600 in 1949 to 4,600 in 1954. The production of railroad cars will increase to 4,850 to 10,000 and the production of trucks will climb to 23,000.

In 1954, the state will supply agriculture with 22,800 tractors apart from providing them large amounts of modern fertilizers and supplying advanced technology. The state will also appropriate large sums for developing irrigation projects and livestock raising. The plan further calls for the construction of subways. The capital to be invested in housing and health, social, and cultural projects amounts to 7,400,000,000 forints. Provision is also made for increasing production of consumer goods and expanding schools, research institutions, medical centers, recreation centers, hospitals, and homes of culture.

Czechoslovakia's Five-Year Plan

The Two-Year Plan (1947-49) for the economic rehabilitation of Czechoslovakia was enacted on the proposal of the Communist Party of Czechoslovakia. This two-year plan was designed as a tentative plan for putting the national economy on a planned footing. This plan has been fulfilled long since, with industrial output surpassing the prewar level. In 1949 a five-year plan for economic development was worked out. This plan envisaged a 48-percent increase in the national income. In other words, the national income will increase from 210,000,000,000 koruna in 1948 to 310,000,000,000 koruna in 1953. Compared with 1948, the value of industrial production was to have been increased 57 percent by the end of 1953. The output of the machine-building, foundry, automobile and aircraft industries were also to have been greatly increased. The planned increase in the production of machinery was 180 percent, foundry, 93 percent, automobiles, 78 percent, aircraft, 52 percent, and chemicals, 70 percent. This plan was expected to elevate the state-owned sector and to improve the standard of living of the working people.

Rumania's Five-Year Plan

The national economy of Rumania suffered heavily during the World War II under the military occupation of Nazi Germany. In 1945 her industrial production was less than 50 percent of the prewar level. Upon her liberation, the enterprises were immediately nationalized. With great effort, the people of Rumania were able to raise their industrial output by 100 percent in the course of two One-Year Plans (1949-50). Compared with the 1938 level, the increase in industrial output in 1950 was 40 percent. In 1951 Rumania put its Five-Year Socialist Industrialization Plan into operation. This plan envisages an increase in productivity that would take 100 years to achieve if the former capitalist landlord class were still in control of the country. This plan will accelerate the process of transforming Rumania into a socialist country. Industrial output in 1955 will be 244 percent of the 1950 level. Priority will be accorded to the development of heavy industry, with the production of the principal means of production being doubled during the five-year

period. Total investment during the same period amounts to 1,330,000,000,000 lei, of which 560,000,000,000 are to be invested in heavy industry. In 1955 the output of petroleum will be 10,000,000 tons higher than the peak prewar level, steel will increase 4.5 times, coal 3.3 times, and machine-building 2 times. Parallel with the Five-Year Plan is a Ten-Year Electrification Plan beginning in 1951. This plan will increase the total electric-power generating capacity 3 times within a ten-year period. As a result, an increase in grain output amounting to 2,400,000 tons annually may result as some 1,200,000 hectares of land will be irrigated upon the completion of the power project.

At the present time, the Five-Year Plan is being fulfilled successfully. During the first year of the plan, the target was fulfilled 104 percent. The output of industry in the same year rose 28.7 percent above the 1950 level. The target for the whole year in heavy industry was attained in 11 months and 3 days. The increase in industrial output in 1952 will be 24.5 percent compared with the 1951 level. The output of heavy industry in 1952 will increase 35 percent. The first and second quarterly plans have been overfulfilled. The industrial output during the second quarter of 1952 was 21.1 percent higher than that of the corresponding period of 1951.

The victories scored by Rumania in the execution of the socialist industrialization plan include a great increase in the weight of industry in the over-all national economy and a rapid expansion of the industries producing means of production. These will enable Rumania to expand her economic development projects and rapidly to become a socialist state. At the end of 1951, industrial output constituted 60.4 percent of the gross national product, and of the total industrial output 54.4 percent represented the output of the capital goods industry. During the prewar years, 99 percent of the machines and machinery used by Rumanian factories was imported from abroad. But now the domestic machine-building industry is able to produce metallurgical machinery, petroleum refining machinery, mining machinery, machine tools, and agricultural machinery. In the first part of 1952 factories for producing large cranes and excavators were built. These machines are already in use in various places of the nation. The expansion of the machine-building industry will guarantee more agricultural machinery for the farmers, thus accelerating the process of mechanizing agriculture. During the first 6 months of 1952 alone, Rumania established 20 new machine-tractor stations.

In pursuance of the Five-Year Plan, Rumania is undertaking large-scale construction projects. These construction projects will greatly change the face of the country, will bring the economic development of her various localities into better balance, and will increase productivity greatly. The newly constructed Gheorghiu-Dej electric power station has a capacity equal to one-third the combined capacity of the existing power stations of Rumania. This station may provide power for the industrial enterprises in Calissutt, Stalin, and Pulahuwakuo. In the east, a canal linking the Danube River and the Black Sea is being constructed. Its completion will render the dry and barren land in Dobruja fertile, thus creating another center of agriculture and industry. In the west, the Gheorghiu-Dej steel mill is under construction in Hunedoara province. In the north, another hydroelectric power station, named for Lenin, with a similar power generating capacity as that of the Gheorghiu-Dej station is also under construction. The water reservoir of this power station may irrigate some 300,000 hectares of land.

Bulgaria's Five-Year Plan

In 1949 Bulgaria put its first Five-Year Plan into operation, thus commencing an era of large-scale economic construction. This plan was designed to lay the material foundations for a socialist society through industrialization, electrification, mechanization of agriculture, and collectivization. According to this plan, the total industrial output of 1953 will be 119 percent higher than the 1948 production, the output of heavy industry in 1953 will be 6.8 times that of 1939, the output of coal will be threefold, the output of electric power over seven times the output of minerals twenty-one times, and the output of machines sixty-five times. With the completion of this Five-Year Plan, the ratio of industrial to agricultural production will increase from 30:70 in 1948 to 45:55 in 1953. The ratio of heavy to light industry will also change at the same time. As a result of mechanization and collectivization, the planned agricultural output in 1953 will be 57 percent higher than the 1948 production. Owing to the spirit of self-denial of the Bulgarian people and the whole-hearted help given by the Soviet Union, the Five-Year Plan will be overfulfilled in four years. In 1951, the output of the mines was already 17 times the 1939 output; coal, 2 times, chemicals, 5 times, and metal products, 14 times. The total industrial output in 1951 was 97 percent of the level planned for 1953. The weight of industrial production in over-all production rose to 57 percent, higher than the planned percentage for the entire five-year period. The industrial output during the second quarter of 1952 was 19.4 percent higher than the corresponding period in 1951. The increase in the output of pig iron was 97 percent, ores, 41 percent, and coal, 12 percent. It is expected that the total industrial output of 1952 will be 24.4 percent higher than 1951 or 16.5 percent higher than the highest level set by the plan. The development of the machine-building industry is very rapid. Its output is now 120 times the 1939 production. Large numbers of automobiles, tractors, agricultural machines, spinning and weaving machines, mining machines, and transport machines are being produced. In 1948 the Bulgarian machine-building industry was able to supply only 42 percent of the machines needed by the country, and in 1951 it could supply 58 percent. The electric-power and electric-appliance industries of Bulgaria are also being developed. Owing to the construction of thermo- and hydro-electric power stations, the volume of electric power generated in 1950 surpassed the total amount produced from 1933 to 1937. In 1951 Bulgaria constructed four more hydroelectric stations and two thermoelectric power stations. The electric power consumed per person in 1951 was 3 times the 1944 average. There are 2,300 villages where electrification has been put into effect. With the completion of the new power stations, the total volume of power generated in 1953 will be 7 times that of 1937. The electric-appliance industry is producing over 200 kinds of products that have not been hitherto produced. These new products include electric engines, dynamos, and other electric machines and appliances. The output of electric appliances and machines in 1952 will be 40 percent higher than the 1951 output.

The achievements in agricultural mechanization and collectivization are also remarkable. At the present time, Bulgaria already has 140 machine-tractor stations, totalling some 12,000 tractors and more than 1,000 combines. In 1951, 34.7 percent of the total farm work was done by machine. Mechanization of farm work in agricultural cooperatives has reached to the extent of 55 percent, and the percentage for state

farms is 60 to 70. Agricultural cooperatives organized according to the voluntary principle have scored a decisive victory in the countryside. Cooperatives are now found in every village, and farming in cereal crop regions is handled almost entirely by agricultural cooperatives. The number of agricultural cooperatives has increased from some 1,100 in 1948 to 2,738 in 1951, embracing 52 percent of total peasant households and 51.35 percent of the land cultivated by peasants. As a result of mechanization and collectivization, the output of many crops in 1952 will surpass the highest levels scheduled in the Five-Year Plan. The output of wheat will exceed the highest planned target by 16.2 percent; cotton, 48 percent, beets, 33.6 percent, and tobacco 44.4 percent.

The great achievements of the Bulgarian people fully illustrate the superiority of the people's democratic system and show how fast an agricultural country under the people's democratic system is being transformed into an industrial state.

The Five-Year Plan of the German Democratic Republic

The Five-Year Plan of economic development of the German Democratic Republic is based on the friendship and economic cooperation between the German Democratic Republic and the Soviet Union and the other countries within the peace-loving, democratic camp.

According to this plan, within a five-year period (1951-55) industrial output will be 190 percent of the 1950 level or 2 times that of 1936. Agricultural output will increase 25 percent. Labor productivity will rise 60 percent. Production costs in the people's enterprises will fall 23 percent by 1955 as compared with the 1950 level.

The living standard of the people will also rise. National income in 1955 will rise 60 percent over the 1950 level. Wages of blue- and white-collar workers, engineers, and specialists in 1955 will be 16.8 percent higher than the 1950 level. Wages paid by industries will increase 20 percent. The total wages paid in 1955 will be 137 percent of the 1950 level.

Capital invested in large-scale industry will amount to 26,890,000,000 marks. In the meanwhile, a systematic reconstruction of the cities and towns damaged during World War II is also planned.

The amount of funds appropriated for people's educational and cultural activities in 1955 will increase 40 percent over that of 1950.

During 1951 and 1952 all industrial and agricultural products are to be traded freely under a unified price system.

The main task of the Five-Year Plan is to do away with the unbalanced situation in industry resulting from the division of Germany. With the repair of old electric power stations and the construction of new ones, the total electric power to be generated in 1955 will be 31,600,000,000 kilowatt hours or 176 percent of the 1950 level. The metals industry will increase its production to such an extent that it will be able to provide the machine-building industry of the nation with the largest amount of metals.

In order to increase the state's assistance to farmers, the plan contains provisions that during 1951-1955 the number of machine-tractor stations will increase from 524 to 750, the number of tractors will increase from 11,950 to 37,500, and the number of tractor-drawn ploughs will increase from 14,090 to 38,500. It goes without saying that in 1955 the machine-building industry of Germany will be able to supply sufficient agricultural machinery to the farmers.

The over-all objective of the Five-Year Plan of the German Democratic Republic is to develop a progressive culture for Germany that will replace the corrupt culture bequeathed by the fascist monopoly capitalists and the aristocrats.

Korea's Two-Year Economic Plan

A Two-Year Economic Plan was put into operation in 1949 by the Democratic People's Republic of Korea after the successful fulfillment of two One-Year Plans. Prior to the adoption of this Two-Year Plan, the Republic of Korea had already effaced the colonial features of her industry created during the Japanese occupation. At the same time the preliberation level of industrial output had been restored and surpassed. The total industrial output in 1948 was 300.11 percent higher than the 1946 production. With the completion of the Two-Year Plan, the total industrial output will be twice the 1948 figure. But the fulfillment of this plan was disrupted since the American imperialists launched a military attack on Korea in June 1950. In spite of this, industrial output at the present time is 4 times the 1946 level. With the introduction of land reform in rural areas, the acreage of cultivated land has increased 25 percent, and the yield has also increased.

III. CAPITAL CONSTRUCTION

Capital Construction

The term "capital construction" was evolved by the Soviet Union in the course of her socialist economic development. Capital construction is an important item in any economic development plan. Due to the different nature of the socialist economic system, capital construction differs fundamentally from the so-called investment under the capitalist system. According to the definition given by the Committee on Financial and Economic Affairs of the Administrative Council in "The Provisional Regulations Governing the Capital Construction Work," "all construction, whether involving new construction, reconstruction or conversion, so long as it involves an increase in fixed assets and is for the purpose of expanding reproduction, is called capital construction. Capital construction may include the construction projects of industrial enterprises, mines, transport agencies, agricultural and forestry agencies, water-conservation agencies, financial and trade agencies, cultural and educational institutions, health and municipal organizations, and governmental agencies above the greater administrative district level." It is therefore clear that in order to understand what capital construction is we must first understand the meaning of fixed assets. According to the definition given in The Provisional Regulations Governing the Revaluation of the Assets of State Enterprises, all assets having a value of more than 1,000,000 yuan and which can be used for a period longer than one year,

are fixed assets. In terms of use, fixed assets may be classified into three kinds: (1) productive fixed assets, which include fixed assets of industries producing capital goods, industries producing consumer goods, and agricultural, water conservation, forestry, and construction organizations; (2) fixed assets of a portable nature which include fixed assets of transport and trade organizations; and (3) consumption fixed assets, which include fixed assets of public utility, cultural, educational, and art organizations, fixed assets of health and medical organizations, fixed assets of administrative organs of the state, and housing. The expansion and reproduction of fixed assets and related work is called capital construction.

Capital construction includes: (1) Construction engineering work -- permanent and temporary construction, repair, and conversion of buildings, dikes, wharves, tunnels, railroads, highways, bridges, and so on. Also included in this category are electric power-station construction, telecommunications construction, installation of air-conditioning, ventilation, and lighting systems in buildings, installation of furnaces and boilers, brick-laying, irrigation project construction, and so on; (2) Installation engineering work -- installation of production equipment, power-generating equipment, power transmission equipment, cranes, medical and laboratory equipment, and so on; (3) Purchases of machines, machine-tools, laboratory equipment, and so on; (4) Geological survey and the related work; (5) Other capital construction such as investigation, survey, design, and research work done in advance of the construction of new projects, forestry work, and purchase of land and buildings.

Capital Construction and the Industrial Policy of the State

Capital construction projects undertaken by the state involve not only economic and technical problems but also state policy on industry and industrialization. Because capital construction projects are basic construction undertakings, they reflect the scale and rate of development of the expanded reproduction process of the fixed assets of the national economy, the scale and rate of development of the process of industrialization, the increase in the strength of national defense, and the rise in the material and cultural standards of the working people. Molotov once said: "The tomorrow of socialism will be determined by our achievements in today's capital construction work." In its plans for the development of capital construction, the state sets the objectives, steps, rates, scales, and proportions of industrial development. In these plans, the state will also set technical standards for industry and make provisions for the utilization of natural resources. Thus capital-construction plans and the undertaking of capital-construction projects are matters of political significance. In building a new enterprise or in reconstructing an old one, unfavorable consequences may result from the standpoint of the nation's industry as a whole if any one of the following mistakes are made: (1) failure to consider the political and economic conditions of a given region; (2) failure to consider the requirements of rationalization; (3) failure to use modern technology; (4) failure to make maximum use of resources; and (5) failure to achieve high quality workmanship. Consequently, the capital-construction problems of industry are no less important than production problems insofar as enterprise management and industrial cadres are concerned. In the meantime, because capital construction

projects are more complicated than the process of industrial production, the responsible leaders must exercise more care. A serious mistake in capital-construction work will result not only in a waste of economic resources but also in frustration of the long-range economic-development program. Thus, offering correct leadership in undertaking capital construction according to the over-all policies and programs of the party and the government is the supreme task of the industrial cadres (see "Decision Concerning Strengthening the Leadership Over Capital Construction," issued by the Department of Industry of Northeast China).

Capital-Construction Plan

The Capital-Construction Plan is a component part of the over-all economic-development plan. In the Soviet Union, in response to the need for capital construction projects, a huge construction-engineering industry has been created. The important tasks of the construction engineering industry are: (1) to complete a large volume of construction and installation engineering projects; (2) to extend advanced construction technology; (3) to make full use of the assembled equipment; (4) to expand and intensify the mechanization of construction work; (5) to increase labor productivity; and (6) to reduce construction costs. According to a decision of the Council of People's Commissars of the Soviet Union and the central authorities of the Communist Party (Bolshevik) of the Soviet Union on 11 February 1936, "A carefully formulated technical plan for capital construction and an equally carefully formulated budget for financing capital construction are necessary prerequisites for undertaking capital construction projects."

Organizations in charge of capital construction shall base their plans on the following factors: (1) technical organization and technical measures; (2) technical accounting and estimating and business accounting; (3) schedule of construction engineering work; (4) materials and equipment; and (5) norms of fuel and power consumption. The plans of the construction organizations are linked with and derived from the plans of the engineering organizations. Thus the plans of engineering organizations must accord with those of the construction organizations. Annual capital-construction plans are drawn up in accordance with control figures. These plans set forth the total volume of capital construction work for a given year (in money terms), the rates of construction (in terms of time), and the degree of priority. Annual capital-construction plans include separate plans for survey, design, and actual construction engineering work. But if during a given year only survey or design work is to be undertaken, then the annual plan shall include only separate plans for survey or design.

Capital-construction plans also include separate plans for financial receipts and expenditures, for the supply of materials and equipment, and for labor.

Factor and Indexes Concerning the Reduction of Construction Costs

Construction costs are first determined by the quality of the design work. Soviet engineers and architects have acquired much experience in industrial and construction designing. In the Soviet Union, materials, equipment, construction machinery, and architecture have been standardized. Numerous houses, workshops, warehouses, and office buildings are built according to well established patterns. The industrialization of the Soviet construction industry has been made possible largely by standardization. On

the basis of the various standard construction norms, the Soviet construction industry has drawn up many construction models that are followed in most construction projects. After the patterns, sizes, and quality of construction parts have been uniformly fixed, mass production of such parts at reduced prices becomes possible. In accordance with the decision of 1950 in regard to the 25 percent reduction of prices of construction parts, the Soviet government has decided to take measures to eliminate surplus items in design and to reduce construction costs during the design stage. These measures were put into effect on 1 July 1950. As a result of the new achievements of the socialist industries in reducing production costs, the Soviet government once more reduced the wholesale prices of construction supplies, construction equipment, and production equipment on 1 July 1950. In the same time it also reduced the freight rates of railroad, steamship, and motor transport, thus making it more than possible to cut budgetary outlays for construction projects.

In addition to reducing the cost of construction design, the construction workers must also try to reduce the original indexes of construction costs (drawn up by the designers) through efficiency, use of advanced technology, and correction of errors made by designers.

General Indexes of the Work of Construction Organizations

The expenditures made by construction organizations in carrying through construction and installation projects expressed in monetary form are construction and installation costs. These construction and installation costs are what we call the general indexes of the work of construction and installation organizations.

