

THE POLITICS AND ECONOMICS OF COMMUNIST CHINA

At the centre of Chinese affairs lies a profound paradox. China is governed, with unquestioned authority, by the most dogmatic Marxians in the world—Russian communists, to them, are weak-kneed backsliders. The central principle of Marxian doctrine, to which they adhere with religious intensity of conviction, is the Materialist Conception of History—the doctrine that changes in the methods of production, and in the relationships between economic classes, peasants, wage earners, and capitalists, determine the whole course of politics, culture, religion, everything else in human affairs.

But in their actions the rulers of China have shown themselves fanatically concerned to demonstrate the exact opposite, namely the belief that political decision and agitation, backed by sufficient force, will enable them to over-ride all the facts of economics.

The founders of Soviet Communism (including Stalin, the one-time student of theology) were men of considerable education, who had travelled widely in other countries; and so both the state and the doctrine which they founded had some flexibility—at least until Stalin put everything in a rigid

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strait-jacket. In China it has been quite otherwise. The Communist leaders have been uneducated men, albeit often of great ability and capacity for leadership, many of whom spent their early lives as guerilla soldiers. Most of them have spent little if any time outside China, even in Russia. The principal exceptions were a limited number (of whom Chou En-lai was one) who received scholarships which enabled them to go to French universities during the 1920's. Nominally they went to study other subjects; but it was there that they received their basic education in Communism. This French education, far from making the Chinese more flexible, made them less so. The Communism taught in France at that time was of the most dogmatic and violent kind.

So China found herself governed by a group of extremely narrow-minded, dogmatic, arrogant men, who believed that they could do anything. Stalin was their model, a materialist so obsessed with steel that he changed his name to it; who allowed almost no limits to his hatred for and oppression of the peasants, who represented a somewhat independent element in Russian economic life; who ended his days thinking up the "Stalin Plan to Transform Nature" by altering the Russian climate. The post-1953 rulers of Soviet Russia appear to the Chinese treacherous and decadent representatives of the Communist cause.

Having come into power in 1949, the Chinese Communists prepared Five-Year Plans in 1952 and in 1957, which were comparatively realistic. Early in 1958, however, two significant events occurred. Indications pointed to a harvest better than usual; and secondly, it appears, there developed a growing feeling of impatience with China's Russian advisers, who in this post-Stalin period had been paying more attention to economic and technical facts than to political programmes. These events touched off what can only be described as a wave of collective insanity among China's arrogant and all-powerful rulers. The policy of the "Great Leap Forward" was proclaimed. The Five-Year Plan, adopted only a few months earlier, was abruptly discarded. The harvest, it was announced, was to be doubled within a year. Over fifty million rural workers, whose labour, it was believed, was not required in agriculture, were

to be transferred to the construction of public works, and to the production of steel (a commodity of religious significance to communists) in home-made rural blast furnaces.

In the Chinese Government service, even more than in most communist bureaucracies, no official can afford to be accused of political unreliability. Before long, statistical reports began to come in, showing that the harvest, which had been 185 million tons in 1957, had risen to 375 million tons in 1958. It was not surprising that the subordinate officials of the Chinese Communist Government should behave in this way. What was surprising and saddening, however, was that so many western economists and statesmen appear to have believed them. Just as these figures were receiving wide credence, however, the Chinese Government very unkindly pulled the rug out from under its admirers by announcing that the harvest was not 375 million tons at all, but 250 million, putting the blame for the discrepancy on lack of statistical expertise on the part of junior officials. They also discounted the high figures originally claimed for steel production. A large part of the product, much of which was remelted scrap, had proved, they said, to be of such poor quality as to be unusable.¹

¹ "The relationship between statistics and investigation-study at the present stage of socialism in our country is basically different from that in the capitalist countries. The scientific character of our statistics has been built on the foundation of Marxist-Leninist scientific theories and on the foundation of Comrade Mao Tse-tung's ideas of investigation and study. Naturally, in our statistical work there is yet evidence of non-conformity with Comrade Mao's ideas, and this calls for exerting ourselves 100-fold to study and raise the standard of our theoretical and practical work of statistics. Those who unduly emphasise the distinction between statistics and investigation-study, overstress the peculiarities of statistics or even stand statistics in opposition to investigation-study are all in the wrong. The reason is that they may, on the pretext that statistical work is of a special character, basically refute Comrade Mao Tse-tung's ideas on investigation-study and refuse to implement them in our statistical work. We should and must, in the course of our statistical work, give effect to Comrade Mao's ideas on investigation-study, which consist of Party leadership, proceeding from reality and requirements, seeking truth from facts, the class viewpoint, the mass viewpoint, methods of analysing contradictions and investigation into typical cases. Only thus can statistical work be successfully carried out and can the theoretical and research work as well as practical work of statistics be pushed forward to a new peak." (Professor Li Tzu-Ch'iang, of the Hopei Institute of Finance and Economics, *Kuan-ming-jib-pao* 24 July 1961.) So far as any meaning can be extracted from the appalling verbiage, it appears to be that Chinese statistics must mean what Mao Tse-tung requires them to mean. In Soviet Russia there have been some attempts

