

SALIENT SOCIAL AND ECONOMIC ASPECTS OF TO-DAY'S CHINA<sup>+</sup>

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## 1. Some Demographic Features

Any Westerner would have to say that statistics in China leave much to be desired, even in such simple matters as the population number. No one in the world, not even the Chinese Government, knows the total population of China, even within any reasonable limits. The western estimates took it to be 830 million (United Nations), and 930 million (U. S. Department of Commerce) in 1975. Chinese Government spokesmen have on two separate occasions demonstrated that the various Chinese Government departments have widely differing views on this matter. It is reported that Li Hsien-nien (Vice-Premier) said twice that for 1971 the Supply and Grain Department assumed the population to be 800 million, some offices outside the department 750 million, the Ministry of Commerce 830 million, and the Planning Commission assumed it to be "less than 750 million".<sup>1</sup> The Ministry of Commerce insists on the bigger number in order to claim consumer goods in large quantities. The planning men reduce the figure in order to strike a balance in the plans of various government departments. The discrepancy in these figures is somewhat surprising, though not so surprising as it may seem at first sight.

In the first instance, though governmental statistics in various countries are often accepted without question or doubt, they very seldom deserve that degree of confidence (because of practical problems of coverage, or definitions, etc.). In China, in particular, the problems are very great because of the nature of some regions. Some western regions of China have very sparse population, or nomadic population. In those areas the literacy levels would not be high and the local officials might have difficulty in making counts and reporting them. In western literature there is some doubt whether there is in every district of China a local register of births and deaths and any provincial and national apparatus for collating data. As for census data Chou-En-lai told some interviewers of a "Census of population" taken in 1964-5 (!). There is, however, doubt here whether he meant "census" in western sense. In particular, what kind of census is it if it is taken "in 1964-5"? A real census must be taken in as brief a period as possible, a day or a few days perhaps, but not spreading over two years. Further, since the "census" was taken a long time ago, and since the country has been undergoing a fundamental change all the time, which was likely to affect the birth rate in various direct and indirect ways, the second uncertainty in the estimates is what was the birth rate. As a result no one in the world knows what is the present population of China. This lack of this basic information undermines a great deal of other statistical estimations. How can one estimate e. g. the changes in the standard of living, or Gross National Product per caput, when

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one does not know the figure for population? More than that, how can one make an economic plan when one does not know the number of mouths to feed, bodies to clothe, heads and hands available for work? In this last matter, however, there is some relief in the fact that economic control and economic planning in China are decentralised, so that total figures are not so essential, and regional figures, for some regions, are available to the government.

It is not only about the number of inhabitants of China that there is lack of reliable information. The world, (including China) does not have any reliable information about the population growth either. There are no figures for death rates, nor for birth rates. Some demographic experts start with the "census", or perhaps rather a survey figure, of 1953 which estimated the population to be 583 million, and then add a quite arbitrary figure of 2 per cent, or 1.7 per cent, or 2.2 per cent as the annual growth to obtain data for the subsequent years (U.S. State Department). In this way the U.S. Department of Commerce obtains a figure of 920 million for 1974 (assuming 2.2 per cent p.a. growth since 1957). However, it is quite unreasonable to assume such population growth rate for the period. A.G. Ashbrook said: "... the data are not available to judge between those who feel that population has continued to grow at perhaps 2 1/4 per cent, and those, like Orleans, who feel that population in recent years has grown at 1 3/4 per cent".<sup>2</sup>

Population growth rate would have been affected by various factors during the period. The first four years after the end of the civil war brought peace and a degree of security as well as substantial economic growth. These factors would have had strong influence in the direction of increasing the birth rate (and the death rates would have declined a little). In that period any conscious policy of birth control was considered reactionary and unnecessary. In the pure communist dogma, inherited from the Russians, there is no such thing as the Law of Diminishing Returns, even in the short-run, and consequently there is seen no need for demographic control. That dogma argued that the capitalist countries invoke that Law of Diminishing Returns and the population problem to cover up the inadequacies of their system. The official Chinese line accepted that philosophy at first - when the Chinese were under strong ideological influence of the Russians. But later the Chinese, who are down-to-earth realists, noticed that the "correct ideological position" in this, and in some other matters could not be correct when one viewed realities. They then changed their population policy. Vice-Premier Li Hsien-nien said in 1971: "We have been racing against time to cope with the enormous increase in population".<sup>3</sup>