During the course of construction, the various branches of the construction organizations must disburse cash from time to time for payment of wages and purchases of supplies. A part of these expenses is directly connected with the actual construction of the given project (wages paid to workers, payments for construction supplies, transport expenses, and maintenance of construction machinery). Another part that is paid goes for creating necessary conditions for normal progress of the construction work (expenditures for workers' welfare, temporary buildings, safety measures, use of public utilities, medical allowances, labor recruitment, experimental work, and payment of wages to guards). A third part of the expenses occurs in the auxiliary industries producing production supplies and the administrative department of the construction organization. While the scale of a construction project, the standard of wages, the transport fees, and prices of construction supplies are fixed, expenses that occur in the various branches of a construction project are determined by the following factors: (1) To what extent is the construction work of a given branch of the project rationalized so as to reduce the amounts of manpower, materials, funds, and time consumed? (2) To what extent does a given branch of the project make use of the construction machinery, transport facilities, and equipment of auxiliary enterprises, and what measures are being taken to avoid suspension of work midway because of lack of supplies at the construction site? (3) How much can a given branch of the project economize on consumption of construction materials and the use of cash? Are its procedures for receiving, storing, and using construction supplies sound? Does it make rational use of the waste materials and local cheap supplies? How does it try to avoid non-productive expenses? And does it hold the number of administrative personnel and their remuneration to a reasonable limit?

Technical and Financial Plans of Construction Organizations

In the Soviet Union, the construction organizations (i.e., the construction trusts) must draw up technical and financial plans in accordance with their annual plans approved by superior agencies. These plans reflect the over-all tasks of the construction organizations as determined by the plan for the development of the national economy. They also include technical measures such as the introduction of new technological processes and the maximum utilization of materials in order to guarantee the fulfillment and overfulfillment of the assigned tasks. Basic items included in technical and financial plans are: (1) Construction and installation plans make provisions for the total quantity and quality of construction work and the organizations that will undertake these projects (the items in these plans are expressed in terms of both money and materials); (2) Plans for handing over completed construction projects to owners include the items, the spaces and the capacities of completed projects, the values of completed projects, and the dates set for delivering the completed projects to the owners; (3) Labor plans include labor productivity levels, productivity increases, number of blue- and white-collar workers, wage funds, and measures for recruiting technicians; (4) Mechanization and transport plans are made up as follows: (A) mechanization plans fix the degree of mechanization of the construction process, the amounts of machines and machine-tools needed, and the norms for their utilization; (B) transport plans fix the volumes of freight for railroads, waterways, and highways, the volume of transport facilities, and the degree of utilization of transport facilities (the transport departments have separate financial plans); (5) Auxiliary production plans fix the volumes of auxiliary products, labor indexes, and indexes of production costs; (6) Materials-supply plans fix the amounts of raw materials, supplies semifinished goods, electric power, and fuel required for the given construction project. These plans also indicate the sources of materials and supplies, the means of obtaining them, the amount of materials on hand, and the cost prices of construction supplies, unfinished goods, and construction parts; (7) Cost plans express construction costs in terms of money. They fix the level of construction costs, both direct and indirect costs, the income and expenditures of the construction organizations, and the ways and means of reducing construction costs; (8) The construction organizations' investment plans fix the total amount of investment for the expansion of the construction organizations and the nature and structure of construction organizations to be created; (9) Large-scale capital repair plans fix the amount of expenditures on repairs to instruments of production of the construction organizations (these expenses are paid out of the amortization funds); (10) Financial plans fix the financial indexes, the sources of funds, and the amounts of liquid assets needed; (11) Technical-organization plans provide measures for the accomplishment and overfulfillment of the plan targets, indicate who shall be responsible for the fulfillment of the plans and the time limits, and provide disciplinary measures for the nonfulfillment of the plans. The technical-organization plans are the most important part of the technical and financial plans of the construction organizations and determine the success or failure of other parts of the plans.

Arrangement of Construction Projects

Arrangement of construction projects is defined as the location and type of construction of a given project. There are marked differences between construction arrangement in the Soviet Union and that in the capitalist countries. For instance, since the Soviet Union has given special attention to municipal park construction, Moscow has become a city where there is no boundary between urban and suburban areas. Many of the newly constructed roads of the city are linked with parks and forests, both inside and outside the city limits. Residential areas are being developed on high hills. Street plans have been greatly improved. In contrast to the situation in New York, where towering buildings are crowded in many places and the residents can see nothing but the windows of the neighboring building, construction plans in Moscow requires that a certain space be left between all buildings, thus making sure that every building has plenty of sunshine and fresh air. Furthermore, in capitalist countries city planning gives utmost consideration to the beautification of business center and neglects residential areas while city planning in Moscow is just the reverse of this antiquated planning principle. Experience has shown that if every residential building is designed and constructed according to principles of beauty and utility the whole residential area will have a pleasant appearance. The construction of wide streets and the installation of the newly developed public-utilities facilities also add to the comfort and convenience of Moscow residents.

Quality of Houses and Buildings

The quality of houses or buildings is determined by the following factors: (1) The blueprints and specifications of the purpose of a given house or building and the duration of its usefulness -- how solid and durable are the house and its parts to be? (2) Whether a given house or building is used for its intended purpose. (3) How much maintenance is needed. (4) Whether the appearance of a given house or building meets aesthetic requirements. The first, second, and fourth factors are largely determined during the design stage, whereas the third factor is derived from the first and second factors.

Organizing Coordinated Work According to Construction Chart

Organizing coordinated work according to a construction chart is an advanced experience gained in capital construction. It means that all jobs of the same nature and type are grouped together in the construction chart. The chart determines the number of workers required to do these jobs within a certain time. For instance, if it takes three days for a number of workers to lay the foundation of a building, then on the fourth day, these same workers proceed to lay the foundation of another building while at the same time, bricklayers start laying bricks on the first foundation. Thus the same groups of workers may do the same kind of job all the time, and other groups of workers may take over the next job once the first is finished by the first group. The coordinated work method may also be applied to other kinds of jobs with some minor adjustments.

Another task is to coordinate the supply of labor and materials in the construction charts in accordance with the coordinated work principle. Previously, a bricklayer had to apply mortar and lay bricks. Under the coordinated system, the mortar is applied by one person and the bricks laid by another. In other words each worker is assigned a single operation. Thus the construction project organizes its workers into specialized groups to undertake special jobs. Mixed groups may also be organized for odd jobs. The size of the group depends on the volume of work and labor productivity. With regard to supply of materials, materials are brought to the construction site in accordance with the schedule provided in the construction chart with a view to facilitating the coordinated method and eliminating waste.

Since the coordinated work method was introduced, the Capital Construction Company of the Ho-kang Bureau of Mining has made great progress in construction work and management. The supply of construction materials is no longer lagging behind schedule. Manpower is no longer wasted. Most projects are completed ahead of schedule.

Value of a Building, Quality of Construction Work, and Cost of Maintenance

The relations between the value of a building, the quality of construction work, and the cost of maintenance may be expressed by the following formula representing the total cost of a building:

$$P = E + G \times H \text{ (Formula 1)}$$

Where: P represents the total cost of a building

E represents the construction costs of the building

G represents the annual cost of maintenance

H represents the duration of maintenance (the duration of maintenance is fixed in the specification)

Formula 1 may be simplified as follows:

$$P = E + G \text{ (formula 2)}$$

G in Formula 2 is equal to $G \times H$ in Formula 1 (that is the total cost of maintenance for the entire life of the building). Thus we know that the total cost of a building consists of two items -- construction costs and maintenance cost. From this it follows that under normal conditions, the question of whether the construction of a building is economically advisable depends not merely on the construction costs E but also on the total cost P. Thus we may derive the further expression.

$$P = E + G = \text{minimum cost}$$

If the reduction of the construction cost will result in a decrease of the quality of the construction work, then it may greatly increase the cost of maintenance G, thus increasing the total cost of the building and injuring the national economy. On the other hand, if superior and expensive construction materials are used in order to make the building solid, it may also increase the total cost of the building, although

maintenance costs may be reduced. In this case, the construction of the building is still unadvisable from the standpoint of the national economy.

The third expression makes it quite clear that under all circumstances, answers to questions regarding the value and quality of a building must not be sought independently of its cost of maintenance.

Many factors may be considered in drawing up the blueprints for the construction of a building. But the all over guiding principle shall be the formula: $P = E - G = \text{minimum cost}$.

Drafting Work Must Precede Actual Construction Work

On 14 December 1950, the Administrative Council of the Central People's Government promulgated The Decisions Relating to the Final Accounts System, the Auditing of the Budget, Construction Plans, and Monetary Administration. In Item 3 of this document, emphasis is placed upon making investments in a planned manner. It emphatically points out that in the past the liberated areas failed to make successful investments in construction projects in many instances due to lack of experience. Personnel in charge of economic construction relied merely on enthusiasm and spirit doing little or no drafting and preparatory work before undertaking a construction project. As a result, revisions of construction plan had to be made after the construction work was already under way, which caused heavy financial losses to the state. This mistake must not be repeated. It was therefore decided that enterprises and cultural institutions must first submit their draft construction designs and financial plans for approval by the appropriated authorities before proceeding to draw funds approved by the central or local people's governments. Financial agencies may refuse to disburse approved funds to agencies which fail to submit construction plans and financial plans for approval by the appropriate authorities. Thus the principle that design shall precede actual construction has become one of the general principles of capital construction.

Plans for Capital-Construction Projects Financed Jointly by Central and Local Governments and Administration of Investment Funds

The Committee on Financial and Economic Affairs of the Administrative Council made the following decisions regarding the plans for capital construction projects financed jointly by the central and local governments and the administration of investment funds: (1) The main task of the capital-construction plan is to control the volume of construction work. Thus the total volume of construction work should not be split because the funds are obtained from different sources. Each agency in charge of capital construction lists all the construction projects within its jurisdiction in its capital-construction plan. (2) If a jointly financed capital-construction project is under the direct supervision of a local government, the central government includes in its financial plan only the part of the investment made by it, and the remainder is included in the financial plan of the local government concerned. Furthermore, the local government concerned shall administer the funds and do the bookkeeping and accounting. If a project is under the direct supervision of the central government, then the local government concerned shall list only the part of investment it made in its financial plan, leaving the central government to take care of the remainder and to administer the funds.

Designing in Capital Construction

Design consists of three stages: (1) preliminary design; (2) plans; and (3) working drawings for actual construction work. Design work for a reconstructed project may be confined to the first two stages, provided the original working drawings are appended.

(1) The preliminary design is a general estimate of the object to be designed in accordance with the approved investment plan. Upon the completion of such the research and calculation, a written document is drawn up. The purpose here is to bring out the technical and economic problems involved in the project. Thus the necessary technical and economic resources for undertaking the project must be investigated and studied during the preliminary-design stage. Before this is done, no preliminary-design document should be drawn up.

In the field of industry, preliminary design covers the following main points designs for capital construction projects in fields other than industry cover items determined by the appropriate ministries with the approval of the Committee on Financial and Economic Affairs: (A) selection of a site for the project to be designed; (B) organization of the construction enterprise, its products, its production capacity, production method, principal equipment, production organization, work system, plans for periodical development of production capacity, and plans for labor recruitment; (C) the amount of materials, equipment, fuel, water, power, and transport facilities needed and the methods of supplying them; (D) plans for coordinating the project to be designed with other enterprises actually in production such as exchanges of products, semifinished products, water, power, housing, and welfare facilities; (E) construction norms, standard, and tempos in the various parts of the project and the auxiliary projects; (F) the number of blue- and white-collar workers needed during the various periods of the course of construction and housing and other welfare problems of these workers; (G) the amount of principal materials, supplies, equipment, power, water, labor, and workers' housing needed for undertaking the project and their procurement; (H) ground plan, main building layout and finishing plan; (I) general estimate of the total engineering work and separate estimate of the main engineering jobs (including a table of engineering costs); and (J) preliminary negotiations with the organizations that will be required to supply the materials, land, water, power, equipment, transport facilities, telephone facilities, technology, manpower, and other assistance. All written agreements that have been obtained on these matters are appended to the preliminary design.

(2) The plans must be drawn up in accordance with the approved preliminary design. Upon approval by the appropriate agency, the plans and the attached budget become the basic documents of the capital construction project. The plans concretely set out the material and technical aspects of the project. Thus the construction enterprise may use it as a basis to begin contracting construction supplies and labor and for all other preparatory work that may be done in advance of drawing up working drawings for the actual construction work.

The plans cover the following items: (A) a general construction chart; (B) production problems; (C) transport problems; (D) power problems; (E) water supply and drainage problems; (F) heating and ventilation problems; (G) workers and workers' housing problems; (H) temporary buildings; (I) construction organization; and (J) technical and economic problems. Each of these items is supplemented with sufficient documents and charts.

(3) Working drawings for the actual construction work are drawn up in accordance with the plans.

Capital-Construction Memorandum

A capital-construction memorandum states the following facts about the projected capital construction program: (1) general features of the program, (2) the funds, supplies, labor, and time needed for its completion, (3) whether it is economically feasible, and (4) whether it is technically feasible. In addition to these, it shall also indicate what investigation and research has to be made or what measures have been taken to satisfy the last three items listed above. According to the stipulations of "The Provisional Regulations Governing Capital Construction," agencies desiring to undertake capital construction must first conduct related investigation and research and write memorandums for submission to the appropriate authorities for approval. Only when these memorandums are approved can the agencies begin the designing work. Capital-construction memorandums must accord with the construction policies and the long-range economic development plans of the state. The objective of the capital-construction memorandum is to sketch out the construction plan of the project to be designed. A capital-construction memorandum of an industrial enterprise covers the following items (memorandums of other organizations cover as much as the appropriate ministries may decide with the approval of the Committee on Financial and Economic Affairs): (1) classes of products and their importance, (2) scales of production and outlook for its development, (3) construction site and the project's relationships with other enterprises, (4) time schedule of construction and its coordination with other enterprises concerned, (5) estimated amount of investment and estimated amount of foreign exchange needed, and (6) matters concerning supply of materials and outlets for products. Once it has been approved by the appropriate authorities, the capital-construction memorandum cannot be altered without further approval.

Drawing Up Capital-Construction Plan

Being a component part of the over-all plans for economic development the capital-construction plan must fix the total volume of capital construction, tempos of construction work, and priority in accordance with the political and economic goals of the state during the given period of time and the long-range economic construction plan of the state. The capital-construction plan includes plans for land survey, design, and actual construction. In addition to a general plan, there are annual plans if the project requires several years for completion. The year is broken down into quarterly plans. The procedure for drawing up such a plan is as follows: (1) control figures are worked out by superior agencies, (2) draft plans are worked out and submitted for approval to superior agencies, (3) the draft plan is approved. Capital-construction plans are drawn up by the agencies of the central government if the construction projects are under the direct supervision of the central government. In this case, an appropriate agency of the central government

coordinates and approves the separate plans. If construction projects are under the direct supervision of the local governments, local agencies draw up, coordinate, and approve the separate plans.

The procedure for working out draft plans is as follows:

(1) Each of the agencies intending to undertake construction works out annual draft construction plans in accordance with the directives and control figures given by superior agencies and then submits them to their superior agencies for approval. Quarterly draft plans are drawn up by the agencies in accordance with the annual plans, so that the superior agencies need not hand down any control figures on that.

(2) Agencies undertaking capital construction under the supervision of the ministries of the central government submit their draft plans to the ministries concerned for approval, sending at the same time a copy of their draft plans to the Committee on Financial and Economic Affairs of the greater administrative district in which they are situated.

(3) Those business agencies of the central government which are supervised by the governments of the greater administrative districts on behalf of the central government submit their draft capital-construction plans to the appropriate agencies of the respective greater administrative districts for approval.

(4) Agencies of the greater administrative districts and local governments submit their draft capital-construction plans to the local superior agencies for approval, and the committees on financial and economic affairs of the greater administrative districts integrate the separate plans into general plans for the respective greater administrative districts. These general plans are then submitted to the Committee on Financial and Economic Affairs of the Administrative Council for approval. The ministries of the central government integrate the capital construction plans of their subordinate agencies into general plans of their respective ministries.

(5) The ministries of the central government, within the limits of their respective jurisdictions, integrate the draft capital-construction plans drawn up by the agencies of the central government and the greater administrative districts into general plans of their respective ministries. Afterwards, the ministries submit the integrated plans and the original plans together with their comments to the Committee on Financial and Economic Affairs of the Administrative Council for approval.

(6) The committee on Financial and Economic Affairs of the Administrative Council examines the integrated draft capital-construction plans drawn up by the ministries of the central government and the governments of the various greater administrative district then work out a general plan for the nation as a whole. The general capital-construction plan is then finally approved by the Administrative council (see The Committee on Financial and Economic Affairs of the Administrative Council, "Provisional Regulations Governing Capital Construction").

Scope of Capital-Construction Plans

Capital-construction plans vary in scope as the capital-construction projects vary in nature. In general, however, a capital-construction plan embraces the following:

(1) Preliminary plan, which is made up only after the necessary survey, investigation, and research work have been done, suggesting that the project be undertaken. The main items of the preliminary plan include: (A) scope of the project, (B) principal construction equipment and production norms, (C) supply and transport of construction materials, water, and power, (D) selection of construction site and layout of main buildings (including plans), (E) working procedure and tempo, and (F) estimate of total costs.

(2) Detailed design, which is begun after the preliminary plan has been approved. In the case of a large-scale construction project which requires a large number of designers, a special plan for design work is drawn up, making provision for scope of design, design tempo, and design costs. A detailed design includes a general chart of the layout of the construction project, a work schedule, detailed standards and norms for the various parts of the construction project, working drawings for actual construction work, tempo of construction, plans for the procurement of construction labor and materials.

(3) Detailed plan, which is made up only after the detailed design has been completed. It is based on the preliminary plan and the detailed design. It states clearly and concretely the reasons for undertaking the project, surveys the objective circumstances, and forecast the economic effects that the project will have once it is completed. It sketches the working procedure and makes provisions for the supply of labor and materials. It contains quarterly plans for purchase of manufacture of machinery and equipment. It also contains budgetary estimates.

(4) Plan for actual construction work, which is a more detailed plan for actual execution of the approved capital construction plan. This plan serves as a supreme guide for allotting labor. Thus it must include separate plans for monthly supply of materials, tempo of construction, for procurement of labor, equipment, and so on.

(5) Monthly disbursement plan, which is drawn up on the basis of the plan for actual physical construction work in reference to the quarterly disbursement plans. Monthly disbursement plans enable us to determine progress made during the month. Monthly disbursement plans show the funds needed to finance the work scheduled for the given month.

Planned Value of a Capital-Construction Project

Statisticians in capital construction agencies use two sets of indexes to gauge the completion of capital construction: one of the planned value and another of the actual value. These two sets of indexes are difficult to understand, and the method of computing them is complicated. Once these two terms have been fully understood, one has no trouble at all in dealing with investment statistics.

Planned value is an index used to measure the degree of completion of capital-construction projects. In order to be of maximum usefulness, this index must have three qualifications.