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Not content with revolutionising grain and steel production in a single year, the Chinese Government also decreed as part of the "Great Leap Forward"—and this afforded them another opportunity of showing the Russians that they were the true Communists—that all the people of China, within one year, were to be assembled, as pure Communist doctrine provides, into "Communes." Within a few months, the familiar reports began to come in to the effect that the task was "99 % completed." All property was communized; families were forbidden to live together; married couples were only allowed to meet each other once a month, and had to live the rest of their time in communal dormitories and mess halls. Once again, it is sad to see how readily these extraordinary stories were believed by western journalists. The mere task of physically constructing communal dormitories and mess halls in every village in China would have been almost inconceivable during a decade, let alone in a few months. Apart from one or two show places, these facilities never existed, except on paper. However, many farmers were dispossessed of land and livestock.

The Chinese do not, as is sometimes supposed, subsist entirely on rice. Geographers can in fact demarcate the country fairly precisely into climatic zones, with rice as the staple crop in the south, but wheat or coarse grains in the more northerly regions. Of the harvests, the necessary amount has to be saved for seed, and only a very small amount for animal fodder. There are few working animals in China, meat of any kind is a great rarity, and dairy produce almost unknown. Potatoes, of the European type, or sweet potatoes, have been little eaten in China (though their consumption has recently increased). In Chinese official statistics, a ton of potatoes is reckoned as the equivalent of a quarter ton of grain (though on their real nutritive value for hungry people, they should be reckoned at only about one-sixth of a ton). Cereals and pulses available for

to distort or suppress statistical information. But the Soviet statisticians have a long tradition of statistical expertise behind them, and also are more aware that the figures which they publish may be subject to criticism and checking in the outside world. Not so the Chinese. They publish whatever figure appears useful at the time, however false it may be. After all, in Communist doctrine, objective truth is a "Bourgeois concept." Consequently any checking of their figures by outside statisticians causes them greater embarrassment.

consumption in China (including the cereal equivalent of a comparatively small quantity of potatoes) in 1957 stood at about the same level per head of population as they had in the 1930s, namely some 700 grammes per person per day, unmilled weight. (The milling of the rice removes at least 25 % of its weight, even if the rice is to be eaten brown and not polished; the milling of the other grains will remove 10 %-15 %, if they are to be eaten Chinese style.) This was, together with some consumption of vegetables, and very small amounts of meat and fish, a physiologically adequate diet, though without much margin to spare, for China taken as a whole. It is clear that even so, in particular areas in any one year, there were probably serious shortages.

The year 1958 was clearly one of exceptionally good weather—it may indeed have been the prospect of an unusually good harvest which provoked some of the insane proceedings of the “Year of the Great Leap Forward.” After the extraordinary official claims and their subsequent withdrawal, the last published official figure nevertheless claimed that the harvest had increased by 40 per cent over that of 1957. The best estimates by outside observers indicate an increase of 25 per cent only. In the subsequent years there were heavy declines officially attributed to the weather. The worst year appears to have been 1961, in which harvests were probably 10 per cent below those of 1957, or supplies 6 per cent below 1957, if imports are taken into account, to feed a population 6 per cent larger, or 12 per cent drop in per head supplies, from a level already close to the minimum of subsistence. It is probably the case that, even if there have not been large numbers of direct deaths from hunger, nevertheless resistance to illnesses of all kinds must have been greatly reduced, with consequent mortality much above average level. It is quite probable that population growth in fact has virtually ceased during recent years.

It appears to be impossible to obtain independent external evidence as to whether China has in fact been suffering from exceptionally bad weather conditions ever since 1958. Such meteorological information as can be collected is now apparently treated, as in wartime, as an important military secret. But on the face of it, it seems very unlikely that there has been

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a continuous run of bad weather. Forcible collectivisation may be expected to lead to reduced output—just as it did in Stalin's Russia.

In addition, there appear to have been serious losses in harvesting and storage under the collectives, where "everybody's business is nobody's business," in unfavourable contrast with the careful methods of the former individual peasant land holders, who tolerated no waste.

The harvest was supplemented in 1961 by 6 ½ million tons of imported grain (from Canada, Australia and France) at a cost (including transport) of \$ 360 million, a tremendous charge upon China's very limited resources of foreign currency, and by further smaller quantities of imports. There is this to be said for the Chinese Government, that by a system of rationing it has endeavoured to spread the hunger uniformly over the country, instead of allowing devastating famines to occur in the most afflicted provinces, which was what Stalin did under analogous circumstances.

The Chinese people are not only hungry in body but disillusioned in mind and, under these conditions, industrial productivity has suffered as much as agriculture. Recently there has been a considerable retreat from the principle of agricultural collectives, which have been replaced by much smaller units, "production brigades," each of which is allowed to retain the produce of its own labour and—a more important concession—peasants are again allowed small individual plots for vegetables and livestock.