(1) It must be expressed in monetary terms and not in terms of the physical quantity of completed construction (although monetary indexes do reflect the physical quantity completed of construction). For quantities of different construction projects cannot be added together in physical term. Only when expressed in monetary terms can they be integrated and compared.

(2) In order to reflect correctly the extent to which a project has been completed and the actual consumption of manpower and materials in the project, planned value cannot be based upon the amounts of manpower and material actually consumed but the planned norms of manpower and materials. Planned manpower and materials norms mean the amount of manpower and materials planned to be consumed in the completion of each phase of the work. For instance, in building one cubic meter of wall, a plan may set out the number of bricks, the amount of mortar, and the number of skilled and unskilled workers needed. These are the planned norms.

(3) To provide convenient comparison with the planned volume of investment and the actual value of a capital construction project, the planned value is computed on the basis of the same materials prices that are used in making up the original capital-construction plan. In other words, in computing the planned value of a capital construction project, the planned prices must be used in order to eliminate the effects of price fluctuations that may have taken place since the original plan was drawn up. From the above we know that the so-called planned value of a capital-construction project is the value of the completed project computed on the basis of the planned prices of the planned amounts of materials (including planned wages). For instance, it is planned that the building of a new house requires the construction of 400 cubic meters of walls, and each cubic meter of wall requires 500 bricks, 0.04 cubic meter of concrete work, two skilled workers, one semiskilled worker, and 50,000 yuan in other expenses. The price of brick is 1,000,000 yuan per thousand, the price of concrete work is 2,000,000 yuan per cubic meter, the wage for each skilled worker is 100,000 yuan, and the wage for each semiskilled worker is 60,000 yuan. Thus the cost of building one cubic meter of wall is 860,000 yuan, and the total cost of building the 400 cubic meters of wall will be $400 \times 860,000 = 34,400,000$ yuan. This is the planned value of this capital-construction project.

Actual Value of a Capital-Construction Project

Comparison of the actual value with the planned value of a capital-construction project is especially useful in the sense that it may reveal whether there are any discrepancies between the planned norm of materials consumption and the actual consumption of materials, barring the effects of possible price fluctuations. The actual value of a completed capital-construction project is computed on the basis of the prices actually paid for the materials rather than the planned prices. By comparing the two values, we see the relations between the amount of materials actually used and the planned norm of materials consumption. Comparison may show

whether the project has been completed in an economic way or in a wasteful way. Thus these two sets of indexes are conducive to strengthening the business-accounting system.

Time Required for Drawing Up a Capital-Construction Plan

In drawing up a capital-construction plan, the planner must give careful consideration to the availability of construction supplies, the survey of the construction site, and the time needed to draw up the plans. After the planner has correctly figured the time needed to draw up the designs and to do the necessary preparatory work for the working drawings, he can then correctly plan the date for hiring labor. If the basic planning work is not completed, for instance, by the end of 1952, the project cannot be listed in the 1953 construction plan. In general the time required to design a completely new factory or mining installation of medium size is as follows (in the case of repairs or expansion, the amount of time required to draw up plans may be calculated on the basis of the amount of work to be done in reference to the following schedule):

(A) Time for working out a capital-construction memorandum -- 15 days

Time for examining and approving the memorandum -- 20 days

(B) Time for working out a basic design (including selection of

construction site, preliminary survey of the site, and

collection of design materials) -- 90 days

Time for examining and approving the basic design -- 30 days

(C) Time for working out plans (including geological survey of

the construction site and collection of design materials)

-- 180 days

Time for examining and approving the plans -- 30 days

(D) Time for drawing up working drawings -- 180 days

According to this schedule, it takes 545 days to complete the planning for a capital-construction project. But once the basic design has been approved and incorporated into the plans, preparations for drafting the working drawings may be begun. When the plans has been approved, construction work may begin on the basis of the first working drawings.

Minimum Investment Limits for Capital-Construction

Minimum investment limits for capital-construction are used to classify capital-construction-projects. Those projects which involve amounts of capital either equal to, or more than, the minimum investment limits must be approved by superior agencies item by item, while those projects involving less investment than the minimum limit need not be approved by superior agencies item by item, the superior agencies requiring only reports on the nature of these projects.

The minimum investment limit set for the various construction projects are as follows (unit: 100,000,000 yuan):

<u>Classification</u>	<u>Minimum Limit</u>	<u>Remarks</u>
Fuel industry		
Electric power industry		
Power generating	500	
Power transmission	300	
Coal-mining industry	500	
Petroleum extraction and processing industries	500	(The same to synthetic petroleum)
Newly opened oil wells		All projects are considered as above the limit
Heavy industry		
Steel and iron industry	500	Including coke industry
Nonferrous metals industry	300	
Coal-distillation industry	500	
Machine-building industry	300	Including machine-building, repair
Electric-appliance industry	300	
Fertilizer industry	500	
Chemical industry	200	
Cement industry	200	
Glass industry	200	

<u>Classification</u>	<u>Minimum Limit</u>	<u>Remarks</u>
Light industry		
Rubber processing industry	150	
Paper industry	150	
Leather industry	100	
Woodworking industry	50	
Sugar industry	150	
Vegetable oils industry	150	Such as tung oil and edible oil
Oil refining industry	50	
Table salt industry	50	
Wheat-flour industry	50	
Textile industry		
Spinning and weaving industry	300	Cotton, woolen, and flax spinning and weaving
Cotton-finishing industry	100	
Other manufacturing and mining industries	100	Those industries other than the above listed
Railroad transport		
New railroad lines and addition of double tracks		All projects of this kind considered above minimum limit
Bridges	500	
Railroad factories	200	

<u>Classification</u>	<u>Minimum Limit</u>	<u>Remarks</u>
Railroad repairs		
1. Auxiliary business of railroad stations	100	
2. Construction of automatic signals	100	
3. Improvement of right-of-ways	100	
Shipping and highways		
Construction of new seaports and river ports		All projects of this kind considered above limit
Shipping construction	100	
Repairs of seaports and river ports	100	
New highways		All considered above limit
Reconstruction and repairs of highways	200	
Bridges	100	
Automobile repair service	100	
Post and telecommunications		
Construction of automatic telephone exchanges		All considered above limit
Expansion of municipal telephone system	300	
Construction or expansion of long-distance telegraphic lines	100	
Reinforcing telegraphic lines	100	
Construction of radio stations	100	

<u>Classification</u>	<u>Minimum Limit</u>	<u>Remarks</u>
Agriculture		
Construction of machine tractor stations		All considered above limit
Animal husbandry	30	
Marine products	50	
Agricultural implements and farms	80	
Forestry		
Timbering	10	
Afforestation	50	
Forest products processing	100	
Water conservation		
Water-reservoir construction	500	
Flood-retention program	500	
Water reservoirs for flood control	500	
Flood-control construction	500	
Drainage-system construction	300	
Irrigation-system construction	200	
Dredging shipping channels	200	
Civil engineering		
Warehouses	30	
Office buildings	30	
Residential housing	30	
Railroad-communications lines	30	

<u>Classification</u>	<u>Minimum Limit</u>	<u>Remarks</u>
Experimental and research projects	30	

(Explanation of the above table) (1) Although some projects might involve less investment than the minimum limits, the Committee of Financial and Economic Affairs may treat them as involving investment equal to or above the minimum limit. (2) Those projects which are intended to produce new products are regarded as involving at least the minimum amount of investment, whether they actually do or not. (3) The minimum investment limit for civil-engineering and experimental and research agencies only apply to those of their projects that are not listed in the above table. Hence if these agencies are going to construct warehouses, office buildings, residential housing, and the like, they must comply with the minimum limit regulations. (4) Should the ministries of the central government and the governments of the greater administrative districts deem that some of the minimum limits need revision, they may bring the matter to the attention of the Committee on Financial and Economic Affairs of the Administrative Council.

Above the Minimum Limit and Below the Minimum Limit

Capital-construction projects are classified into those above and those below the minimum investment limit. The purpose of classifying the projects into two groups is to facilitate the supervision work of the superior agencies over their subordinate agencies that are undertaking capital-construction projects. The minimum investment limits are set by the Committee on Financial and Economic Affairs of the Administrative Council in consideration of the special nature of the various construction projects. Those projects which involve investments equal to or above the minimum limits are called "projects above the minimum limits," otherwise they are called "projects below the minimum limits." Because of their importance, some special projects are considered by the Committee on Financial and Economic Affairs of the Administrative Council as "projects above the minimum limits" regardless of whether the investments involved are really above the minimum limits.

With regard to the projects above the minimum limits, those involving an investment of at least 100,000,000,000 yuan each are called Class A capital-construction projects, and those involving an investment of less than 100,000,000,000 yuan are called Class B capital-construction projects. With regard to the projects below the minimum limits, those involving an investment of at least 2,000,000,000 yuan are called Class C capital-construction projects, and those involving less than 2,000,000,000 yuan of investment each are called Class D projects (see the section on Minimum Investment Limits of Capital-Construction Projects). In the Soviet Union, a project above the minimum investment limit must have a detailed construction program prepared in advance, and each project listed on the program must be approved by the Soviet government. The agency in charge of the project must put the following items in its annual plan for construction work: (1) construction sites, (2) beginning year and completion year, (3) capacity of the construction enterprise, (4) budgetary expenditures on the project, and (5) construction completed during the current year. The last item covers the following points: (1) total volume of construction in terms of budgetary expenditures, (2) construction completed in the preceding year, (3) construction funds and construction

resources already used up, (4) volume of construction to be done in the current year in terms of budgetary expenditures, (5) construction funds and resources to be used in the current year, and (6) time schedule of using the funds and construction resources. Apart from these, the plan includes the approved technical reports and the name of the agency in charge of the construction project. In the case of a project below the minimum investment limit, the annual plan merely lists the nature of the projects and need not contain the above items.

Capital-Construction Investment

Capital-construction funds are used primarily for two things -- the purchase of fixed assets and construction and installation costs. While the purchasing is comparatively simple, the construction and installation work must be undertaken by the specialized construction industry, which is incidentally an independent branch of the national economy. Investments may be classified as follows: (1) investments in design, topographic survey, mineral exploration, and scientific research; (2) investment in construction; (3) investment in equipment installation; (4) investment in mechanical equipment; (5) investment for purchases of tools, laboratory instruments and machinery regarded as fixed assets; (6) investment for purchase and feeding of animals or livestock; (7) investment in programs which do not increase fixed assets (such as geological exploration and research work for future construction projects, training technicians and other personnel, and administration of uncompleted construction projects); and (8) other investment (such as financing the removal of residents from construction sites, purchases of houses for collective farms and cooperatives by the state or construction of such houses). In fact, the above projects come under capital construction. According to Soviet experience, investment in mechanical equipment, construction work and equipment installation represent a large part of total investment. Investment in construction work and equipment installation constitute 60 percent of all investment, whereas investment in mechanical equipment may represent as much as 30 to 32 percent. Taking the three items as a whole, the percentage is more than 90. Such a classification of investments is very useful in drawing up investment plans, for it may enable the planner to allocate investment funds for the various kinds of construction work and to work out plans for the activities of the related branches of the national economy that will have to supply the necessary materials for the planned construction and installation projects.

Nature of Capital-Construction Investment

The nature of capital-construction investment is also significant in capital-construction planning, since it may indicate the purpose of a given investment and the nature of the construction project. Investments may be broken down into three kinds: (1) for new construction projects, (2) for reconstructed projects, (3) for restoration of old facilities.

These types of investments may determine the modes of reproduction of the basic wealth of the national economy. New construction projects are those to be initiated during the current plan period or whose construction is to be continued during the period.

Such new projects may be buildings, factories, railroads, highways, and so on. Reconstructed projects are existing facilities whose production capacity or general scope is to be expanded. All expenditures on expanding original production capacity are included in the total sum of such investments. Restoration of old facilities means restoring the production capacity of old projects within the limits of the approved construction programs and budgetary appropriations. But restoration of old facilities is not to be confused with capital repairs. Capital repairs do not enlarge the original production capacity of such capital goods as buildings and equipment. They are designed merely to replace worn out parts. Capital repairs are financed by amortization funds, and the expenditures are therefore not included in the capital-construction plan.

The allocation of investment funds among new construction, reconstruction, and restoration differs from year to year, depending upon the economic goals of the given period. According to Soviet experience during the period of economic recovery (prior to 1926), most capital was used to restore enterprises; during the period of socialist transformation, capital was invested for the construction of new enterprises and the reconstruction of old ones. Once the national economy has basically recovered, new construction begin to absorb the larger part of investment funds appearing in the balance sheets of the economy under a separate heading. Plans for new construction may show the directions of flow of investment funds and may indicate the nature of the economic activities undertaken.

Supervision of Capital-Construction Investment

All funds appropriated by the budget for investment in capital-construction projects undertaken by state agencies are disbursed according to a uniform procedure by specialized banks designated by the Ministry of Finance. These banks are also responsible for the supervision of the use of these funds. The specialized banks make monthly reports on the status of fund disbursements and the progress of the construction work. The reports are first submitted to the People's Bank of China for examination and transmittal to the Ministry of Finance. The Ministry of Finance inspects and supervises the disbursement of capital-construction investment funds by the specialized banks along the following lines: (1) examination of disbursement plans, (2) examination of whether the funds disbursed conform with the volume of construction work completed, and (3) auditing all construction accounts after the project is completed (see sections on Supervision of Disbursement of Capital-Construction Funds, Sources of Capital-Construction Funds, and Procedure of Disbursing Capital-Construction Funds).

Inspection of the Actual Capital-Construction Work

The success or failure of capital-construction hangs on inspection of the actual work. Thus the East-China Committee on Financial and Economic Affairs has issued regulations to guide the inspection work. These regulations were in conformity with the spirit of the instructions issued by the central authorities and aimed at the following: (1) Through inspection, the idea that is undertaking any capital-construction careful, and accurate designing must precede actual construction, shall be thoroughly instilled

into the minds of all persons concerned; (2) Through inspection, the state may fully apprehend the status of actual construction, discover serious problems and mistakes, accumulate experience, and lay plans for correcting and improving the actual construction. Objects of inspection are: (1) Have the agencies concerned undertaken serious and extensive study of the government regulations and laws on capital-construction either prior to beginning work and during the course of the work? (2) Has an agency begun actual construction without doing any preparatory design work? Is an agency doing design and construction work at the same time? Has an agency begun construction prior to approval of its plans by the appropriate authorities? (3) Have agencies been forced to revise their construction plans in the course of construction because of incorrect or insufficient research and planning? (4) Have any agencies suffered financial or economic losses in the course of construction because of careless or incorrect designing or planning? (5) Have the various agencies concerned drawn up careful construction plans. Have they carried out their construction plans on schedule? Are the main links of the construction program well coordinated? (6) Have the agencies concerned a rational system of supplying and utilizing capital, manpower, building equipment, and building materials? Are there any cases of extravagance and waste? (7) Do the construction work and the projects themselves conform to prescribed standards? (8) Do the agencies concerned have a sound system of financial administration? Is any capital lying idle? Has the idea that "the state treasury will supply the funds anyway so no one in the agency need worry about it" being rooted out? Is business accounting being enforced? (9) How much capital have the various agencies concerned invested in construction? How much work has actually been done during the given fiscal year? Is the actual volume of work performed in conformity with the funds disbursed? What is the ratio between the volume of actual work and the amount of funds disbursed? (10) Does the total volume of actual work confirm to the planned rate of utilization of outlay? What is the ratio between them? Have investment funds been unduly dispersed so that they cannot be channeled into the reproduction process? (11) What are the conclusions reached by the various agencies concerned as to the mistakes made and difficulties encountered during the course of actual construction? What are the main experiences gained and lessons learned? In view of present conditions, what steps should be taken to improve capital-construction work (see Guide for Inspection of Capital-Construction in-East China During 1951).

Criterion for Classifying Fixed and Liquid Assets

Assets of the state enterprises are classified as fixed and liquid according to the following principles:

Fixed assets include houses, buildings, power installations, power-transmission facilities, production machinery, tools, instruments of production, transport facilities, furniture, fixed-asset reserves, investments in land, fixed assets of agriculture and subsidiary occupations, fixed assets of marketing and supply agencies, cultural facilities, and health and sanitation facilities.

Liquid assets include raw materials, purchased semifinished goods, principal supplies, subsidiary supplies, fuel, goods in the processing stage, finished products, small-repair instruments, packing supplies, consumer goods, prepaid orders, accounts receivable, and cash on hand.

Items having one of the following qualifications are also considered as liquid assets: (A) assets whose durability is less than one year and perishable goods, regardless of value. (B) goods whose durability is more than one year but their price per unit is less than 1,000,000 yuan (see Article 4 of the Provisional Regulations Governing the Revaluation of Assets of State Enterprises).

Concealed Construction

Foundation, moisture-control work, and reinforced concrete work are examples of concealed construction. Because once a construction project is completed it is impossible to determine whether these jobs have been done in conformity with the prescribed standards, technical inspection must be made during construction and written records must be kept with regard to concealed construction. The Department of Industry of the Northeast Greater Administrative District issued a special regulation that if the concealed construction of a given project is not inspected as it is being done and if there is no written inspection record, the construction project must be suspended at once.

Capital-Construction Contracts

According to The Provisional Regulations Governing Capital Construction promulgated by the Department of Industry of the Northeast Greater Administrative District, all capital construction projects shall be contracted to construction organizations for actual construction in order to enforce thoroughly the business accounting system in the administration of capital construction and to separate the responsibility of the agencies in charge of capital construction policy from that of the construction organizations. The contractors must guarantee that the work will be carried out in conformity with the prescribed standards and that it will be completed within the prescribed time limits. Contracting capital construction is also designed to eliminate waste and reduce costs. Contractors must be either construction organizations operated by the agencies administering the projects (or their superior agencies) or outside construction organizations, state-owned or privately operated. In general, contracting capital construction includes the contracting of actual construction work and building materials. All obligations and rights are stated in contracts. A contract consists of the following items: (1) names of contracting parties and endorsers, (2) name of the construction project, site of the project, volume of construction work, number of the project, (3) starting time of the construction and time limit of construction, (4) total contracting price, (5) provisions for payment, (6) names of persons responsible for field work, (7) insurance provisions, (8) provisions for penalties, (9) provisions for possible extension of construction time limit, (10) provisions for building materials and supplies, (11) provisions for revision of plans, (12) provisions for the delivery of the project by the contractor, (13) provisions for cancelling the contract, (14) provisions for handling concealed construction, (15) provisions for making construction reports, (16) provisions for guaranteeing the

durability of the project and testing period, (17) provisions for keeping state secrets, (18) special provisions, (19) provisions for amending the contract, (20) duration of the contract, and (21) appendixes and duplicate copies of the contract. Each capital-construction project is contracted out to a single contractor who assumes full responsibility for the entire project. The general contractor may either do all the work or subcontract part of it to other contractors with the approval of the agency administering the project. But in this case, the general contractor must still assume responsibility for the entire project.

Components of the Total Contracting Price

The total price of the contract includes: (1) cost of building materials and supplies and transport (excluding fixtures ordered by the owner of the project from other sources); (2) expenditures on regular wages and allowances; (3) other expenditures, consisting of: (A) extra-wages paid to regular workers according to the regulations issued by the Ministry of Industry; wages of temporary workers are paid on the same pay scale as the regular workers with deduction of labor insurance fees (this regulation will apply until the government promulgates a wage regulation for temporary workers); (B) expenditures for temporary construction work, haulage, power, and fuel (to be decided according to the actual needs of the construction work); (C) management fees, which constitute 12 to 17 percent of the total expenditure on wages; (D) expenditure of construction instruments, which constitutes one percent of the total expenditure of building materials and supplies; (4) contractor's profit which is 3 percent of the combined expenditures of item 1, 2, and 3; (5) depreciation charges decided in light of actual condition when the contract is made; and (6) taxes and insurance charges, which are settled in accordance with state laws and decrees.

Capital-Construction in Industry in Northeast China

The restoration of industry in Northeast China is expected to be completed in 1952. Large-scale economic construction projects have been started in a planned and systematic manner. Thus capital construction is becoming the most important item of economic construction. These achievements have been made during the last three years by workers in the Northeast under the correct leadership of Chairman Mao, the capital authorities of the Communist Party of China, and the party's Northeast Bureau. They are also historic changes brought about by all the party organizations in the Northeast in their faithful execution of the resolutions of the Second Plenary Session of the Central Committee of the Communist Party, which called for a shift of emphasis in party activities from the countryside to the city. During the last three years, the proportion of industrial capital-construction projects to other projects in the Northeast has been gradually increasing. This fact may be seen from the amount of capital invested by the Department of Industry of the Northeast Greater Administrative District. Except for those funds used for fostering industrial potential and workers' welfare, the amount of funds used to finance the reconstruction of old projects in 1949 amounted to 75 percent of the total and those used to finance the building of new projects and reconstructing old ones to 20 percent. By 1950 the amount of funds used to finance new projects had risen to 38 percent. In 1951 the percentage of capital used for new projects was 80, which in 1952 it is as high as 90. The change in the proportion of investment in new capital construction reveals that industry in the Northeast has progressed

from the recovery stage to the capital-construction stage. The Northeast Bureau of the Central Committee of Communist Party of China recently instructed the industrial administrative authorities in the Northeast to select capable administrative cadres, technicians, and skilled workers from their ranks for employment in capital-construction projects. This move is aimed at strengthening the capital-construction organizations and such related technical agencies as geological survey groups, design groups, financial management groups, and so on. The Northeast Bureau also called upon the construction enterprise to introduce the business accounting system in their management, to extend advanced experience and construction methods, and to launch a patriotic movement for increasing production and savings. The various administrative agencies are now strengthening their leadership over capital construction in accordance with the directives of the Northeast Bureau of the Communist Party (see Chieh-fang Jih-pao, 8 July 1952).

IV. STATISTICAL WORK

General Concepts of Statistics

The term statistics generally denotes the collective body of figures concerning the national economy or a branch of it. These figures reflect the quantity, composition, and levels of development of various social and economic phenomena such as population, volume of industrial and agricultural production, prices, and volume of commodity circulation. Because statistical data are obtained from large quantities of things or from whole bodies of things, the term "total sum" hence becomes one of the basic concepts of statistics. Total sums are made up of objectively existing individual elements. Each total sum consists of individual elements of a similar nature. But these individual elements also contain dissenting features. For instance, the workers in an enterprise or of a whole industry constitute the total sum of workers and the individual workers are the units making up the total sum. While the total sum of workers is characterized by the fact its components are nothing but workers, the individual worker, however, differ from one another in many respects such as age, educational level, skill, experience, salary, and so on. Similarly, we may regard the whole of the production equipment of an industry as the total sum of individual machines and tools. We may also regard the whole of cultivated land as the total sum of individual units of land. In other words, each total sum is made up of individual units bearing a common feature and the individual units which make up the total sum, in turn, have their own particular characteristics apart from the feature which they have in common.

Statisticians do not study the number of people's eyes or fingers. The reason is that the total sums of a man's eyes and fingers are always the same and that their individual units do not have significant features of their own. Statisticians, however, do study such features as age, experience, educational background, occupation, because people vary in these aspects. Thus differentiation is also one of the basic concepts of statistics.

Through observation statisticians may find common features in a collective body consisting of individual units with different characteristics. Differentiation may also be expressed in terms of quality or nature -- such as sex or occupation -- apart from quantity. In this conjunction, it must not be forgotten that when changes in quantity have reached a certain stage, there will be changes in quality (see N. N. Lyatsov, Principles of Statistics).

Mass Observation and the Law of General or Average Figures

The law of general or average figures is the process used to shape large amounts of unassorted data into generalized patterns. Only through mass observation can one obtain correct generalized figures. For instance, the Soviet industrialization drive has had many effects on the Soviet population, and these effects will not be correctly gauged if one fails to observe them both extensively and intensively. The living standard of one or two families cannot reveal the real impact of industrialization on the living standard of the population as a whole. Again, statisticians have obtained a generalized figure from data for three-hundred years of the ratio between the birth rates of boys and girls -- 105:100. But they would have been unable to obtain this generalization if they had merely observed a single family. Thus generalization can be made correctly only after mass observation has been undertaken. General figures or average figures in statistics are therefore generalized figures. But generalized figures cannot be regarded as the original figures themselves. The content of generalization is determined not by the law of mass observation, but by the law of the development of the statistical objects themselves. Hence, the law of mass observation cannot offer any explanation of the nature of a given object. From this it follows that mass observation cannot be used, as the bourgeoisie statisticians claim, as a basis for statistics. The most we can say is that statistical indexes must be based on mass observation.

Relation of Statistics to Planning

The relation of statistics to planning is as follows.

(1) Statistics provide planning with basic information in the form of statistical figures. Without knowing the statistical figures concerning plan fulfillment during the preceding period and without having control figures for future programs, no planners can perform their work. This does not mean, however, that planners shall formulate their plans on the basis of average statistical indexes. "State economic plans should be Bolshevik in nature -- they must not be based on mathematically averaged norms, but on advanced average norms. In other words, economic plans should be based on average norms of advanced productivity," (See the resolution of the Council of Ministers of the Soviet Union relating to the plan for the recovery and development of the National Economy in 1947).

(2) Statistics is an instrument for checking on the execution of economic plans. Time and again Stalin has emphasized that planning does not end with formulating plans and handing them over to the agencies charged with their execution, for this is only half the matter. Planning must take into account the course of plan fulfillment and the day-to-day supervision of plan fulfillment. Plan execution is a dynamic and constant process, and when the course of plan fulfillment is reflected in statistical indexes, statistics become a forceful instrument for gauging its progress. In establishing the statistical agency of the state, Lenin said that "statisticians must be our real assistants." It is therefore clear that the foremost task of the statistical agencies in a socialist economy is to supply the economic planning agencies with the data required for formulating plans and checking on fulfillment plan. These data may enable the planning agencies to locate economic potentialities not being fully utilized and to prevent any unbalanced developments in

the national economy. Thus statistical work in a socialist economy is closely linked with the state's administration of the socialist economy. In exercising its functions as the organizer of social production, the socialist state must make use of the statistical data compiled by the various branches of the national economy according to scientific methods.

Purposes of Statistical Work in Socialist Economy

The purposes of statistical work in a socialist economy are as follows: (1) Statistical work provides data required in formulating economic plans, for checking on plan fulfillment, for discovering idle economic potentials, and for preventing unbalanced economic development. (2) Statistical work provides the state with the data required for administering the socialized economy. (3) Closely connected with this second task is the fact that statistical data show the conclusions of scientific studies and research on the development of the national economy and the national culture and conclusions on the expanded reproduction of the socialist economy as represented in the balance sheets. (4) Statistical figures facilitate the perfection of the business accounting system in terms of reliability, correlation, conciseness, and revealing discrepancies. (5) Statistics may help propagandize and popularize the advances economic achievements.

Class Nature of Statistical Work

Being a scientific weapon for class struggle, statistical work, if used by the capitalist class, may serve to conceal the fact of capitalist exploitation and to support, directly or indirectly, the claims of the capitalists about the merits of their system. But if used by the proletarian class, it may become a special weapon in the struggle to establish a communist society. Concretely stated, statistics has the following features; (1) it is an instrument of knowledge and a weapon of exposure; (2) it is an instrument for economic analysis and a basis for policy-making; (3) it is a prerequisite for effecting a planned national economy; (4) it is an instrument for scientific management of the national economy and for democratic supervision of the economic activities of the state; and (5) it is "the road leading to socialism or the mortar and frowel of socialism" as Lenin put it (See Linlev, *The Class Nature and Final Goals of Statistical Work*).

Lenin on the Methodology of Obtaining Average Figures in Statistics

In order to hide the class contradictions and exploitation existing under capitalist society, bourgeois statisticians often take the liberty of using nonspecific, imaginary and meaningless average figures. Lenin attacked this practice bitterly. The correlation between average figures and classified grouping of statistical figures was first insisted upon by Lenin, as was the scientific basis of the so-called average figures in statistics.

The scientific purpose of average figures in statistics is to reveal the common nature of the components of a collective whole, which has peculiar features in its own individual units. Karl Marx also pointed out that "average figures are always the average values of the same kinds of collective wholes, consisting of individual units with peculiar features of their own." Average figures would have no genuine

typical natures if the collective wholes from which they are derived do not bear common features. Such average figures can never enable us to know the real facts. Instead, they may prevent us from perceiving the real facts since they tend to conceal the differences in the nature of the facts under investigation. Lenin called such figures "imaginary average figures."

Grouping of Average Figures in Statistics

Only when they can reveal the features of the same kinds of collective wholes can average figures in statistics be helpful to scientific analysis. Statistical data will be useless if we do not know the nature of the things they reflect, for it is impossible to determine the nature of the things represented by statistical figures from the figures themselves. This has to be determined by scientists specialized in the analysis of the nature and development of such things. Hence it follows that a scientific compilation of average figures in statistics must be based upon scientific grouping of statistical data, which grouping in turn may help differentiate the collective bodies represented by the individual statistical figures. Scientific grouping of average figures in statistics makes the following possible: (1) It may differentiate the figures representing things of different nature in order to permit generalizations of each different group of figures. (2) It may permit using the average figures of the various groups to supplement the general averages. (3) It may permit using the individual figures to supplement the average figures. Individual figures may reveal the achievements of persons with advanced productivity. The use of false average figures by the bourgeoisie statisticians is largely due to the fact that they disregard the scientific method of obtaining average figures.

Statistical Investigation

According to the definition given by N. N. Lyatsov in his work *Principles of Statistics*, the systematic and organized collection of statistical data from the various branches of a given organization is called statistical investigation. Statistical investigation is the initial stage of any statistical research. In order to infer general truths from large numbers of phenomena or processes, one must first collect data on them. These original data should then be classified before making inductions. After inductions have been made, illustrative statistical tables should be drawn up. Analysis of the inductions is the third step of a statistical study. Average figures, relative figures, and other statistical indexes are the basis for analytical study. We therefore know that a complete statistical study comprises three processes -- statistical investigation, statistical induction, and analysis. These three processes are mutually connected. But statistical investigation is the vital link of these chains, for it is concerned with the collection of data, which is the basis of statistical work itself. Chairman Mao once said: "those who have made no investigations or research shall have no right to express any opinion on any matter." Quoting the teachings of Marx, Engels, Lenin, and Stalin, Chairman Mao told us that our actions must be based on the laws induced from objectively existing phenomena and things. For this reason, we must collect data and study and analyze it. Possession of data is a prerequisite for statistical investigation.

General Investigation and Sampling

Examination of all phenomena of a given moment by a specially organized statistical agency is called general investigation. General investigation is sometime called "portraying special subjects." Thus general investigation is often conducted sporadically either by direct measurement of the objects or by oral questioning. General investigation is normally used to collect data on all components of an aggregate. According to Soviet experience, the following rules govern all general investigation: (1) A general investigation should be completed within the shortest possible time. The 1939 census of the Soviet Union was completed within seven days in urban areas and ten days in rural areas. Completing general investigations in the shortest possible time tends to accurate results. (2) A general investigation must be conducted simultaneously throughout the country in order to obtain comparable data. (3) The time selected for conducting a general investigation must be the most suitable for the collection of the desired data. For instance, a population census is best conducted in winter, for during that season population movements are at a minimum. Again, a general investigation of road-construction supplies is best conducted in summer, for road-construction supplies are not utilized during summer season, (4) General investigations should be conducted at regular intervals, periodically, since this reveals the dynamic aspects of a given phenomenon at different point of time. (5) Forms used in general investigations of a similar nature should be identical insofar as possible in order to make the data so obtained comparable. Sampling is also called sample investigation. Sample investigation is the most frequently used statistical method. Sample investigation means that only a small part of a given subject is selected as a sample for analysis. Sample investigation may provide two kinds of inductive indexes -- relative figures and average figures.

Statistical Work in the New China

Even during the first year of its existence, the People's Republic of China established an extensive network of statistical agencies in order to meet the needs of her economic construction. In terms of organizational system, scope, and practicability, the work of the new China is indeed an unprecedented. There is a Bureau of Statistics within the State Planning Commission of the Committee on Financial and Economic Affairs of the Administrative Council. This Bureau is the forerunner of a still more comprehensive statistical agency to be organized at a later date. It is planned to organize a nation-wide statistical organization, with each agency of the national economy having a special organ in charge of statistical work. The present Bureau is the highest organ of statistical work in China, collecting and analyzing all statistical data for the development of the national economy.

The First National Conference on Statistics and Accounting of the Financial and Economic Agencies has already set the goals and scope of statistical work in the new China. The conference pointed out that in making general plans for the recovery and development of both the private and public sectors of the national economy, the agencies concerned must possess all the necessary and relevant statistical data of the principal branches of the national economy. The most important data to be collected are as follows: (1) Conditions concerning the balances between production

and marketing of the principal industrial and agricultural products. Included in this category are the total values of agricultural and industrial production, balances between industrial and agricultural products, and the present condition and future development of the purchasing power of the population. (2) Balance between exports and imports. Included in this category are the present condition of exports and imports of the principal items and current and future export and import problems. (3) Balance between commodities and currency. Both current conditions and future development should be included. (4) Balance between cadres and labor force in the various branches of the national economy and their future development.

In order to study these problems and make plans, it is imperative to take into account the following factors: (1) volumes and geographic distribution of the nation's major economic resources of the nation, (2) cost prices of principal products and transport facilities and their utilization, and (3) current and future conditions of labor, wages, and taxation. These are important factors bearing on planning the national economy. Consequently, the financial and economic agencies of the state must give primary attention to systematic collection and analysis of statistical data. Specifically, the scope of the statistical work of the various agencies at the present time is as follows.

(1) Collection and examination of data on production conditions in the major industries, their capital-construction projects, the supply of industrial materials and the marketing of industrial products (distinctions must be made here between state-owned and private enterprises and secondary industries).

(2) Collection and examination of data on the output of principal agricultural crops (such as grain and industrial crops), marketing of principal agricultural products, supply of fertilizers, and supply of pest-control materials. The collection of such data must rely primarily upon sampling. But if conditions are favorable, general investigations may be conducted in some places in order to obtain more accurate data.

(3) Estimating total production. Approximate total production figures for the national economy may be obtained by totalling the statistical figures on the principal industrial outputs, the estimated outputs of the secondary industries, the estimated outputs of agricultural crops and subsidiary occupations, and the estimated outputs of the handicrafts. Except for the principal industrial outputs, all other figures must be obtained by sampling on the district and hsien levels.

(4) Conducting sample investigations among farmers, workers, and urban residents concerning their consumption of principal industrial and agricultural products and their incomes and expenditures. In conducting such investigations, the investigators should select two or three dozen daily necessities as a base and the investigations should be constructed on the district and hsien levels.

(5) Investigation of the size of population, land, forest reserves, mineral reserves, water volumes, and other resources. Data on the population, land, principal agricultural products, and principal livestock

may be obtained in the course of land reform and agricultural tax collection, while figures for other resources must be acquired through statistical investigation undertaken by special agencies. The geographical distribution of economic resources may be used as a basis for regional economic studies.

(6) Collection of statistical data on exports and imports. This kind of data is obtained from the customs offices and the state trading organization.

(7) Investigation of commodity turnover and monetary circulation, which involves investigation of production, trade, money, and banking, taxation, and transport.

Apart from the investigation of production which has been referred to in items 1 to 3, separate investigations must be conducted in the fields of trade, money, and banking, transport, and communications. Here as elsewhere, different methods of investigation should be employed for different sectors of the economy. Data are obtained principally from the state trading agencies, revenue offices, banks, communication, establishments, co-operatives, and municipal authorities in charge of industrial and commercial administration. With regard to cost-price investigation, cost prices of industrial products and communications services should be obtained during the execution of the cost plans, while the cost prices of agricultural products and handicraft products, and their price ratios to industrial products must be obtained by sampling methods.

(8) Investigation of the existing cadres and labor of the various economic agencies and estimation of the numbers of cadres and the amount of labor needs in the future in the light of economic development trends. This investigation may provide statistical base for the state's plans for training cadres and skilled workers. In the meantime, investigations are to be made concerning workers' wages and farmers' income in order to enable the state to formulate wage and taxation policies. Here as elsewhere different investigation methods should be used for different sectors of the economy.

The above tasks must be undertaken by the agencies concerned during 1952-1953. But the various regions may set the starting dates in the light of their local conditions.

Statistical Organization in the Soviet Union

In the Soviet Union, the collection, tabulation, and analysis of statistical data are guided by the teachings of Marxism-Leninism, thus eliminating mistakes often committed by bourgeois statisticians. The statistical services of the Soviet Union provide the state with objective and comprehensive statistical data on the development of the national economy, enabling the state to cope with its economic problems on a strictly scientific basis. In other words, statistics in the Soviet Union helps the state organs to administer and plan the development of the national economy.

The organizational form of the statistical agencies in the Soviet Union differs fundamentally from that of the capitalist countries. The statistical agencies of the Soviet Union constitute a unified and closely coordinated hierarchy. The Central Bureau of Statistics, under the direct jurisdiction of the Council of Ministers, is the heart of the statistical

network of the Soviet Union. This bureau has supreme control over the statistical agencies attached to the various branches of the national economy in fixing statistical methods, approving blank forms, providing statistical data for supervision of plan fulfillment, and conducting various statistical investigations in accordance with government orders and through its local branches.

The pyramid of the territorial statistical network closely follows the administrative divisions of the Soviet Union; on the top is the Central Bureau of Statistics for the entire Soviet Union with statistical bureaus in the union republics, the autonomous republics, oblasts, okrugs, cities, and rayons. Each of these statistical bureaus if the central statistical authority for its respective territory (republic, oblast, okrug, etc), being at the same time subordinate to the statistical bureau of the larger territorial unit. The hierarchy is completely centralized and all the local bureaus work in accordance with the plans approved by the director of the Central Bureau of Statistics.