The most serious consequence of the "Great Leap Forward" was that Chinese agriculture—paradoxical though this may seem, in a country of such huge population—suffered from an acute labour shortage. Mao Tse-tung made a fundamental error regarding the agricultural economics of his own country—never has a mistake in agricultural economics had more serious consequence. He believed—and put into writing, in his book *Socialist Upsurge*—that about one-third of the potential labour hours of the Chinese peasants were unoccupied. This is approximately true in India, and Mao may have got his idea from there. But the Indian peasant, compared with the Chinese, is technically advanced. At least, he has an ox-plough. Most

of the agricultural work in China still has to be done by hand. Let alone tractors—even draft animals are not available under these circumstances—it requires a rural population of over 500 million to cultivate a country the size of China; and that their four or five acres occupy all the labour which a farm family can supply, except perhaps during the months of January and February (as Buck's researches made clear, if Mao had had the time and inclination to read them).

Some two-fifths of the land in China (according to official figures) is double-cropped. In those summer months when the first crop is being harvested while the second crop is also being planted in the cool of the evening (as indicated by the Chinese proverb "In the morning yellow, in the evening green") every available hand is needed. Mao ought to have known this. He was certainly warned about it by Ma Yin-Chu, the independent-minded Rector of Peking University.²

We cannot hope to understand the Chinese mind unless we try to see ourselves as they see us, which requires us to go back into Chinese history. We have to make a real effort to understand the point of view of the Chinese, which is that their own country is the real centre of the world, and that the people of Europe and North America (Russians not excepted) are upstart barbarians, who through the accidental possession of military and industrial technology secured a temporary predominance over China during the past century, but who will shortly again be put in their place, with China resuming its rightful position as the centre of the world. This view has probably been intensified rather than diminished by their conversion to Communism.

That China's misery and poverty might be in any sense her own fault was a doctrine too unpleasant to be entertained. The fault must lie elsewhere: with the "imperialists and colonialists" obviously. China is not the only country which thinks this way. In China's case, it is a partial truth.

In the year 1792 King George III of Great Britain (who still gets a bad press in the United States), seeking to secure some protection for the few British merchants who were attempting to trade with China at that time, sent an Ambassador

² I am indebted to Dr. K. Walker of London University for these references.

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to the Emperor of China to propose the establishment of diplomatic relations. China at that time was ruled, in profound peace and prosperity, by the philosopher-Emperor Chien Tung, who turned down the proposal, sending a dignified but condescending message³ in reply:

“You, O King, live beyond the bounds of many seas . . . Even if your Envoy were able to acquire the rudiments of our civilization, you could not possibly transplant our manners and customs to your alien soil . . . If I have commanded that the tribute offerings sent by you, O King, are to be accepted, this was solely in consideration for the spirit which prompted you to despatch them from afar.”

Following a long turbulent period, China had secured order and stable government with the establishment of the Manchu Dynasty in the late 17th century. This ordered and peaceful, if unprogressive, society was shattered by forcible incursion from the west, for which Britain was primarily responsible. Even though King George III had failed to secure diplomatic protection for them, British merchants from India continued to trade with China. But the goods which they had to offer all proved slow sellers in the Chinese market until they discovered, about the end of the 18th century, that opium (grown in India) commanded an extremely ready sale among the Chinese. Soon a dispute arose which led to war.

The “Opium War” of 1839-42 still lies heavily on the British conscience. There was, however, something to be said on both sides. There is no doubt that opium is a most dangerous habit-forming drug. At the same time, there was a legitimate use for it. Chinese physicians used to prescribe it in small doses (as also did American and European doctors in those pre-anaesthetic days) for the relief of pain. Chinese officials, so long as they got their “cut,” collaborated with British merchants in its illegal distribution; and the Chinese Government was finally moved to action, not through fear of the spread of drug-addiction, but through concern at the net outflow of silver currency from the country, which had followed the growth of

³ Quoted in A. F. Whyte, *China and Foreign Powers* (London, 1927).

the opium trade. They sent to Canton a sternly upright official, Lin Tze-su who, refusing all bribes, burnt the huge stocks of opium stored there, and demanded the permanent suppression of the trade. On the issue the British Government went to war. Against large sailing ships, cannon balls and muskets the Chinese were powerless, and in 1842 they were compelled to sign a treaty ceding Hong Kong as a British colony (which it remains to this day), opening up other ports to trade, and permitting the entry of Christian missionaries. The Chinese Government also undertook to stop using the word "barbarians" to describe Europeans—in official documents at any rate.

This treaty was uneasily observed; and was followed by a further armed intervention by British and French forces in 1860, and the establishment of further "settlements," outside Chinese sovereignty and governed by foreigners, including the large "International Settlement" in Shanghai, in which the United States took part. In 1895, Japan, already a strong naval power, made an unprovoked attack on China, seizing Formosa, and displacing Chinese influence in Korea. In the "Boxer Campaign" of 1900-1901, an anti-foreign uprising was suppressed by an international force which included contingents from all the leading powers.

While the United States was associated with these actions, it must be added that American statesmen of those days, particularly Secretary of State John Hay, made considerable efforts to preserve what they called "the open door" in China, as against the ideas of the European powers for the demarcation of economic spheres of influence, or even outright annexation. In 1915 Japan took advantage of the pre-occupation of the European powers with the First World War to serve on China the "Twenty-one Demands," which would have added up to an almost outright annexation of the province of Shantung. It was largely through American influence that Japan was impeded from pressing these demands.

But this political history, some readers may be saying, is beside the point. Surely the important thing about China, overshadowing everything else, is the tremendous population pressure to which the country has been subjected?

It is true that large areas of China are very densely popu-

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lated, though not so densely populated as Japan, or some parts of Indonesia or Vietnam. But this only applies to the good-rainfall areas. It was pointed out in the 1920's by the American agricultural economist O. E. Baker, an outstandingly original thinker, that very large areas in Western China with a Colorado-type climate (i. e., rainfall usually adequate for crops, but with some risk of drought), which in the hands of American or Australian farmers would be yielding large crops, in China remain uncultivated, and inhabited only by a few nomadic herdsmen. The American farmer in such areas has sufficient financial reserves to face the risk of an occasional drought year. The Chinese peasant does not; one harvest failure, and he starves. So settlement has to be confined to areas where the rainfall is a virtual certainty.

The Malthusian doctrine about the tendency of population always to multiply up to the limits of the capacity to produce food cannot even be stated precisely, let alone proved, because the capacity to produce food is itself so variable. If China used the methods of Japanese rice growers (who use a great deal of fertilizer and obtain substantially higher yields per acre) in the high rainfall areas, and of American prairie farmers in the drier areas, the country's capacity to produce food could be very greatly increased.

China has longer and more complete historical population records than any other country.⁴

This history of Chinese population, so far from showing a persistent pressure against limited means of subsistence, as the Malthusian theory supposes, in fact shows violent ups and downs, around a level far below that of the numbers which the country was capable of feeding, the falls being due to recurring periods of war and social disorder. It was not until the long period of stability under the Manchu Emperors that Chinese population grew up to anything like the limit of the agricultural capacity of the country, even with the present unsatisfactory agricultural methods.

⁴ The best modern summaries of this interesting information are to be found in Ping-ti Ho, *Studies on the Population of China 1368-1953*, Harvard University Press, 1959; Durand, *Population Studies*, March 1960; Usher, *Geographical Review*, January 1930.

Under the First Han Dynasty, ruling at the beginning of the Christian era, the population of China (on a smaller territory than now) was 71 million. Then followed a violent period of war and disorder. The population in A.D. 88, under the Second Han Dynasty, was estimated at only 43 millions, and still stood at about the same level when another great period of Chinese history opened with the T'ang Dynasty at the beginning of the eighth century A.D. A long period of comparative peace, accompanied by an important technical improvement, namely the discovery of an early-ripening rice, which was widely disseminated after A.D. 1000, brought the population up to 123 million at the beginning of the 13th century. Then followed the fearful disasters of the Tartar invasions, and at the end of the fourteenth century the population was down to 65 million again. By the year 1600 it had risen to 150 million, to be followed by another period of disorder, which again brought it down. The low point, according to Harvard's Professor Ho was at about 1683, the date of the firm establishment all over China of the rule of the Manchu Emperors. (It is an interesting parallel, that the real growth of India's population did not begin until the firm establishment of British rule in the late 18th and early 19th centuries.)

Throughout the 18th century, and to a rather less extent in the early 19th century, China shows evidence of steady population growth, and also of real economic improvement. By 1850 the population was 340 million. Chien Lung's successors were not good rulers—though even if they had been, they would probably still have found it difficult to stand up against European aggression. Internal disorder began to spread. After the collapse of national morale following the Opium War, China, in 1850 and the years following, was devastated by a religious war, the T'ai P'ing Rebellion, under a leader who taught a sort of parody of Christianity (in this respect bearing an extraordinary resemblance to the Mau Mau movement in East Africa in our time or, for that matter, to the Hau-Hau movement among Maori in New Zealand in the 1860's). The words "T'ai P'ing," ironically, mean 'Heavenly Peace'; the war was fought with the utmost savagery on both sides, and great areas of Central China (we have contemporary eye-witness accounts from

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European travellers) were literally depopulated. The five densely populated central provinces of Kiangsu, Chekiang, Anhwei, Kiangsi and Hupei were estimated by Professor Ping-ti Ho to have an aggregated population of 171 million in 1850. At the Census of 1953 they still only showed a population of 145 million.

Chinese population growth, which had been at the rate of $\frac{1}{2}$ per cent per annum in the early 19th century (higher in the 18th century), was reversed in 1850. Careful analysis of the scanty information available, including the age-tables in the 1953 Census and various private sample inquiries, which also gave some information on mortality, suggests that from 400 millions in 1870 the population grew at $\frac{3}{4}$ per cent per annum to 560 millions in 1915, after which the rate of population growth again slowed down to some 0.2 per cent per year, to give the 575 millions, deduced from Buck's information⁵ for 1930. With the Japanese invasions beginning in 1931, Chinese population was probably stationary or declining until 1945, then rose again to 602 million (U. S. Census Bureau's revision of the official results of the Chinese Census) in 1953.