The Organization of the Central Bureau of Statistics USSR

The Central Bureau of Statistics of the Soviet Union possesses its own central machinery composed of the following departments and sections: Department of Central Statistical Inspection, Section of Evaluation, Section of Statistical Planning and Methods, Section of Construction Industry Statistics, Section of General Statistics, Section of Transport and Communications Statistics, Section of Agricultural Statistics, Section of Labor Statistics, Section of Cadre, Culture, and Academic Statistics, Section of Population and Health Statistics, Section of Municipal Economy Statistics, Section of Soviet Commercial Statistics, Section of Financial Statistics, Section of Special Statistics, Section of Statistical Cadre Statistics, the All-Union Bureau of the Census, the All-Union Industrial Investigation Bureau, the All-Union Livestock Investigation Bureau, and the All-Union Commercial Investigation Bureau. Apart from these, there are Bureau of General Affairs, the calculating-machine factory, and the Institute of Statistics.

These statistical bureaus are also auxiliary organs of the State Planning Commission USSR. The State Planning Commission and the Central Bureau of Statistics are entitled to require from the various state organs and enterprises all data and explanations necessary for drafting economic plans and compiling statistical tables. The Central Bureau of Statistics has a huge and comprehensive investigation network, running from the top to the bottom of the industrial and administrative hierarchies of the Soviet Union. For instance, the outputs of coal, iron, and petroleum of the various plants may be reported to the Central Bureau of Statistics and published in the newspapers within 2 or 3 days.

Tasks of the Central Bureau of Statistics USSR

Under the regulations promulgated in March 1932, the tasks of the Central Bureau of Statistics are: (1) to strengthen the statistical hierarchy of the national economy, which is an instrument for drawing up economic plans, for supervising plan fulfillment, and for attaining rational management of economic affairs, (2) to direct the local statistical bureaus in matters of method and organization, (3) to lead and organize all work concerning preliminary and advanced economic calculation,

(4) to study and devise ways and means for improving the statistical work of the various government agencies and enterprises, (5) to make systematic calculations regarding the fulfillment of economic plans, (6) to collect and systematize statistical data on the development of the national economy and to use statistical method to illustrate the achievements of socialist construction, (7) to publish statistical reports and journals, and (8) to popularize statistical knowledge and statistical data on socialist construction.

Popularizing Statistical Work

In his article entitled "The Current Tasks of the Soviet Government," Lenin writes: "In capitalist society, statistics is the tool of a few specialists. We should make statistics a thing of the masses. We should popularize it, thus impressing upon the working people an understanding of it and its importance. With statistical knowledge the working people may perceive how much work they should do and how. They may also learn how much time they should have to rest. They may become interested in the statistical reports on the conditions of the various branches of the national economy" (See Collected Works of Lenin). "One can hardly expect to popularize bourgeois statistics, which is primarily based on mathematics. The bourgeois statistics is bound to be a monopolized instrument of the bourgeois governments and a few bourgeois statisticians. For only they have the leisure to play mathematical games." To play "mathematical games" is absolutely unnecessary so far as our statistical work is concerned, because we want to popularize statistics and bring it close to the masses. In the first place, with the birth of a new democratic society, there has been a fundamental change in the nature of statistical work. Statistics is no longer allowed to serve the exploiting class of society. From this it follows that we no longer need to rely upon mathematical methods to distort facts and that we cannot merely analyze statistical data in terms of the quantity of the objects without taking into account the nature of the production relations within society. Most of the mathematical methods used by the bourgeois statisticians must be eliminated from our statistical work. In the second place, there are also fundamental changes in the objects of statistical work. In a society of planned economy, the objects of statistical work include all the static and changing phenomena of the national economy that can be expressed in statistical figures. With the perfection of the statistical system data collection will be a constant and all-pervading process. Our statistical work will not need to use mathematical method to correct the narrow and unstable nature that characterizes bourgeois statistics. Statistical work of the new democratic society can and must be independent of mathematical theories" (See "Can We Do Statistical Work Without Training in Mathematics?" T'ung-chi Kung-tso [Statistics], Vol I, No 4).

V. CULTURAL AND EDUCATIONAL CONSTRUCTION

Culture and Education in New China

In his book Hsin-min-chu Chu-i Lun [China's New Democracy], which is a brilliant work serving as a guide for China's revolution, Chairman Mao has the following to say with regard to culture and education in the new China: "We must not only convert a politically oppressed and economically exploited China into a politically free and economically prosperous China, but also convert an ignorant and backward China -- a

result of the old culture -- into a culturally advanced China through the establishment of a new culture." From the standpoint of class relations and dialectic relations between international and national cultures, Chairman Mao in this book states clearly the nature, content, and future of the new cultural movement in China. He points out that the content of China's new culture is national, scientific, and popular in nature. In other words "It is against imperialist oppression and for the independence and dignity of the Chinese nation. It is a culture of our nation, having our own national characteristics. It is associated with the socialist cultures and the new democratic cultures of other nations, absorbing the merits of the other and thus forming a new world culture. The new culture of China is against feudalism and superstition. It is based on fact and objective truth, calling for a unity between theory and practice. The new culture shall serve the workers and peasants who constitute more than 90 percent of our population, and shall gradually become their own culture." These principles envisaged by Chairman Mao have been incorporated into the Common Program enacted by the Chinese People's Political Consultative Conference and educational policies of the new China.

Cultural and Educational Policy

The current cultural and educational policy of China is clearly embodied in the provisions of the Common Program in accordance with the principles enumerated by Chairman Mao (See Articles 41 through 49 of the Common Program). The Common Program states: "Culture and education in the People's Republic of China conforms with the spirit of the New Democracy, that is, it is national, scientific and popular. The main tasks of the cultural and educational work of the People's Government shall be to raise the cultural level of the people, to train personnel for national-construction work, to liquidate feudal, comprador, and fascist ideologies, and to develop the ideology of serving the people" The Common Program also contains provisions for fostering a five-love virtue, for developing the natural sciences so as to place them at the service of developing industry, agriculture, and national defense, for promoting the application of scientific method to the study and interpretation of history, economics, politics, culture, and international affairs, for promoting literature and the arts with a view to making them serve the people, arouse the political consciousness of the people and encourage labor enthusiasm in them, and for reforming and incorporating the old educational system, subject matter, and teaching methods into the plan. The Common Program also stresses the development of technical education. The training of workers during their spare time and education of cadres at their posts is to be strengthened. National sports shall be promoted. Public-health and medical work shall be extended. Freedom of the press shall be safeguarded. The people's broadcasting and publishing work shall be developed.

Patriotic Education

Patriotism is people's love of their fatherland or their devotion to their fatherland. Such love and devotion is to be fostered in the education process. Lenin once said: "Patriotism is one of the deep feelings created in the various countries over many centuries. Soviet patriotism is the enthusiastic love of the Socialist Fatherland and the enthusiastic love of one's fellow countrymen."

Vice-Chairman Liu Shao-chi also said: "Real patriotism is an enthusiastic love of one's fatherland, one's fellow countrymen, one's national language, and the splendid traditions of one's nation, which have been passed generation after generation over thousands of years." But patriotism is not abstract in nature. Nor is it free of the impact of social class and historical development. At different stages of history and under different political and economic conditions, there are different kinds of patriotism. This means that patriotism has specific features at specific times. At the same time and in the same society, different social classes also display different kinds of patriotism. This means that patriotism has a class nature.

At the present time, the characteristics of our new patriotism are as follows: (1) all our people work for the strengthening of the people's democratic dictatorship, (2) all our people want to defend the people's fatherland, (3) all our people want to build up the people's fatherland, and (4) all our people want to build a socialist society.

Content of Patriotic Education

The principal content of patriotic education is as follows: (1) resolute opposition to imperialist aggression, resolute opposition to feudalism and bureaucratic capitalism, (2) the fatherland is great, lovely, and has made great contributions to the people of the world, (3) resolute support to the New Democratic Revolution, to the Common Program, and to the People's Democratic Dictatorship, (4) promotion of love for the fatherland and the people, love of labor, love of science, and solicitude for public property, (5) resolute support to the alliances between China and the Soviet Union, between China and the various people's democracies, between China and the laboring people of the world, and (6) struggle for the establishment of a socialist society.

Serving the Working Class and Peasants

Serving the working class and peasants and serving productive construction are two of the guiding principles of the current people's educational work. Our educational policy is not so stated as to serve the people in general or the national bourgeois class or the petty bourgeoisie. The fact that our education is designed to serve the working class and peasants is determined by the current conditions of the country.

(1) While the foundation of the People's Democratic Dictatorship of China is the alliance of the workers, peasants, and petty bourgeoisie, the core of the alliance is composed of the workers and peasants, for these two classes compose 80 to 90 percent of the population. The overthrow of the rule of imperialism and the reactionary clique of the Kuomintang was primarily effected by the forces of these two classes. The transition from the new democracy to socialism depends in the main on the alliance of these two classes (See Mao Tse-tung, Lun Jih-min Min-chu Chuan-cheng [On the People's Democratic Dictatorship]).

(2) "In the armed forces, the peasantry and the working class also constitute the largest group. There are very few petty bourgeoisie in the armed forces. Furthermore, the petty bourgeoisie in the armed forces are not so consistently revolutionary as are the peasant and worker soldiers" (See Mao Tse-tung, Tsai Yen-an Wen-i Tso-t'an Hui-shang Ti Chiang-hua [Speech Delivered at the Meeting of the Literary Discussion Group of Yen-an]). As for the national bourgeoisie, their number is still smaller

and their support of the revolutionary cause is also not so fervent. But they have better opportunities for cultural development. Thus, at present stage, our educational facilities shall first serve the peasants and the working class. This policy is entirely correct. But the fact that education shall serve the peasants and the working class does not necessarily mean that it shall not serve other democratic classes. It simply means that since peasant and workers are the principal elements of the country and that their cultural level is at this time low, we must first concentrate our main effort on giving them educational opportunities. Giving priority to the education of peasants and workers does not imply that China's education facilities are for peasants and workers alone.

Serving Productive Construction

Another guiding principle of China's education is to serve productive construction, that is, to place education at the service of the restoration and development of the people's economy. This is inseparably linked with the principle that education shall serve the working class and the peasantry. Economic structure is the basis of society. "The mode of material production determines the mode of social life, the mode of political life, and the mode of spiritual life" (See Marx, Critique of Political Economy). Chairman Mao once pointed out that when the Chinese people have attained basic victory in their revolutionary struggle, a tremendous economic construction job will still lie ahead us (See Mao Tse-tung, On the People's Democratic Dictatorship). He also pointed out that "the arrival of the high tide of economic construction will inevitably be accompanied by a high tide of cultural construction" (Mao Tse-tung, Opening Speech at the First Plenary Session of the Chinese People's Political Consultative Conference). From Chairman Mao's words we learn that economic construction is the fundamental and foremost task in the present stage of China's national construction.

Placing education at the service of productive construction does not mean that education will not serve other kinds of national construction. People's education will serve not only the people's economic construction, but also the people's political and cultural construction. What we mean is that people's education at the present stage shall primarily serve productive construction, for productive construction is the vital link in the overall complex of China's construction programs. We certainly cannot sacrifice the fundamental for the non essential (See Ch-ien Chun-ju, Tang-ch'ien Chiao-yu Chien-she Ti Fang-chen [Current Educational Policy]).

People's Education

The so-called people's education is education that serves the people. At the present time, people's education in China serves four democratic classes. Thus the people's education in China shall be obedient to the interests of the four classes and be against imperialism, feudalism, and bureaucratic capitalism. It shall serve the cause of building an independent, democratic, unified, peaceful, and prosperous new China. If culture and education at the present time do not serve the interests of any one of these four classes or even work against the interests of any one of them, it is undoubtedly incorrect.

Eliminating Illiteracy

Teaching reading is an important step toward eliminating illiteracy. Introducing a reading program as an effort to eliminate China illiteracy in a planned manner is the established policy of the Central People's Government. Chairman Mao says in his pamphlet on the Coalition Government: "To eliminate illiteracy among some 80 percent of China's population is a necessary prerequisite for building a new China." Two years after the October Revolution, Lenin, on 26 December 1919, personally signed a directive calling for the elimination of illiteracy within a fixed period of time. He said, "It is impossible to build Communism in an illiterate country." In the above-mentioned directive, Lenin points out that "In order to stimulate the entire population of the Republic conscientiously to participate in political activities, the Council of People's Commissars has made the following decisions: (1) All citizens of the Republic between ages of 8 to 50 and who do not have the ability to read and write, shall learn to read and write either their own national languages or the Russian language, whichever they may voluntarily choose." The same directive also contained provisions authorizing the People's Commissariat of Education and its local agencies to give compulsory education to illiterates and to draft the educated inhabitants who did not serve in the armed forces as teachers with the privilege of being paid on the same basis as other educational workers. The directive also authorized the People's Commissariat of Education and its local agencies to mobilize all organizations of the working population in the drive to eliminate illiteracy. In order to carry out its work, the People's Commissariat of Education and its local agencies were permitted to make use of private houses, churches, club buildings, factories, and the use of buildings enterprises for conducting classes. Penalties were also provided for those who attempted to evade the duties imposed upon them by this directive and for those who prevented illiterate people from attending schools and special courses. In accordance with this directive, the People's Commissariat of Education organized an "All-Russia Special Committee on Elimination of Illiteracy" with the sole duty of making the reading movement a popular movement.

The People's Government of the new China has given special attention to the problem of eliminating illiteracy ever since its establishment. On 1 June 1950 the Administrative Council of the Central People's Government issued a "Directive Relating to the Conduct of Educational Courses for Workers During Their Spare Time." On 14 December of the same year, the Ministry of Education of the Central People's Government issued a "Directive Relating to Peasants' Spare Time Education." In February 1951, the Ministry of Education again issued a "Directive Relating to the Conversion of Winter Schools into Permanent Spare-Time Schools for Peasants." All of these measures are aimed at laying the foundations for the elimination of illiteracy. To devise concrete ways and means of eliminating illiteracy, the central government held a discussion on the subject. The educational authorities of the various greater administrative districts subsequently formulated detailed measures on the basis of the recommendations made by the discussion meeting and the actual conditions of the respective districts. The Department of Education of the East-China Military and Political Committee and East-China Office of the All-China Federation of Trade Unions jointly convened, from 3 to 6 November 1952, an East-China Illiteracy Elimination

Conference, which finally concluded that the work of liquidating illiteracy should be conducted according to the following principles: (1) conducting sample experiments, (2) extending the work from selected places to the entire area, and (3) extending the work gradually. It was believed that if the literary drive is conducted according to these principles, it will progress successfully and quickly. The conference pointed out that elimination of illiteracy is an important political task. In undertaking this job, both conservative ideas and hasty action are to be avoided.

Accelerated Word-Reading Method

The accelerated word-reading method was invented by Ch'i Chien-hua, a cultural specialist in the armed forces stationed in the Southwest. This method is also frequently referred to as the "Ch'i Chien-hua Method." The special feature of the method is the use of a phonetic script as a subsidiary instrument for teaching the masses to read and write. It is also characterized by the close connection of the subject matter to the actual phenomena of human life and nature. By using this method, an illiterate can learn to read and speak 1,500-2,000 Chinese words (without the help of the phonetic scripts) after he has studied for some 150 hours. In this method, the teacher does not use any textbook in the first stage. Textbooks are used only after oral teaching has enabled the student to recognize a certain number of words on the blackboard. After the student has studied textbooks, he shall be required to read periodicals and write short articles in order to memorize the words that he was taught. The student is eventually expected to be able to read, speak, write, and use the words he has learned. In other words, he shall be able to read popular publications and write simple letters and so on. Apart from political indoctrination, the accelerated word-reading course comprises three processes.

(1) The student must first learn the phonetic script and its pronunciation in order to command the instrument of word-reading. The student first learns the easy script symbols such as — (i), × (wu), ㄩ (yu) and so on. Then he learns the single-tone scripts. After that he learns the double-tone scripts, and finally, the rhyme scripts. In order to give consideration to the local dialects, the student learning the phonetic script shall not be strictly required to learn the standard pronunciation and the four tones. They may gradually learn such things when they read a group of words together. If the four tones are temporarily put aside, the teacher may need just 20 to 30 hours to teach his student how to read and use the phonetic script.

(2) The second process is to read and understand the meaning of each word. A book containing some 2,000 individual words with phonetic script (which was edited by the Department of Political Affairs of the Chinese People's Revolutionary Military Committee) is used as a textbook. A student may learn several dozen words per hour. If he studies for a whole day, he may learn from 100 to 200 words. The important thing is to read. The explanation of the meaning of a word should be clear and concise, linking the word with the actual thing or phenomenon that is familiar with the reader. Efforts shall also be made to organize word-reading mutual assistance groups so that the students may help

themselves. At the same time, the teacher gives personal attention to individual students. It is hoped that after some 100 hours of word-reading with the aid of phonetic script, the student may gradually be able to read the words he has been taught without the help of the phonetic script.

(3) The third process is to teach students with language textbooks and to ask them to read popular publications, to write single words, and to write short sentences. Thus they become familiar with the words they have learned and understand thoroughly their meanings. Students in this stage also learn how to use the dictionary and write short articles -- they are no longer illiterates (at this stage the student will have the same level of language knowledge as the junior elementary school student; it takes about 150 hours to achieve this level of language knowledge) (See Introducing the Accelerate Word-Reading Method).

Reform of Educational System

On 1 October 1951, the Administrative Council of the Central People's Government promulgated its Decisions Concerning the Reform of the Educational System. The main features of the reform are placing emphasis upon educational facilities for the working people and industrial and agricultural specialist, recognition of the importance of technical education and specification of the status of the various training institutes, spare-time courses, and political study institutes in the over-all educational system, and reducing the term of elementary education from 6 years with two sections (higher and lower sections) to 5 years with continuation courses. Thus most of the working people are given an opportunity to complete their elementary education. The reform measures were put into effect in the beginning of 1952 with the first grade of elementary school as the starting point. The whole program needs 5 years for complete implementation.

Opening School Doors to the Peasants and Workers

In order to make education serve the masses, the People's Government has ordered the schools to open their doors to the children of workers and peasants. This means that the schools are to make it as convenient as possible for youth coming from peasants' and workers' families to get admission. The state has moreover established accelerated elementary schools, accelerated middle schools, workers' political-study schools, and the People's University of China for the workers and peasants. At the present children of peasant and worker families constitute 80 percent of the elementary school pupils, 60 percent of the middle school students, and more than 20 percent of the student body the higher educational institutions. All these phenomena are unprecedented.