In 1911 another period of trouble had begun for China. Revolutions were in the air at that time, in Mexico, Turkey and Portugal. The tottering Chinese Emperor was easily overthrown in a revolution led by Sun Yat-sen, a sincere and respected leader, who professed the purest traditions of Western democracy. With the naive Wilsonian optimism of those days, it was believed that China, now that she had a republican form of government, was due for a new era of progress. It was soon apparent however that Sun Yat-sen had very little idea of economics, or of the practical problems of government. After 1911 the immense network of irrigation channels, on which rice and other crops mainly depended in the Southern provinces, began to suffer increasing deterioration through lack of maintenance. With all the troubles China was to undergo, the irrigation system was not in fact fully restored until the 1950's. This was the principal cause of the increase (real, though grossly exaggerated

⁵ J. L. Buck, *Land Utilisation in China*.

by the Communist Government) in agricultural production during that decade.

Before long, the weakness of the Chinese Central Government became all too apparent. The country was infested⁶ with "ward-lords" who had defied the power of the central government and established themselves as local rulers, often fighting against each other. Many of them in fact were little better than leaders of powerful gangs of bandits. The strongest of these war-lords, Chiang Kai-shek (who was regarded as a dangerous revolutionary by the British Government at that time) succeeded in establishing a new national government in 1928, with its capital at Nanking. Before long, however, his authority was flouted by the appearance of successful Communist rebel leaders in certain provinces, and by further intervention in 1931 by the Japanese, who annexed the four north-eastern provinces, in which lay China's most promising industrial, mineral, forest and agricultural resources. In 1937 Japan began a full-scale war, seizing Nanking, and setting out to occupy the principal cities and lines of communications through the country. This occupation, though far from complete, nevertheless put a great strain upon Japanese manpower and resources, which certainly played a part in bringing about Japan's defeat in the Pacific War of 1941-45.

Japan got no significant economic, military or diplomatic advantage out of the occupation of China. China on the other hand suffered very greatly. In 1945 Chiang Kai-shek and his political party, the Kuomintang, returned as the rulers (in name) of the whole of China, including Formosa and Manchuria now recovered from Japan. But the Communists, now openly receiving Russian support, continued to rule in many provinces, and to

⁶ One of the most interesting and (to the economist) most convincing pieces of evidence of the extent of bandit infestation is the fact that during the 1930's, when the country was nominally at peace, nevertheless in every part of the country the selling prices of agricultural land were low. This result, so contrary to what might have been expected in a densely populated country, could not be explained by the fear of taxes and arbitrary exactions of all sorts which the local war-lords imposed, and which made exploitation of the land hardly profitable. Many landowners of those days in fact left the villages, and made their homes in the fortified towns, collecting only such rents as circumstances permitted. There are interesting parallels to this state of affairs in some of the more turbulent centuries in our own past history.

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raise armies. The Kuomintang had never been free from corruption. After 1945 it appears to have become much worse in this respect. Public opinion was at once outraged, and given warning of what might be coming, by the spectacle of certain leading officials helping themselves to public money, and then salting it away abroad. Even this might have been tolerated; what finally made certain the overthrow of Chiang Kai-shek's regime on the mainland was inflation carried to the point of complete collapse of the currency, so that trade could only be carried out by barter, or through the medium of foreign currency. American aid saved Germany, Japan and Italy from a similar fate; less aid was offered to China, and what was sent was often misused.

If you want to overthrow a country, said Lenin, first debauch its currency. How right he was.

While the Communist Government of China is probably one of the most tyrannical governments ever known, and the most dangerous to world peace, we must not delude ourselves with the belief that the state of affairs in pre-Communist China was satisfactory, or wish to see anything like it restored.

There was one sociological fact about old China to which nearly all observers drew attention, namely the closeness of family relationships (though they were not as close as among the orthodox Hindus, where the property and incomes of all members of the family, including those of all the married sons, are virtually held in common). People who live in this manner enjoy a considerable sense of security, much appreciated in countries where unfortunates are often left to beg and to starve. But sometimes security may be the enemy of progress. This extreme closeness of family ties considerably weakens the incentives to effort and enterprise, especially after the minimum subsistence requirements of the family have been provided for. There is also no doubt that it makes honest and efficient public administration almost impossible. In such countries, every official, high or low, considers it his first duty to do what he can for his family in the way of securing jobs, contracts and the like, before he considers any duty which he may owe to his city or to his country.

Let us not be too superior—this is the way in which our own ancestors used to behave. It was only comparatively re-

cently that they came to grasp the concept of the upright official whose duty was to his country alone.

Communism in China, as everywhere else, does all that it can to weaken the power of the family. Some of these changes we cannot but approve, such as permitting young people to choose their own wives and husbands, rather than having them chosen for them by their parents; and abolishing polygamy. (With their traditional respect for established indigenous customs, British administrators in Hong Kong still permit polygamy.)

In spite of the food shortages of recent years, there is still a widespread impression that Communist China has made exceptionally rapid economic growth. Even when everyone is acting in good faith, measurement of the rate of growth is a problem which poses difficult problems for economists. These problems are accentuated by what I have called "growthmanship," or the art which has been more harshly entitled, in a well-known book, *How to Lie with Statistics*. Some elements of this art are the choice of methods of constructing index numbers—a difficult technical problem. Another, more readily understood by those not familiar with statistical technicalities, is choice of a base date. It is the usual Chinese custom to measure economic growth starting from 1949. The year 1949 came at the end of twelve years of continuous war and disorder (or 18 years if we reckon from the first Japanese invasion of Manchuria). The whole country was in hopeless disorganisation, and production had been reduced to the minimum. The establishment of any kind of stable government was bound to lead to improvement. The much more relevant question to ask is how production and consumption per head now compare with the figures of the 1930's, before the serious disorders began.

But this is not fair, the advocate of the Chinese case may reply. What you should be measuring is our capacity for economic growth while we are at peace. You should not include the disordered war period in your calculations. Just the same might be said about other countries whose production was damaged by the way, and which had been showing rapid growth since, Japan, Soviet Russia, Germany, Italy. Economists in all these countries have been willing to apply the more severe test, and to compare their productivity now with that of the 1930's

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and not claim the rapid recovery of the immediate post-war years as indicative of a permanent trend. In each case, substantial advances are in fact shown in comparison with the 1930's.

But, the critic may persist, if it had not been for the disturbance to production during the war, these countries would have shown much greater advance by now. This contention is not borne out by examination of the records of the countries whose production was comparatively little disturbed by the war, such as the U.S.A., Canada, Sweden and Switzerland.

Over the longer period, they have not made greater advances than the countries which were disturbed by the war. It seems clear, and indeed this is a common-sense conclusion, that when a country's production is disorganised by war and invasion, the consequences may be very serious at the time, but nevertheless the wartime disorganisation itself sets the scene for rapid recovery. After all, a post-war economic recovery consists largely of reassembling organisations which have been scattered and of re-using skills which have for a time been unused. These processes can be carried through much more rapidly than the construction of new organisations and the training of new skills.

Even if accurate figures are quoted for the period since 1949 therefore, they can give a misleading impression. But in China's case many of them are clearly extremely inaccurate. Amongst other things, they purport to show a great increase in agricultural production. Professor Liu⁷ has examined the official published figures for the early 1950's, and has shown that, if they are true, the whole Chinese population must have been eating at about one-third below the minimum physiological subsistence level, for years on end.

It is desirable to measure Chinese productivity, in the present and in the past, for comparison with that of other countries, in a standard international unit. For this purpose it is best to follow the work done by OECD in the comparison of European and American productivities, and to use the dollar of 1950 purchasing power as the unit. (One dollar of 1950 purchasing power corresponds to about 1 ¼ dollars of present day purchasing power.) The reader may indeed have seen sup-

⁷ *American Economic Review*, May 1961.

posed figures of international comparisons of average per head income, expressed in dollars, for different countries, based on the work of the United Nations Statistics Office. It is regrettable that these figures should have been published, for they are very misleading. They are obtained by converting national estimates of income, which in any case are generally understated through undervaluation of the productivity of subsistence farming, into dollars at the current rate of exchange. This rate of exchange fails to take into account the much lower prices of a number of important goods and services which prevail in the low-income countries.

So the incomes of all low-income countries are much higher, and the international income difference is much less, than would appear from the United Nations figures. It is as well that it is so. No people, even by practicing the most extraordinary austerities, could live on the \$ 50 or so per head which is quoted as the average income in some of the poorer countries.

We know a great deal about the agricultural productivity of China in the 1930's, more in fact than we know about the productivity of any other Asian country, except Japan, to this day, thanks to the very large scale surveys conducted by Professor J. L. Buck from the University of Nanking. For Communist China we have an excellent study prepared by Professor Liu and Dr. Yeh for the Rand Corporation, under the title *Economy of the Chinese Mainland*; a brilliant pioneer study *China's Gross National Product and Social Accounts, 1953-57*, by Dr. Hollister; and are we also much indebted to three organisations in Hong Kong, doing excellent work on limited funds in the analysis of publications and the questioning of refugees direct from the mainland, whose work does not appear to be widely enough known outside, namely the Asia Foundation, the China News Agency, and the Union Research Institute, an organisation of refugee Chinese scholars.

As stated above, the United States Bureau of Census, revising upwards the official Chinese census of 581 millions, estimated Chinese population in mid-1953 at 602 millions. In 1959 the Chinese authorities themselves revised their own census result of 1953, and estimated 595 millions for that year, with

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a 2 per cent per annum growth subsequently. The claim of 2 per cent per annum, or some 12-13 millions per year increase, has never been officially abandoned, although official estimates of population have been appearing, in an indirect form, which suggest that the Chinese authorities now think that the rate of growth has been about 1.7 per cent per annum for the 1950's. Since 1960, as a result of food shortages, it is very probable, as indicated above, that net population growth has about ceased.

Professor Sauvy, the French demographer, recently stated that it was regrettable that Communist China was not a member of the United Nations, for the reason that this denied us the opportunity of hearing statements of policy from Chinese representatives in the United Nations Population Commission.