Reorganization of Higher Schools

In order to eliminate the undesirable aspects of higher education in the old China and to make the educational institutions serve the national construction in a more effective way, the People's Government in the last three years has taken important steps to reorganize the higher schools. By 1952 basic reorganization work had been completed

with regard to engineering, agriculture, and teachers' colleges, universities, and industrial technical schools. The number of higher technical schools will increase from 31 to 47, the number of agricultural and forestry schools and colleges will increase from 18 to 33, the number of teachers' colleges will increase from 30 to 34, and the number of medical schools will increase from 29 to 32. After the reorganization, the proportion of engineering departments of higher schools, as compared to other departments, will greatly increase. In 1946 when the Kuomintang reactionary clique was in power, students in engineering colleges or schools constituted only 18.9 percent of all higher-school students. In the fall of 1952, engineering students represented 35.4 percent of the total number of students higher schools, being the largest single student group by field of study. At the same time, the number of students admitted to the middle industrial technical schools constitutes 38 percent of the total number of students middle professional schools, being also the largest single student group. This change in the proportion of engineering schools and engineering students will greatly facilitate China's industrialization.

Policies Governing the Reorganization of the Colleges and Departments of the Higher Schools

The general policy governing the reorganization of the colleges and departments of the higher schools throughout the country is to stress the training of industrial construction specialists and teachers, to expand technical and professional schools, to reorganize and strengthen the universities, and to admit a larger proportion of students from peasant and worker families to higher schools. In accordance with this policy, the old higher schools are to be reorganized into either universities, special colleges, or technical schools. Henceforth, these higher schools may develop and perform their respective tasks with thorough concentration. This will do away with many of the undesirable aspects previously existing in higher schooling.

Aiming at training specialists is the core of the policy guiding the reorganization of colleges and departments and the reform of curricula. Under the old higher-educational system, a curriculum was arranged for each department, so that the subjects taught were not conducive to training badly needed specialists. Now, the establishment of colleges and departments in higher schools is determined by the needs of the national construction. The curriculum are therefore fixed with a view to enabling the specialized colleges or departments to produce useful specialists. Each department usually consists of a number of special sections that join forces in training students. The overlapping, waste of personnel, and lack of practical usefulness that have marked the old higher schools will disappear forever.

APPENDIX: CHART OF THE EDUCATIONAL SYSTEM OF THE NEW CHINA

ADVANCED RESEARCH OR POSTGRADUATE STUDIES

AGE	GRADE				
	5				
	4				
	3			UNIVERSITIES AND COLLEGES	
	2	TECHNICAL			
	1	SCHOOLS			
18					
17	6	SENIOR	MIDDLE	ACCELERATED MIDDLE	SPARE-TIME
16	5	MIDDLE	TECHNICAL	SCHOOLS FOR WORKERS	SENIOR SCHOOLS
15	4	SCHOOLS	SCHOOLS	AND PEASANTS	(3-4 YEARS)
14	3		INDUSTRIAL	(3-4 YEARS)	SPARE-TIME
13	2	JUNIOR	ARTS,		JUNIOR SCHOOLS
12	1	MIDDLE SCHOOLS	NORMAL,		(3-4 YEARS)
11	5		MEDICAL, ETC	ACCELERATED ELEMENTARY	SPARE-TIME
10	4	ELEMENTARY SCHOOLS		SCHOOLS FOR WORKERS	ELEMENTARY
9	3			AND PEASANTS	SCHOOLS
8	2			(2-3 YEARS)	
7	1				
6		KINDERGARTENS			
5					
4					
3					

- 132 -

SCHOOL SYSTEM OF THE SOVIET UNION

Age	THE SOVIET UNION HAS A UNIFIED SCHOOL SYSTEM, A CHART OF WHICH IS GIVEN HERE:							
22	INSTITUTIONS OF HIGHER LEARNING							
21	(UNIVERSITIES, RESEARCH INSTITUTES, ACADEMY OF SCIENCES)							
20	(4-6 YEARS)							
19	TEACHERS'							
18	COLLEGES							
17	(2 YEARS)	TECHNICAL,				TECHNICAL		
16		NORMAL, AND	TECHNICAL		X	NORMAL, AND	YOUNG WORKERS'	
15		MEDICAL SCHOOLS	SCHOOLS AND	FACTORY	IX	MEDICAL SCHOOLS	MIDDLE SCHOOLS	
14		(3-4 YEARS)	RAILROAD SCHOOLS	SCHOOLS	VIII	(3-4 YEARS)	(SCHOOL AGE FOR THESE IS 14-25)	
13			(2-3 YEARS)	(12 MONTHS)	VII			
12		SEVEN-YEAR	<hr/>		VI	SEVEN-		
11	SUYALOV ARMY SCHOOL NASHIROV NAVAL SCHOOL MIDDLE SCHOOLS	SCHOOLS			V	YEAR SCHOOLS		
10		LOWER ELEMENTARY			IV	FOR YOUNG		
9		SCHOOLS			III	WORKERS		
8		(4 YEARS)			II		PREPARATORY	
7					I		COURSES	
6	KINDERGARTENS				GRADE	ELEMENTARY SCHOOLS		
5					SCHOOLS FOR YOUNG WORKERS AND			
4					PEASANTS			
3								

From this chart, we see that the school age ranges from 3 to 22. The educational institutions at the bottom of the pyramid are kindergartens (for children 3-7 years of age). One step higher are the lower elementary schools with a four-year course, which are compulsory for all Soviet citizens. There are in addition the so-called seven-year elementary schools compulsory for all urban residents. The courses offered in the four-year elementary schools are identical with those offered in the first four years at the seven-year elementary schools. Still higher in the pyramid are middle schools with a ten-year course. Now it is planned to let all urban residents receive a ten-year education. Courses offered in the first four years of the middle schools are identical with those offered in the lower elementary schools.

Children graduated from the lower elementary schools may apply for admission to either the seven-year or ten-year schools. If a child wishes to work in a productive department not too long after his graduation from a lower elementary school, he may apply for admission to a technical or vocational school. At the present time, the technical and vocational schools generally admit children who have graduated from seven-year schools. Meanwhile, children studying in seven-year schools may also transfer to technical or vocational schools. Upon the graduation from a seven-year school, a child may apply for admission to a ten-year school for further study or he may apply for admission to a technical, medical, army, or naval school. These schools admit children from eight to sixteen. Graduates of ten-year schools, with good scholastic records may apply for admission to teachers' colleges giving a two-year course or may be teachers at a seven-year school. Furthermore, they may also apply for admission to higher schools, which may be either a university, an independent college, or a research institute. For those children who have been forced to give up their schooling upon graduation from four-year schools, there are preparatory courses lasting for one year. In both urban and rural areas, there are seven-year schools for young mothers and peasants. Those who have graduated from such schools with outstanding records may apply for admission to technical schools especially established for young peasants and workers. Upon graduation from such technical schools, they may go on to apply for admission to the universities.

Characteristics of Soviet Culture and Education

Soviet culture and education has three major features Soviet culture is of the masses and for the masses. With the continuous expansion of Soviet educational facilities, the workers and peasants of the Soviet Union at the present time have all been educated. Every worker or peasant in the Soviet Union has some degree of knowledge. Furthermore, many college professors and high-ranking intellectuals are of either peasant or worker origin. Soviet culture and education is patriotic in nature. It is opposed to the repudiation of the love for the fatherland. Enthusiastic love of the historical and cultural legacies of the nation is promoted. It is opposed to the degenerate and corrupt cultures of the western European countries and the United States. It is opposed to the blind admiration of any foreign way of life. Soviet culture and education is internationalist in nature. Internationalism is opposed to narrow-minded nationalism. Narrow-minded nationalism is opposed to everything that belongs to other nations and urges the invasion or oppression of other nations. Internationalists

often make distinction between the imperialist governments and their peoples. To oppose the imperialist governments and to oppose imperialist aggression is patriotic. To suppose the peoples of all countries in their struggle against their imperialist governments and to treat such peoples as one's own brothers are expressions of internationalism. The people and the government of the Soviet Union are inseparable from each other. Both the Soviet people and the Soviet government are giving support to all oppressed peoples. Thus we cannot have the same attitude toward the Soviet Union and the imperialist countries (that is, we cannot separate the Soviet people from the Soviet government).

We must learn Soviet culture and education, which is popular, national, scientific, patriotic, and internationalist in nature (Hsiao Shan, Su-lien Ti Wen-hua Chiao-yu (Soviet Culture and Education)).

Balanced Instruction Plans and Balanced Curriculum

School instruction plans must be scientifically drawn up and the subject matter taught must be balanced. Textbooks should be neither too simple nor too complicated in content. Textbooks must suit the students' age. If they are too simple, students will be unable to make proper progress in their study. If they are too complicated, students will find it difficult to understand fully. Instructions must be conducted in such a way that theory and practice are linked. In classrooms, teachers should use actual articles or phenomena to illustrate the things they are teaching. Topics of instruction should be easy to understand at the beginning. Thus they should be close to the daily life of the students and be concrete in nature.

From time to time textbooks should be revised in order to include new scientific discoveries and new events. This principle applies both to natural-science and social-science courses.

General Technical Education

According to Marx, general technical education has the following aims of study of the basic principles of the entire process of production or the study of the scientific principles of production and study of the techniques of using the simplest instruments of production. The purpose of general technical education is to train people to use instruments of production and to make them politically conscious. The Communist Party Program calls for giving general technical education to all male and female children under 17. It states that general technical education should be regarded as enabling people to understand the operation of the principal branches of production both in theory and practice. Lenin strongly urged that graduates of middle schools have the both vision and skills of general technology. According to Lenin, the essence of general technical education is (1) basic concepts of electricity, (2) concept of the use of electricity in the machine-building industry, (3) concept of the use of electricity in the chemical industry, (4) basic concepts of the electrification plan of the RSFSR, (5) paying visits to electric-power stations, factories, and state farms (one to three times), and (6) a basic knowledge of agriculture (See Collected Works of Lenin). Here Lenin referred to at least four branches of production, the electrical industry, machine-building

industry, chemical industry, and agriculture. Lenin laid special emphasis on a knowledge of electricity. Lenin did not want to teach the young citizens everything. He simply wanted to teach them a basic understanding of modern industry. Lenin considered that it was entirely wrong for those who want to teach our youth a single technical skill instead of a general technical knowledge. Lenin thought that from the viewpoint of the Communist the teaching of a single line of technical knowledge is an intolerable mistake (See Kaylov, Objectives and Goals of Communist Education).

General Technical Education in Practice

General technical education must be put into effect in a coordinated, systematic, and practical manner. It is especially important that in such natural-science courses as physics, chemistry, and mathematics, students must be made to understand the theoretical foundation of the process of production. Without general technical education, education will fail to accomplish its goal, which is bringing about human improvements in general. General technical education is the only kind of education that can train builders of Socialism to link theory and practice and to master technical skills. General technical education requires the association of classroom instruction with productive work. Productive work should therefore be a part of school curriculum. General technical education must enable the student to work at a number of trades, so that he is not limited to one trade throughout his life.

General technical education is a special feature of the educational system of the Soviet Union. Only in the educational theories of communism can one find its theoretical foundation. In the capitalist societies, the ruling class is entirely indifferent to the development of workers' general technical knowledge.

Goals of Scientific Construction

The basic policy governing the new China's scientific construction is that the study of natural sciences must be closely linked with the nation's development of industry, agriculture, and defense. In other words, the natural sciences must be placed at the service of national construction, which is aimed at making China a peaceful and prosperous country. Obsolete theories and research methods must be replaced by new ones. Natural scientists must apply the methods and viewpoint of dialectic materialism in their work, thus making science really useful in the daily life of the people. For this reason, the Academy of Sciences and industry must cooperate closely. In order to achieve this goal, the Ministry of Cultural Affairs of the Central People's Government has established a special bureau for popularizing science, (See Lu Ting-i Hsin-chung-kuo Ti Chiao-yu ho Wen-hua [New China Education and Culture]).

Basic Policy Regarding Culture and Art

In accordance with the instructions given by Chairman Mao and the provisions of the Common Program, the culture and art of the new China shall serve the workers, peasants, and military forces. The first thing to be done is to popularize culture and art. Improvement of the standards of our cultural and artistic work shall be postponed until

popularization work has been basically completed. With regard to the traditional culture and arts of our nation, we shall preserve and develop them with a critical spirit. In the meantime, new cultural and artistic activities will be developed in a systematic and planned manner (See Shen Yen-ping, Shan-nien Lai-ti Wen-hua I-shu Kung-tso [Cultural and Artistic Activity During the Last Three Years]).

Developing New Styles From the Old and Let All Flowers Bloom at the Same Time

On 5 May 1951 the Administrative Council issued a directive relating to the reform of the drama, in which it states that the reform shall be aimed at developing new styles from the old so that "all flowers will bloom at the same time." This means that during the reform of the drama, the superior parts of China's traditional drama shall be preserved and developed, while the undesirable parts shall be eliminated. In other words, those features of Chinese drama which reflect the influences of the traditional feudalism shall be reformed and developed in such a way that they will be in harmony with the spirit of the new democracy and patriotism. In the meanwhile, the government shall encourage the free development of drama of every style so that they may compete for excellence (See Shen Yen-ping, Cultural and Artistic Activity During the Last Three Years).

People's Publishing Work

The Common Program states: "...the people's publishing work shall be developed. Attention shall be paid to publishing popular books and newspaper beneficial to the people." This is the guiding principle of people's publishing work. Because the publication policy is correct, publication work has been really serving the people as a whole. Since the liberation, the number of books and journals published have registered a marked increase. Prior to the liberation, the largest volumes of books and journals were published in 1936. But the number of books published in that year totalled about 178,000,000 and the number of periodicals nearly 32,200,000. After the liberation, the number of books published in 1950 totalled 274,633,630. In 1951, the number of published books increased to 669,639,911 and published periodicals to 176,774,253. The number of books expected to be published in 1952 is 886,000,000 or 5 times the preliberation peak.

Since the Administrative Council's promulgation of The Provisional Regulations Governing the Supervision of Publishing, Printing, and Distribution Activities and The Provisional Regulations Governing the Registration of Periodicals (promulgated on 21 December 1951), book and periodical publishing has embarked upon a new path, that is, the road to planned development.

Planning of Publication Topics

Planning of publication topics is the basis of the publishers' business activity. It means that at certain intervals publishers have to prepare a general list of works to be published during the ensuing period. The selection of publication topics must aim at fulfillment of the publishers' political duties to the state. Thus those who are in charge of the planning of publication topics must have

correct political and ideological views. The fact that publishing houses are required to specialize in certain fields merely provides them with a general idea of the nature of their publications. It is still the duty of the publishers to select concrete topics for publication. This they can do by drawing up periodic publication plans, taking into account the current political situation of the country and the state's current economic and cultural policies. Publishers shall select topics that will be the most interesting to the reader.

Drawing Up Publication Plans

Drawing up publication plans or planning publication topics is one of the most important duties of the publishing houses. Prior to drawing up a plan, the publisher must first collect data on the readers' demands from government agencies, academic institutions, libraries, and book distributors. The publication plan includes the following items: (1) names of publications, (2) authors or translators, (3) length of publications (page count), (4) number of copies of each publication (unit: 1,000 copies), (5) total page count of each publication, and (6) statements concerning the preparatory work for the publications planned (See Malkuz, Topic Selection: The Basis of Publishing Work).

In the Soviet Union, decrees concerning the five-year plans for the development of the national economy are also a basis for the selection of publication topics. Books scheduled for publication by the publishing houses must lie within the fields in which the respective publishing houses specialize. At the same time, the publishing houses must try to meet the demands of the reader.

On 15 August 1931, the central authorities of the Communist Party of the Soviet Union (Bolshevik) promulgated a document known as Decisions on Publishing Work, which provides: "The publishing agencies must discover the current demands for publications of the various social classes -- workers, collective peasants, intelligentsia students of colleges and of other schools -- and shall serve them (See Malkuz, Topic Selection: The Basis of Publishing Work).

Printing Sheet and Publication Page

Printing sheet and publication page are units used by the Soviet publishing houses in computing the volume of publishing. Most of the books in the Soviet Union are printed in 16mo sheets. Each sheet has 16 pages. Publication pages of a book include all the pages in it, printed or blank. Printing sheets of a book means those sheets of paper that are actually printed. On the binding corner of every sixteenth page of all Soviet books appear small-type numbers, which indicate the number of printing sheets of the respective books.

According to a statement appearing in the Publication Weekly (a publication of the Jen-min Chu-pan She [People's Press]) a 16mo page is one-sixteenth of a sheet 36x24 inches or one-thirty-second of a sheet 36x48 inches. It is equal to what Chinese publishers customarily call "erh-shih-shan-k'ai."

Health and Hygiene Education

Health is strength. Thus the improving of the health of the youth will be tantamount to increasing the nation's determine strength and productive forces. Health education is largely what we call physical education, whose goals are: to ensure the normal physical development of the students and improve their physical strength, to give students a certain knowledge of physical, military, and hygiene matters, and to shape will and character to make students into men with determination. Hygiene education is a part of health education. Students in elementary and middle schools alike should be taught the importance of sanitary measures. Thus they may know how to develop life habits that will be conducive to good health. Right from the elementary school stage, children should be taught to be conscientious about correcting bad habits. They should have a well-arranged time schedule for their daily activities such as study, physical exercise, rest, eating, sleeping and so on.

Chairman Mao said sometime ago that we must take positive steps to remedy the Chinese people's ignorance of sanitation and infectious diseases, which has been very harmful to their mental and physical developments, and which was brought about by imperialist oppression and feudal exploitation (See Mao Tse-tung, On the Coalition Government). Recently, in view of the bad health of students, he again emphasized that "health comes first." We should by now understand the importance of health and hygiene education.

Policy Governing the Prevention of Epidemics

The Central People's Government has adopted a correct policy with regard to prevention of epidemics. The essence of this policy is placing stress upon preventive measures. Within three or five years the government wishes to vaccinate the entire population against smallpox. At the same time a vigorous effort will be made to prevent the spread of cholera from foreign countries into China, suppress plague, syphilis, and malaria (especially in areas inhabited by the national minorities), and improve nursery and maternity work. The extensive preventive efforts that have been made in past years have greatly reduced epidemics. For three years there have been no malaria cases in the country. The plague that occurred in a few places has been brought under control. Smallpox has been fundamentally eradicated. Nearly 85 percent of the hsien now have medical centers. The number of newly established medical centers in 1951 amounted to 378. It is expected that by 1952 every hsien will have a medical center. Furthermore, the government wishes to have a medical center in each [ch'u] within five or six years (See Kuo Mo-jo, Kuan-yu Wen-hua Chiao-yu Kung-tso Ti Pao-kao [Report on Cultural and Educational Work]).