Already, he said, he had counted three volte-faces in Chinese policy, and there might perhaps be more in the future. In the first years after the Revolution, Chinese official spokesmen adhered without qualification to the old-fashioned Marxian view that population growth was beneficial.

In 1956 there came an unexpected relaxation in the severity of Chinese Communist rule, known as the "Hundred Flowers Period." Quoting from a Chinese proverb, Mao made a famous speech in which he proclaimed "let a hundred flowers bloom," inviting new ideas and criticism of the regime. He got plenty. A number of influential people including Ma Yin-chu, the Rector of Peking University, said that the Chinese population was growing too fast, and ought to be restricted. For a year or so there was an extraordinary ambiguity in Chinese statements on population policy (although one gets the impression that one set of statements was intended for a western audience, another for internal use). There were at times at any rate indications that the Chinese Government was going to encourage family restriction. But this period did not last long. By 1958 no one was allowed to question the orthodox official view that population growth should be encouraged, because in the long run it would be both economically and militarily beneficial to China. Recently, however, after years of food shortage, ambiguous statements have again begun appearing on this subject.

The decision (if it lasts) to prevent any discussion or advo-

cacy of family limitation in China, whether we like it or not, will in the long run have very important consequences in the political and military strength of China, and on the history of the world.

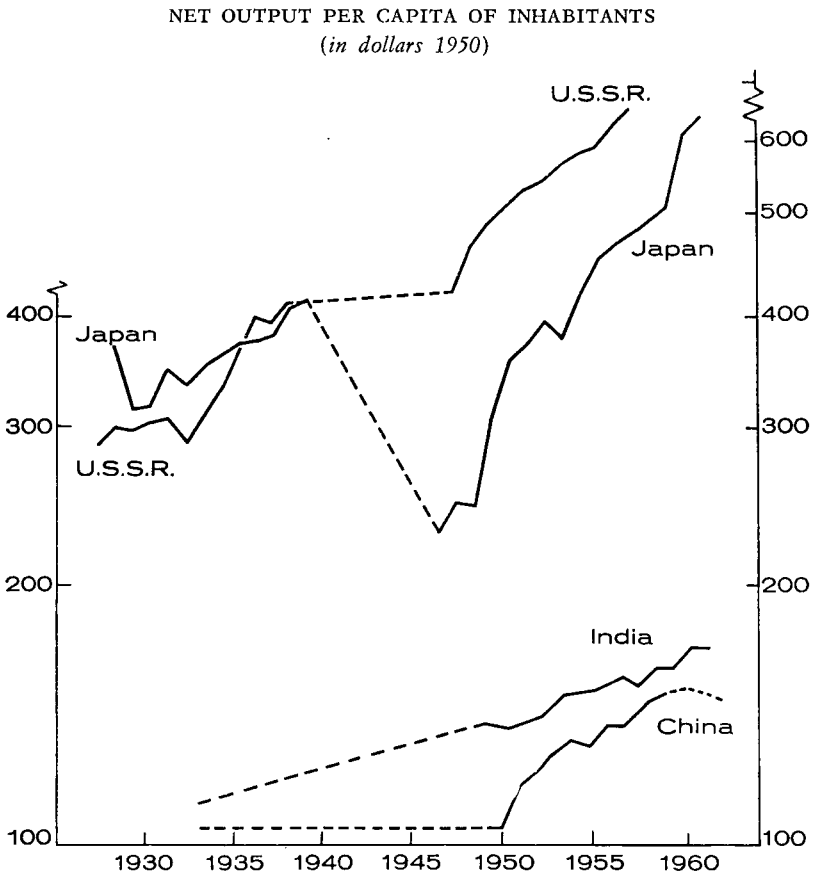
In Soviet Russia, it will be remembered, population policy has been changed twice, in each case peremptorily. At the time of the Russian Revolution in 1917, contraception, divorce and abortion were regarded as progressive and valuable ideas, to be encouraged as much as possible. In 1936 Stalin, acting with great suddenness, as was his wont, forbade the sale of contraceptives, prohibited abortions, and very severely restricted the facilities for divorce. The number of births in Russia again began to rise very rapidly, until checked by the war. Shortly after Stalin's death, Khrushchev in 1955 again suddenly reversed the policy, and legitimised contraception and abortion. So here we have another issue on which China differs from Russia.

Even in the best post-war period, about 1959, Chinese food supply per head of population was about 5 per cent lower than it had been in the 1930's. In recent years it has been very far below. The figures about the grain harvests, quoted above, by no means tell the whole story; the fall in the output of some of the other crops, including the more nutritive pulses and oil-seeds, was more serious than the fall in the output of grain. We must remind ourselves once again, paradoxical though it be, that the main difficulties of Chinese agriculture at present, as explained above, are due to labour shortage, in a country where almost every operation has to be performed by hand, owing to lack of draft animals and tractors. This explains the serious fall in the production of these more labour-demanding crops, and also in the production of vegetables.