Free Medical Service

On 27 June 1952, the Central People's Government promulgated an instrument known as Instructions Concerning the Inauguration of Free Medical Service for the Personnel on the Various Levels of the People's Government, the Political Parties, the Public Organizations, and their Subordinate Agencies. This document points out that free medical

service was inaugurated quite early in the old liberated areas. But due to the lack of facilities free medical service has been available in only a few selected areas since the liberation of the entire nation. In industry and mining, a labor-insurance system was introduced in 1952 in selected areas for the purpose of helping solve workers' medical problems. In the same year free medical service for infectious-disease prevention was inaugurated on a tentative basis in the northern part of Shensi and some places inhabited by national minorities. Early this year free medical service was extended to the areas that were strongholds of the people's revolutionary forces during the second period of the civil war. Beginning from July 1952 efforts will be made to extend free medical service to all personnel of the People's Government, the political parties, the workers organizations, the youth groups, the women's organizations, the cultural and educational organizations, the economic enterprises, and the disabled veterans. This program is to be effected under the following principles:

(1) In consideration of available medical facilities and budgetary appropriations, each locality will decide when it shall have clinics and hospitals to render free medical services. In case a locality still does not have any clinic or hospital at the present time, it may just give cash to those in need of medical attention so that they may go to see private doctors or enter private hospitals: (A) Clinics. Free clinics shall be made available beginning from July 1952 by the Central People's Government and the governments of the various greater administrative districts and the provinces. (B) Hospital Facilities. Beginning from July 1952 the central government shall provide free hospitalization for its personnel; while free hospital facilities shall be made available by the governments of the various greater administrative districts and the provinces prior to October 1952. Prior to the deadline, efforts shall still be made to provide hospital service for those with acute diseases. (C) Granting Medical Allowances. Beginning from July 1952 the offices of the administrative inspectors, the governments of the hsien and [ch'u], the various levels of the cultural, educational, health, and economic organizations, and the disabled-veterans organizations shall grant medical allowances in cash to their personnel. The health authorities of the People's Government shall draw up plans to distribute such allowances according to need and not equalitarianism. But the Ministry of Health of the Central People's Government shall issue detail instructions on this matter. One thing that may be added here is that such medical allowances may be used to pay bills for native drugs and native doctors.

(2) During 1952 the governments on the central, the greater administrative district, and the provincial levels (including the special municipalities and regional offices of some provincial governments) shall provide certain numbers of beds for convalescent patients as a supplement to hospital beds. In the future, the number of hospital beds, convalescent beds, and special beds for tuberculosis patients will be systematically increased. The number of maternity patients will also be enlarged. The Ministry of Health shall issue detailed regulations governing the free hospitalization program.

(3) Those places where new hospital facilities have not been developed or where old hospital facilities have not been reconstructed shall make full use of the old hospital buildings and shall organize the existing medical agencies, public and private, into joint-operation centers so as to increase their efficiency and expand their services.

(4) The health authorities on the various levels shall have complete control over the financial side of free medical service.

(5) All expenditures for clinic services, hospital service, and dispensary bills are to be defrayed from medical funds. But the patients have to pay for the meals provided by hospitals and to pay their travelling expenses to and from the hospitals. If a patient has real difficulty in paying these expenses himself, the agency in which he works shall subsidize him from the administrative funds.

(6) In order to facilitate the management of free medical service the Central People's Government shall have a Committee on Free Medical Service composed of representatives of the Ministry of Health, the General Service Bureau of the Administrative Council, the Ministry of Personnel, the Ministry of Labor, the Ministry of Finance, the Ministry of Education, and the Administration of Construction; and the governments of the various greater administrative districts and provinces (including municipalities) shall also organize similar committees with their respective health agencies as the directing bodies.

Physical Exercise and the Defense of the Fatherland

The goal of physical education in the Soviet Union is to make students physically strong enough to discharge their duty of defending their fatherland. This goal of physical education has also been the guiding principle of China's educational policy. The Central People's Government promulgated a special decree on this matter. Article 1 of this decree states: "The purpose of this decree is to popularize athletic skills of each citizen so that he may become a builder of the fatherland with good health, strong mind, and optimistic outlook."

In the Soviet Union, different kinds of physical exercise are prescribed for people of different ages and sex. People take such exercise on a voluntary basis. Men and women who have passed certain tests regarding such exercises are given a special medal. Such a medal carries with it tremendous glory. Those who obtain Class B medals are regarded physically qualified to defend the fatherland and to undertake national construction jobs. This is why the physical exercise system is called a system of physical exercise for the defense of the fatherland.

The feature of this system lies in that it clearly sets forth its political nature, that is, physical exercise is for improving the people's physical strength for the sake of national defense. Physical exercise may take the form of jumping, skiing, or swimming.

Languages of the National Minorities

Under Chairman Mao's policy toward nationalities, all nationalities within the boundaries of the People's Republic of China are equal. Mutual help and unity shall prevail among them. Article 53 of the Common Program states: "All national minorities have the right freely to develop their dialects and languages and to preserve or reform their customs, habits, and religious beliefs. The People's Government shall help the masses of all national minorities to develop their political, economic, cultural, and educational development work."

Although there are numerous national minorities within the boundaries of China, linguistically speaking, they may be classified into 3 systems with 7 families and 19 branches. The branches are merely different dialects of the same language.

(1) The Han Language System

A. The Ch'ing-t'ai Family -- The Ch'ing-t'ai Family is also sometimes referred to as the T'ung-t'ai. People speaking this language inhabit primarily Kwangsi, Yunnan, Kueichow, and Hainan Islands. This family consists of the following branches: (1) Ch'ing-shui, which consists in turn of the Ch'ing, Shui, Mo, and Yang-Huang; (2) T'ai, which consist of the T'ung (or Nung), Chung-chia, Lao (including Ko-lao, T'u-lao and Mu-lao), T'ai (Pai-i, Chan, Lu, and Sha), and Li dialects.

B. The Maio-Yao Family--The Miao and Yao people mainly inhabit the hills of western Hunan, Kwangsi, Kueichow, Yunnan, and the hills of western Kwangtung. This family consists of the: (1) Miao branch, (2) Yao branch.

C. The Tibetan and Burmanese Family -- People speaking the Tibetan and Burmanese languages live primarily in Tibet, Sikang, Szechuan, Chinghai, Yunnan, and Kueichow. This linguistic family consists of the following branches: (1) Tibetan comprising in turn the western dialect (including Palati and Latako), the central dialect (Lhasa), and the eastern dialect (Sikang and Chia-jung); (2) Na-hsi branch (Ma-tzu); and (3) Ming-chia branch (Chi, Pai-tzu, and Na-ma).

(2) The Southern Asia Language System

A. Meng-chi-wa Family -- People speaking the Meng-chi-wa language live primarily in the extreme west of Yunnan (the so-called Hu-lu-wang region and the territory between the Lan-ts'ang and Nu rivers lying south of the 27th parallel. This linguistic family consists of the following branches: (1) Wa-pen-lung -- consisting in turn of the Pen-lung, K'a-la, and K'a-wa dialects; (2) P'u (or Pen-jen) branch (some are of the opinion that the Kao-shan people on Formosa belong to this linguistic family; but no final conclusions have been made).

(3) Altaï Language System

A. Turki Family -- People speaking the Turki language live primarily in Sinkiang, northwest Mongolia, and part of Kansu. It consists of the following branches: (1) Tang-nu-wu-liang-hai (only the Sha-la dialect is spoken in China), (2) Wei-wu-erh, consisting of the Wei-wu-erh, Wu-tz'u-pai-k'o, and Tartar dialects; (3) Hasak, consisting of the Hasak and Kirghiz dialects (the Tajiks living in Pulin Hsien, southern Sinkiang) speak a language belonging to the Islam family and not the Altaï system.

B. Mongolian Family -- In China people speaking Mongolian are found primarily in Inner Mongolia, Sinkiang, and North China. The Mongolian language consists of the following linguistic branches: (1) the dialect of the eastern and southern parts; (2) the K'o-erh-k'o dialect; (3) the K'o-erh-ma-k'o dialect and (4) the Pu-li-ya-t'e dialect.

C. T'ung-ku-ssu Family -- People speaking the T'ung-ku-ssu language live primarily in Inner Mongolia, Heilungkiang (northeast part), and on the lower reaches of the Sung-hua River. It consists of the following linguistic branches: (1) the southern, consisting of the Manchu, Hsi-pai, So-lun, Ta-hu-erh, and Ha-che dialects; and (2) the northern consisting of the Ao-lun-chung, Ma-nien-k'o-erh, and Pi-la-erh dialects.

So far as written language is concerned, the languages of the national minorities may be classified into the following:

(1) Written languages that do not need reform at least at the present time include Tibetan, Mongolian, Manchu, Wei-wu-erh, and Hasak.

(2) Written languages that need reform in the near future include the I, the Na-hsi, the T'ai, the Miao, and the Shan-t'ou languages.

(3) Those spoken languages which have not as yet been put in written form include Wa-pen-lung, P'u, Yao, Ch'iu or Nu, Ming-chia, and Kao-shan. These spoken languages shall be put in written form in the near future. In other words, we shall help these national minorities to create written languages.

Those national minorities which do not have their own dialects or whose spoken dialects are used by only a few persons shall not need to create their own written languages. Instead, these people shall use the languages of the people closest to them linguistically. For instance, the dialect of the Sha-la people living in Hsün-hua Hsien, Hua-lung Hsien (Chinghai Province) and Chi-shih Kuan of Linghsia Hsien (Kansu Province) is very close to the Turki language and the Sha-la people are very small in number, hence they need not create a written language for themselves but may use that of the Turki people. Again, those Tung-hsiang people living in Linghsia Hsien, Ning-ting Hsien, Ho-cheng Hsien, and Shui-ching Hsien (Kansu Province) shall use written Mongolian because they number only 2,000 and speak Mongolian, though they are Moslems. Those small national minorities in the Northeast belong to the T'ung-ku-ssu group but who do not use the written Manchu language shall adopt

either written Manchu, language Hsi-pai or written So-lun. Moreover there are many so-called "native nationalities" (T'u-tsu) in Chinghai, western Hunan, Kueichow, and Yunnan whom we have not yet identified linguistically. We shall try to find out their linguistic lineages and classify them properly. Thus no written languages need be created for them (See Lo Ch'ang-p'ei, Kuo-nei Shao-shu Ming-tsu Ti Yu-yen Hsi-shu Ho Wen-tzu Ch'in-k'uang [Linguistic Grouping of the National Minorities]).

VI. SUPPLEMENT

Proportions Between Industry and Agriculture

The correlation between industry and agriculture lies in the fact that while agriculture provides raw materials and foodstuffs for industry, industry supply instruments and means of production to agriculture.

The tasks of industry are: (1) To undertake the reproduction of fixed and liquid assets for agriculture. In other words, industry has to produce agricultural implements, agricultural machines, building materials, and fertilizers for agriculture. (2) To provide consumer goods for rural residents -- cotton yardgoods, clothing, shoes, and other daily necessities. The tasks of agriculture are to provide raw materials (including agricultural and animal products) for industry and to supply urban residents with grain.

Expanded reproduction in industry requires a basis of expanded reproduction in agriculture. A balanced development of industry and agriculture indicates that the two branches of the national economy are operating on a planned basis and that the contradictions between the city and the countryside have disappeared completely.

Having a correct proportion between industry and agriculture in the development of the national economy is one of the important prerequisites for expanding the socialist reproduction process. As Stalin said: "Socialist society is a collective body of workers and peasants within which they carry on their production and consumption activities. If in this collective body industry does not cooperate with agriculture, which provides the former with raw materials and food apart from consuming the former's products, or if industry and agriculture are not mutually complementary in the entire economic system there is no socialism to speak of."

Laws of Economic Development

Laws are objective rules. Lenin said: "Laws reflect the intrinsic nature of natural and social phenomena and the objective correlation between cause and effect." Stalin developed Lenin's theory still further by saying that, whether in the field of natural science or political economy, laws governing development are not conditioned by human will but reflect objective conditions. Like the laws of natural science, economic laws are objective rules. In his classic work Economic Problems of Socialism in the USSR, Stalin says: "Human beings can discover and recognize these laws. They may even use them for

human improvement. They may divert some of the destructive effects of these laws in other directions, thus controlling the scope of their influence. They may create conditions for the full play of some of the laws that will work for their benefits. But they cannot completely eliminate these laws or create new ones." From this we know that economic laws reflect the objective existence of the economic phenomena of a given society. They reflect the nature of a given mode of production and the correlation between cause and effect inherent in that mode. All characteristics and factors of the material life of a given society are reflected in production, commodities, value, and money. Lenin and Stalina regarded that generic image as "a small stepping stone toward recognizing and understanding the world." Hence, it is a concept. It is the theoretic expression of a given relationship of production. It is the theoretic expression of certain phenomena or aspects of a given mode of production.

Planned Economy

Planned national economy means that economy develops according to plans drawn up by the central authorities of a state. More concretely, planning national economy is an effective instrument for regulating the activities of a socialist state in its efforts to build a socialist society and to transform that socialist society into communist society.

In the Soviet Union, economic planning is done by the State Planning Commission on the basis of productive potential (including financial resources, material resources, and manpower), the needs of the people, and the policy governing the development of the socialist economy. According to the statute governing the organization and functions of the State Planning Commission, national economic development plans must aim at balanced development, with various branches of the economy being assigned such proportions that will strengthen the socialist system. Close coordination among the various branches of the socialist economy must be maintained. Production must increase in accord with increase in consumption. The supply of capital must be in harmony with the supply of materials. The various balance sheets are used by planners to effect a coordination among the various branches and to ensure the conditions requisite for socialist reproduction. By means of these balances, correlations among the productive activities of geographical regions and among the branches of the economy are achieved. Moreover, these balances determine the kinds of products needed to fulfill the goals set by the plan allot the respective shares to be provided by related industries, and bring bottlenecks to light. Once the plan is enacted, it becomes the law of the land. All branches of the economy must conduct their productive activity according to the plan.

In a society where the means of production have been socialized and where the purpose of production is to satisfy the material and cultural needs of the society, economic planning is not only possible but necessary. In the people's democracies, because the working class and the state-owned socialist sector of the economy are in a leading position, it is therefore possible for them to have some sort of economic planning.

In order to develop China's industry and agriculture and to raise the living standard of the Chinese people at a rapid pace, we must allot material resources and manpower in a systematic and planned manner among the various economic branches so that the latter may make rational use of the resources and attain maximum results. In order to achieve this goal, we must have well formulated plans for the development of the entire economy.

Potential of Enterprises

The potential of enterprises includes, in the main, the potentials of labor, machinery, capital, and that of materials. In the enterprise, attention must be given to ensuring that in the production process there is a close connection between the various elements of production, that these elements of production are rationally utilized, and that the quantity and quality of products can still be improved. All these matters are concerned with the problem of utilizing the potentialities of an enterprise to the full. Full utilization of potential is an important factor for increasing production and savings. For instance, if a factory management discourages its workers from exerting a positive spirit and a creative attitude in production through using bureaucratic methods or failing to improve the workers' welfare, it should be considered as having failed to make full use of its productive potentials. The same criticism may be laid against those factories which have failed to improve their management or production methods.

Supervisory Work of the Financial Agencies

In order to consolidate the achievements of the Three-Anti's Movement and to continue the drive against corruption, waste, and bureaucratism as necessitated by the forthcoming economic construction work, the Administrative Council of the Central People's Government, on 27 December 1952, issued a decree concerning the establishment of supervisory departments by the financial agencies of state enterprises and the financial agencies of the people's governments on levels higher than provinces and municipalities. The functions of the supervisory departments of the financial agencies are as follows:

- (1) To supervise and inspect the respective agencies and their subordinate agencies with regard to faithful execution of the policies, laws, decrees, plans, decisions, and orders of the state.
- (2) To supervise and inspect the respective agencies and their subordinate agencies with regard to their capital construction programs, their efforts to increase production and savings, their business accounting system, their utilization of capital, their industrial safety measures, their democratic administration system, their financial management, their efforts to acquire the advanced experience of others, and their system of encouraging workers to make suggestions on rationalization problems. At the same time supervisory departments of the financial agencies of the people's governments on the various levels may check on the financial activities of other agencies that are not subordinate to them.

human improvement. They may divert some of the destructive effects of these laws in other directions, thus controlling the scope of their influence. They may create conditions for the full play of some of the laws that will work for their benefits. But they cannot completely eliminate these laws or create new ones." From this we know that economic laws reflect the objective existence of the economic phenomena of a given society. They reflect the nature of a given mode of production and the correlation between cause and effect inherent in that mode. All characteristics and factors of the material life of a given society are reflected in production, commodities, value, and money. Lenin and Stalin regarded that generic image as "a small stepping stone toward recognizing and understanding the world." Hence, it is a concept. It is the theoretic expression of a given relationship of production. It is the theoretic expression of certain phenomena or aspects of a given mode of production.

Planned Economy

Planned national economy means that economy develops according to plans drawn up by the central authorities of a state. More concretely, planning national economy is an effective instrument for regulating the activities of a socialist state in its efforts to build a socialist society and to transform that socialist society into communist society.

In the Soviet Union, economic planning is done by the State Planning Commission on the basis of productive potential (including financial resources, material resources, and manpower), the needs of the people, and the policy governing the development of the socialist economy. According to the statute governing the organization and functions of the State Planning Commission, national economic development plans must aim at balanced development, with various branches of the economy being assigned such proportions that will strengthen the socialist system. Close coordination among the various branches of the socialist economy must be maintained. Production must increase in accord with increase in consumption. The supply of capital must be in harmony with the supply of materials. The various balance sheets are used by planners to effect a coordination among the various branches and to ensure the conditions requisite for socialist reproduction. By means of these balances, correlations among the productive activities of geographical regions and among the branches of the economy are achieved. Moreover, these balances determine the kinds of products needed to fulfill the goals set by the plan allot the respective shares to be provided by related industries, and bring bottlenecks to light. Once the plan is enacted, it becomes the law of the land. All branches of the economy must conduct their productive activity according to the plan.

In a society where the means of production have been socialized and where the purpose of production is to satisfy the material and cultural needs of the society, economic planning is not only possible but necessary. In the people's democracies, because the working class and the state-owned socialist sector of the economy are in a leading position, it is therefore possible for them to have some sort of economic planning.

In order to develop China's industry and agriculture and to raise the living standard of the Chinese people at a rapid pace, we must allot material resources and manpower in a systematic and planned manner among the various economic branches so that the latter may make rational use of the resources and attain maximum results. In order to achieve this goal, we must have well formulated plans for the development of the entire economy.

Potential of Enterprises

The potential of enterprises includes, in the main, the potentials of labor, machinery, capital, and that of materials. In the enterprise, attention must be given to ensuring that in the production process there is a close connection between the various elements of production, that these elements of production are rationally utilized, and that the quantity and quality of products can still be improved. All these matters are concerned with the problem of utilizing the potentialities of an enterprise to the full. Full utilization of potential is an important factor for increasing production and savings. For instance, if a factory management discourages its workers from exerting a positive spirit and a creative attitude in production through using bureaucratic methods or failing to improve the workers' welfare, it should be considered as having failed to make full use of its productive potentials. The same criticism may be laid against those factories which have failed to improve their management or production methods.

Supervisory Work of the Financial Agencies

In order to consolidate the achievements of the Three-Anti's Movement and to continue the drive against corruption, waste, and bureaucratism as necessitated by the forthcoming economic construction work, the Administrative Council of the Central People's Government, on 27 December 1952, issued a decree concerning the establishment of supervisory departments by the financial agencies of state enterprises and the financial agencies of the people's governments on levels higher than provinces and municipalities. The functions of the supervisory departments of the financial agencies are as follows:

(1) To supervise and inspect the respective agencies and their subordinate agencies with regard to faithful execution of the policies, laws, decrees, plans, decisions, and orders of the state.

(2) To supervise and inspect the respective agencies and their subordinate agencies with regard to their capital construction programs, their efforts to increase production and savings, their business accounting system, their utilization of capital, their industrial safety measures, their democratic administration system, their financial management, their efforts to acquire the advanced experience of others, and their system of encouraging workers to make suggestions on rationalization problems. At the same time supervisory departments of the financial agencies of the people's governments on the various levels may check on the financial activities of other agencies that are not subordinate to them.

(3) To initiate disciplinary action against those officials who have failed to display a positive and enthusiastic spirit in the discharge of their duties, who are outwardly obedient but inwardly disobedient, who are corrupt, who are extravagant in using public property, and whose methods are bureaucratic; to support and recommend for awards those officials who have excellent records of service and who have strived to save their agencies from disasters.

(4) To receive complaints and reports from workers, employees, citizens, and social organizations about illegal activities or dereliction of duty on the part of any agency, its officials, and subordinate agencies.

(5) To direct the activities of the people's voluntary informants.

(6) To organize and teach the blue- and white-collar workers of their respective agencies to do financial supervisory work.

(7) To carry out orders issued by superior agencies in the hierarchy of supervisory bodies and by the heads of the agencies to which the supervisory departments are attached.

Policy on Housing in Urban Areas

Housing in urban areas is an economic good. Private ownership of houses in urban areas is, in the main, not feudalistic but capitalist. During the period of the New Democracy, this kind of capitalist ownership of housing is accorded the same protection as any other private capital not owned by bureaucratic capitalists. The leasing of housing is a special form of capital lending. Speaking of house rent in the purest sense (that is, rent land is excluded), Marx says: "it is the interest and reward for the capital invested in a house" (See Capital, Vol III, Chapter 46, p. 661). Discussing interest-bearing capital, Marx pointed out that on the basis of the nature of the use-value of houses, they can be lent out only as fixed capital (that is at lease). He described the lease process in the following words: "The lender (the landlord in the case of a house -- author's note) will receive interest periodically and part of the fixed capital he has expended in order to compensate for the depreciation of the house. But at the end of the lease term, the consumed part of the fixed capital will be returned in its natural form" (Ibid, Chapter 21, pages 27-271).

Since leasing private housing is a special form of capital lending, it, like all other kinds of capital lending, cannot constitute a production process in any form. It has rather a special status in those societies where class antagonism is pronounced. Thus the collection of rent by private landlords differs from case to case. It is not permissible to make a generalization as to the nature of this exploitation. We must take into account in what society and under what conditions individual houses are leased. We also must consider the relations between a given landlord and a given tenant and whether the rent in a given case is too high. We must also see whether there is any compulsion involved in signing the lease. Prior to the liberation, the exploitation of tenants by landlords in leasing housing under the semi-feudal and semi-colonial society had the following features: (1) Capitalist exploitation -- In the main, landlords were in an equal

position in signing leases with their tenants. The contracts contained provisions freely and voluntarily agreed upon by both the landlords and the tenants. Rates of rent conformed in the main to the average rate of profit prevailing at the time. Such rents may be regarded as capitalist exploitation. (2) Feudalist and bureaucratic capitalist exploitation -- In the cities where the Kuomintang reactionary clique ruled, a few bureaucratic capitalists and despots acquired numerous houses through political influence and extorted high rents from the tenants. Nor is this all. Time and again, they collaborated with local governments in jailing and beating poor tenants who could not accede to their ever-increasing demands. Such rent is a special form of usury and may be regarded as feudalist exploitation.

The Communist Party of China and the People's Government will be guided by the following principles in formulating their policy toward urban housing, urban land, and urban rents: (1) The private ownership of housing is to be protected and the illegal use of private housing by government agencies, public organizations, and individual citizens is prohibited. But housing formerly owned by bureaucratic capitalists will be requisitioned upon the completion of investigation and housing formerly owned by war criminals and notorious counter-revolutionaries will be confiscated by the state once their cases have been decided by the government in accordance with the law. (2) Leasing of private housing is permitted and the lease contracts are made by the landlords and tenants concerned according to their free will. Rents should be neither too high nor too low. Generally, after depreciation charges and maintenance fees have been deducted from the rent, the remainder, or the landlord's profit, shall be on the same level as the average prevailing profit rate. Speculation in real estate in urban areas is prohibited. (3) Both landlords and tenants shall abide by the contracts they sign. During the term of a lease, the landlord must perform the necessary repairs as stipulated in the contract and shall not raise the rent at will or force tenants to move out. On the other hand, tenants must pay their rent on time and shall not deliberately delay payment. Tenants must also take good care of the fixtures in the house. In case of dispute, landlords and tenants shall seek to solve the problem in a spirit of conciliation. Failing that they shall seek arbitration by the People's Government or one of the parties may ask the people's courts to handle the case. The People's Government has the right to ask landlords in urban areas to make necessary repairs and prevent owners from damaging houses at will or allowing houses to become unfit for use. The government shall tax houses and land owned by private persons in urban areas at a progressive rate.

Geographic Allocation of Economic-Construction Projects

Geographic allocation of economic-construction projects means the allocation of new mines, railroads, highways, water conservation projects and so on among the various regions and localities of the nation. According to Soviet experience in geographic allocation of construction projects, the following factors are to be considered: (1) national defense; (2) economic considerations -- new factories are situated near the natural resources and materials they need; producing areas must be near consuming areas in order to avoid long-distance haulage and transport expenses; and (3) maintenance of a balanced development of economic activity over the country.

Winter-Training Program for Capital-Construction Workers

Winter-training programs for capital-construction workers are designed to use the leisure time of the workers during winter to improve their political consciousness and professional qualifications. At the same time they serve to discover qualified capital-construction cadres.

Winter-training comprises both political and technical education. Political education is primarily designed to awaken workers' class consciousness and to develop a sense of duty. The workers are asked to discuss: (1) the great achievements made by the new China under the leadership of the Communist Party and the working class, the outlook for the nation's industrialization and the building of socialist and communist society; (2) labor organizations, labor discipline, production contests, and the necessity of studying the advanced production experience of the Soviet Union; (3) state wage and labor-insurance policy, industrial safety, and the principles of democratic management; (4) the importance of strengthening the leadership of the Communist Party, the trade unions, and the Youth Corps during the course of the national construction; and (5) ideological reform of workers and their impact production in the light of the conditions of the old and the new societies.

Technical education takes the following lines: (1) making conclusions about the advanced experience gained in the capital-construction work; (2) instructing workers on the labor regulations; and (3) teaching workers about how to attain the required technical standards. Technical education should not be confined to civil engineering. Equal attention should be given to electrical, mechanical, and hydraulic workers. Thus China may have sufficient technicians for undertaking modern construction work.

The leadership offered by local party organizations, local capital-construction trade unions, and local organizations of the Youth Corps is a determining factor in the success or failure of the winter training program.

Capital-Construction Prefabricating Plants

Doing much of the construction work in special prefabricating plants is one of the characteristics of capital-construction in the Soviet Union. Under this system, all movable items of a capital-construction project are prefabricated in special plants. In accordance with the time schedule, these finished and semifinished items are brought to the construction site for installation and use, thus cutting down the volume of work done at the site itself and guaranteeing the quality of the work. Prefabricating construction items at special plants is one of the requisites for converting small and scattered production into concentrated and mass production. This system was adopted by the state-owned Anshan Steel Corporation in 1952 when it started building a large-scale die casting mill and a steel pipe mill. For building these two factories, it first established five prefab factories to handle concrete work, wooden forms, plumbing work, and toilet fixtures, respectively. Since 1952 (only 5 months in all), these prefab factories have mixed more than 70,000 cubic meters of concrete and installed 130,000 square meters of mouldboard, more than 5,000 tons of steel girders, nearly

10,000 tons of steel beams and scaffolding, and installed over 30,000 meters of water and sewerage pipes. This work conformed fully to prescribed norms. They have done in 5 months what would have taken 2 years to complete in the past.

Design Work by Foreign Experts

In order to enable foreign specialists to do their design work well, the agencies in charge of construction projects must give attention to several things.

(1) They must supply the foreign designers well-prepared memorandums describing the nature and scope of the objects to be designed. If the memorandums are not carefully prepared, the foreign designers may find it difficult to do their work satisfactorily. A well-prepared memorandum should include the following items: (A) All the items to be designed must be included, dates for the completion of these designs must be set in accordance with the state construction plan, and the priority of the designs. (B) Upon receipt of preliminary and technical drawings, steps must be taken to review and approve them. (C) When the designs are approved, the agencies shall ask the designers for the related charts, catalogues of charts, and other reference data. At the same time, the agencies shall make plans for obtaining building supplies from domestic or foreign suppliers and shall establish the order according to which the various drawings shall be submitted by the foreign designers.

(2) They must understand the needs of the foreign designers and take steps to meet these needs. Supplying correct data on the project to the foreign designers is extremely important, for without correct data, the designers cannot do a good job.

(3) They must be ready to use the drawings when they arrive. According to the experience of the An-shan Steel Corporation, when the drawings arrive, the following must be done immediately: (A) Translate the drawings and documents. Translation shall be done as early as possible. During the translation process, not only must the language be checked carefully, but also technical problems. (B) The drawings and documents must be examined by experts. Under ordinary circumstances, architects of Soviet design institutions stationed in China usually bring the drawings to the construction site for an on-the-spot check. But we should also check the drawings further in order to make sure there will be no trouble once actual construction is begun. (C) Special personnel should be assigned to study the drawings with a view to understanding their specific features. Thus during the process of actual construction, these men may help solve problems that may arise from time to time. (D) All drawings and documents should be made available to the construction workers before they begin their work. (E) In accordance with the construction plans, steps must be taken to ensure that sufficient building materials and building equipment are on hand in due time. Records should be kept as to the sources and arrival of such equipment and materials. Consumption of them must also be checked from time to time. Experience teaches us that the preliminary design, technical plan, and working drawings largely determine the amounts and quality of building materials and equipment needed, so that the officials in charge of construction projects must become familiar with these documents. (F) Special personnel must be

assigned to the construction site to see that the workers follow the drawings. In case of doubt, they may help the workers read the drawings. At the same time, this presents an excellent opportunity for Chinese technicians to learn design work.

Improving Statistical Work

In view of the fact that large-scale economic construction will begin soon, the Central People's Government has decided to improve the statistical work of the government agencies and state enterprises by establishing a uniform statistical system throughout the country. For one thing, the government wishes to be in a better position to supervise the economic construction through statistics. On 8 January 1953, the Administrative Council promulgated its "Decisions Relating to Improving Statistical Agencies and Statistical Work." This document emphatically points out that the Central People's Government shall establish a State Statistical Bureau, the people's governments on the various levels and the economic organizations shall improve their statistical work according to their needs and shall develop a uniform statistical system in accordance with the regulations to be issued by the State Statistical Bureau. The document contains the following specific provisions:

- (1) The State Statistical Bureau is the directing body of all state statistical agencies. Statistics on financial, economic, cultural, educational, sanitation, and social activities must be compiled under the supreme direction of the State Statistical Bureau. All local governments and state and private enterprises must handle their statistical work in accordance with the regulations laid down by the State Statistical Bureau. This applies to statistical methods and statistical forms. Of course, important matters in this regard must be approved by the State Planning Commission. Those agencies which fail to use the standard statistical forms or fill out the forms properly shall be subject to disciplinary action. Those who falsify reports or furnish false data shall be regarded as disloyal to the state and as such must be severely punished.
- (2) Statistical agencies of the governments of the greater administrative districts, the provinces, the municipalities, the administrative inspectorates, and of the hsien shall regulate their statistical work in accordance with the instructions and regulations issued by the State Statistical Bureau. At the same time they shall direct and supervise the activities of their subordinate agencies. Apart from handling matters assigned by the State Statistical Bureau, local-government statistical agencies may, with the approval of their superior agencies, conduct statistical work of a local nature.
- (3) In order to implement the regulations and plans regarding statistics issued by the State Statistical Bureau, the governments of the greater administrative districts, the provinces, the administrative inspectors, and the hsien shall quickly establish or expand their statistical agencies. The greater administrative districts and provinces (also municipalities) shall establish statistics bureaus and the various officers of administrative inspectorates and hsien shall establish statistics sections. These bureaus or sections will be placed under the respective people's governments. If a local People's Government has

a committee on financial and economic affairs, the statistical bureau or section shall be placed under the supervision of that committee. By the first quarter of 1953 all statistical agencies above the provincial and municipal levels shall have been expanded and those in the offices of administrative inspectorates and hsien governments shall have been established in order to undertake statistical work assigned by the State Statistical Bureau and local governments.

(4) Economic agencies under the jurisdiction of the various local governments shall, in accordance with the regulations of the State Statistical Bureau, submit statistical data to the statistical agencies of the respective local people's governments. These agencies may also submit supplementary statistical reports with the approval of the State Statistical Bureau and respective local statistical agencies if their activities warrant such reports. It is quite obvious that the statistical agencies must be expanded and their personnel must be well trained in order to discharge their duties. This is especially true with regard to local governments on the lower levels.

(5) The State Statistical Bureau shall work out, with the least possible delay, statistical-report forms so that the local and enterprise statistical agencies may begin to use such uniform forms at an earlier date. The State Statistical Bureau shall also review the currently used statistical report forms with a view to determining whether they are overlapping or obsolete.

(6) Distribution of existing statisticians and training of new ones are important tasks at the present time in connection with improving statistical work. Agencies of the central and provincial governments shall immediately take measures to expand the personnel of their statistical agencies and to draw up plans for training statistics cadres. Care must be taken that statistical cadres shall be politically free from reproach.

(7) In order to keep state secrets, statistical agencies on the various levels shall place departments or officials in charge of confidential matters. All statistical workers are strictly obligated to keep state secrets.

Price Index

The price index is a statistical device used to show the path of price fluctuations in percentage terms. Those percentage figures which show the price movement of individual commodities are called "single index numbers of price." Single index numbers represent a comparison between the current prices of given commodities and their prices in the base period. Suppose the average price per catty of rice in December 1949 was 450 yuan and the average price in December 1950 was 675 yuan, then if we take the former price as the base price, the price during the latter period will be as follows in percentage comparison with the base price:

$$\frac{675}{450} \times 100 = 150\%$$

Price index numbers represent the average prices of all commodities in percentage terms are called "general index numbers of price." General index numbers show the movement of average prices of all commodities. Price index numbers usually mean general index numbers of price.

Production Practice

Production practice is part of the curriculum of the People's University of China. The production-practice system in the People's University of China differs, on the one hand, from what is commonly called sight-seeing, and on the other from simple manual training under the capitalist system. Production practice is aimed at giving students opportunities to apply and personally test the theories that they have learned in their special fields. The system wherein through practice one tests the theories that one has learned in classrooms and wherein from practice one enriches one's knowledge is based upon dialectic materialism and historical materialism. Chairman Mao says: "Marxists believe that human beings can recognize the external world only through testing their theories in actual practice in society. Only through practice (such as the process of material production, the process of class struggle, and the process of scientific experiment) can human beings prove the correctness of their knowledge (See Mao Tse-tung Hsuan-chi [Selected Works of Mao Tse-tung], Vol 1, page 283). Stalin also says: "All scientific principles are tested and proved by practice and experience. If science is completely divorced from practice and experience, what kind of science can it be? If science is really like some of our conservative comrades have described it, would not science have become useless to human beings a long time ago?" (Speech Delivered at the First All-Union Conference of Stakhanovites). For this reason and on the basis of the experience in higher education in the Soviet Union, the People's University of China requires that all students participate in production practice after having taken certain courses in their special fields. The first production practice begins after the second or third academic year. The second production practice begins upon graduation (See Chi Hua-min, Chung-Kuo Jen-min Ta-hsueh Hsueh-sheng Ti Sheng-ch'an Shih-hsi [Production Practice of the Students of the People's University of China]).

Economic-Construction Engineers

Economic-construction engineers are specialists of the various branches of the national economy. In the Soviet Union there are three colleges training economic-construction engineers -- the Moscow Economic Construction College imeni Uchovkenney, the Stalingrad Economic Construction College, and the Karkhov Economic Construction College. Apart from these independent colleges, some twenty-five economic-construction departments are attached to higher technical schools. Economic-construction education of the Soviet Union began only after the October Revolution. At that time industrial and transportation facilities had already been nationalized and every enterprise required personnel who could understand scientific management and economic planning. Economic-construction colleges and departments are designed to train industrial organizers and planners for enterprises and productive units. Their graduates emerge with a knowledge of economics and technology.

Special training is given students desiring to work in special economic-construction fields. For instance, the nine departments of the Moscow Economic Construction College (Department of Civil Engineering, Department of Machine-Building, Department of Aviation, Department of Power, Department of Motor Transportation, Department of Chemistry, Department of Public Finance, Department of Metallurgy, and Department of Municipal Economy) are designed to train economic-construction engineers for these nine specialized fields. The curriculum of the economic-construction colleges include the following subjects: Fundamental political and economic knowledge of Marxism and Leninism, physics, chemistry, mathematics, dynamics, mechanical drawing, cartography, economic geography, economics of the special industry, statistics, foreign languages, production organization and planning, management and planning of enterprises and factories, transport administration, warehouse administration, cost accounting, business supervision, financial planning of technical industries, and so on. In addition to these, each department adds special courses for special knowledge. All courses listed must be taken by all students of the colleges. The school term is 5 years.

Book-Distribution Planning and Subscription Orders

Book distribution planning and subscription orders are designed to eliminate the aimlessness in the publishing and distributing houses, to adjust demand and supply on the book markets, to publish books in demand by the state and the people, to distribute books to people who need them most, and to satisfy the cultural needs of the society to the maximum extent with the available publishing facilities.

Beginning from 1 January 1953 a planned distribution system shall be applied to all newspapers and journals sold on the open market. The subscription rates and the volumes of circulation of newspapers and journals shall be determined by the Administration of Publication and local agencies in charge of publication affairs in the light of the demand for the respective publications by the state and by the people and in consideration of the current conditions of the publishing houses after consultation with the Ministry of Posts and Telecommunications. After having obtained permits from the Administration of Publications, publishers may approach local post and telecommunications offices for signing long term contracts for the distribution of their publications. Such contracts shall run for at least one year. Beginning from 1 January 1953, local post and telecommunications offices will inaugurate a subscription system so that readers may give their orders in advance. Government organizations, the armed forces, public organizations, state enterprises, and public schools shall subscribe to periodicals and newspapers at least on a quarterly basis. The period of private subscriptions to newspapers shall not be less than one month, and that to periodicals shall not be less than one quarter.

Planned distribution of publications and subscription orders are interlocked. Planned distribution is aimed at achieving a rational system of publishing and distributing books and journals, and the subscription system is a means to this end.

- E N D -