Against this discouraging agricultural picture, there has undoubtedly been a large increase in industrial production, and in construction. Putting all forms of production together, with appropriate weight given to each, production per head of population was 38 per cent higher in 1959 than in 1933 (again taking 1959 as probably the best post-war year). Averaged over the whole period this represents a rate of growth of 1.2 per cent per year, which is substantially lower than the rate in almost

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all other countries. Comparison with three relevant countries is shown in the diagram.



An interesting and quite independent confirmation of the acute poverty of China is found in information assembled by Union Research Institute in Hong Kong on patterns of expenditure by the families of Chinese industrial workers, who are found to spend about 65 per cent of incomes on food, low though we know the food supplies to be. Having to spend so

high a proportion of their total incomes in order to purchase their meagre supplies of food is a clear indication of poverty. This Chinese proportion is about the highest in the world. Expenditure on rent is estimated at 8 per cent of income. Here again the amount of accommodation obtained is very small.

Chinese general and technical papers have stated that the average amount of floor space per head for the urban population was only 3-4 square metres in the mid-1950's. This represented a fall of 20 per cent or more from the standard of 1949; and the situation now may be even worse. We may set this against the average of 10 square metres per head which Buck found for the Chinese farm population in the 1930's. In Western Europe or North America it is very rare to find less than 20 square metres per head.

The great increase in production during the 1950's, as will be seen from the table,⁸ was not in consumption goods, or even in governmental and military services, but in net investment. There has been a striking increase in the production of capital equipment, including some of very complex nature, such as turbines, generators, transformers, machine tools and cars, which indicates great skill and resourcefulness on the part of Chinese craftsmen, especially as most of them have probably been working with very inadequate materials and equipment.

But, while the proportionate increase in production of capital equipment has been high, the absolute amount of production is still small. Until the middle of the 1950's most of the production was urgently required for replacements. Net production of capital equipment, after meeting depreciation, still constitutes only 1.1 billion out of the 16.8 billion dollars of 1950 purchasing power shown in the table as the value of net investment in 1959. Net investment in housing in 1959 was also only about a billion dollars—a very low figure. Net investment in other forms of construction, after providing for depreciation, was 9.9 billions, and in agricultural improvements 2.8 billions. The remainder of the total represented increases in inventories, and repayment of external debt.

⁸ The table and diagram also appear in *The China Quarterly*, January 1965, where full details of the calculations are also given.

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REVALUATION OF CHINESE NET NATIONAL PRODUCT
DOLLARS OF 1950 PURCHASING POWER
billion

	1933	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959
Food	39.4	(36.0)	(36.6)	37.3	38.8	40.0	40.2	41.5	40.9	42.3	44.2
Fuel (rural)	1.2	1.2	1.2	1.2	1.3	1.3	1.3	1.3	1.3	1.3	1.3
Housing	7.3	7.3	7.3	7.2	7.3	7.4	7.6	7.7	7.9	8.1	8.1
Other consumption		6.1	7.8	10.4	11.3	12.7	12.2	13.5	13.0	12.5	(12.0)
Net investment	12.9	1.7	2.8	4.5	5.1	6.4	6.2	10.5	13.2	16.7	16.8
Government purchase of goods and services (not investments)		8.3	12.7	11.5	13.3	13.0	13.0	12.5	11.4	12.3	14.4
TOTAL	60.8	60.6	68.4	72.1	77.1	80.8	80.5	87.0	87.7	93.2	96.8
Population (million)	575	572	582	592	602	613	623	634	645	655	665
Real product per head	105.7	105.9	117.6	121.9	128.0	131.8	129.1	137.4	136.0	142.4	145.5

On this latter issue, China already had a substantial grievance against Russia, even before their recent political divergence. In the early 1950's Soviet Russia provided substantial loans, which were of the greatest value to China at that time. But, from 1956 onwards, Soviet Russia has not renewed the loans, and has required China to earn a surplus on her balance of payments in order to begin repaying them. China has great difficulty in producing any saleable export product in large quantities, apart from soya beans. This large demand for loan repayments, out of a limited export revenue, leaves China little room for the purchase of other urgently desired imports, including military equipment. The grain purchases of recent years have of course strained China's very limited resources of foreign currency even more severely. China has however been allowed deferred terms of payment—(to an undisclosed extent) by the Australian Wheat Board—and is believed to have mobilised, by one means or another, a good deal of foreign currency from the large communities of Chinese living abroad.

The valuation, in terms of dollars of 1950 purchasing power, or any other international unit, of the product of Asian countries, is not easy. But, as far as can be ascertained, the productivity of China in the 1930's was a little below that of India at the same time. It is true that the Indian economy was comparatively undisturbed by the war; and indeed, during that period, India gained a number of opportunities of starting new industries. During the 1950's, it was claimed by some that the Chinese economy was on the point of overtaking India, before China's recent disastrous collapse.

It is instructive to notice the similar confusion into which the Soviet economy was thrown by Stalin's forcible collectivisation of farming in 1929; and also his attempt to force the pace of industrialisation. The consequences were of famine in which it appears that some six million lives were lost, and also a complete disorganisation of industry and transport, from which it took a number of years to recover.