Since the Chinese government abandoned the Soviet dogma on population, China has had three campaigns for population control (1956-58, 1962-66, and that of the 1970' s). The first two of these campaigns were not so energetic and determined as the present one. Naturally enough, it took some time before the Chinese leaders liberated themselves from the Soviet dogma, and also before the new stronger demographic pressures appeared, and before they were noticed. The facts are that: "Strong factors favouring high fertility are at work in present-day China: Improved nutrition; continued gains in public health, now aided and abetted by the legions of "barefoot doctors"; the presence of large and growing numbers of women in child-bearing age groups, a result of the baby boom of the 1950' s and 1960' s; the settled societal conditions of the Fourth



## Social and Economic Aspects of Today's China

Five Year Plan period; and ingrained attitudes favouring large families, which the immensely improved lot of children in contemporary China has strengthened in some respects".<sup>4</sup>

Thus there are two strong pulls in the opposite direction in China's demographic scene. Western China experts are divided in their opinion as to the effects of the birth control campaigns. Some think that population continues to grow at about 2 1/2 per cent, others think that it has dropped below 2 per cent. The Chinese authorities however, have very great powers to influence the birth rate and there are signs that they have decided to use them. Not only did they introduce direct instruments of birth control, such as the Pill and other methods<sup>5</sup> but they have used also an indirect birth control instrument through discouragement of early marriages by the ubiquitous Party which exerts pressure in that direction by suasion and also through its prerogative of allocating or not allocating a house, or a loan, to a would-be couple.

Statistics on the age group structure of the couples getting married are, of course, not available. From conversations with the Chinese it seems to transpire that the normal marrying age for a man is very late twenties or early thirties, and for a woman late twenties. That is much later than in any other Asian or Western society, and that would have had a strong immediate effect on keeping the population growth down during the period when the typical marrying age was being shifted to later years. Once that shift stopped the old population growth pattern would tend to reestablish itself. However, there would still remain some demographic relief as the childbearing age of a woman is reduced by later marriages. Presumably, by that stage of that weaker control, other elements in the birth control program would tend to take over.

It is believed that the Chinese government aims at reduction of population growth to 1 per cent p. a. from the previous rate of about 2.5 per cent. The present writer believes that the Chinese government can achieve that (and may be has already achieved a level not much higher) simply because the government has such extraordinarily strong control over the country, and hold over the people that it can achieve any changes in human behaviour (though not in the human nature) that it chooses. This, however, is not to mean that they can achieve all the changes that they would like. Even the Chinese government cannot have too many objectives, and cannot pursue too many objectives at a time. It can concentrate only on a few, but when it does concentrate it achieves them quickly and completely where other politico-socio-economic systems would take a long time<sup>6</sup>.

The reason for this is that possibly never before in history has any other government had such an all-pervasive control over its citizens. The citizen is controlled in every aspect of his life, by the Party. The whole politico-socio-economic and judicial system is integrated totally in multi-purpose social units like communes, production brigades, or teams, or productive enterprises, or other units, under complete control of the Party. This point cannot be over-stressed. The Party will exert suasion not only over a matter of proposed marriage of two individuals but will also exert suasion over the number of children they have. Every rural, or urban block of houses is tightly organised with a chairman, or chairwoman and a "Revolutionary Committee". Every rural or

urban block (if we are considering birth control only at the moment) is allocated a "baby quota"<sup>7</sup>. The residents then "discuss" that quota under the "democratic centralism" of the Party and approve the quota. Women with two or more children are advised not to have more and will be given medical assistance. Since women in China have to be gainfully employed they may not need much persuasion to limit the number of children, but if any one needs persuasion on anything, the Party will give it to him and he will obey it.

It will be clear, however, that the Party is not quite almighty and if it concentrates on some issues it must ipso facto neglect some other issues. Thus the extent to which it can concentrate on e. g. birth control is regulated by the other competing pressures, e. g. defeating some dissent in the Party itself through condemning the dissent (and their potential recruits) outside the Party in the socio-political-economic groups at large.

## 2. Education

All communist countries have one common feature for sure, and that is great stress on education, and on the youth. Their education programs again are similar in their stress on practical aspects of education.

At first, after the establishment of the communist government in China the Soviet pattern was adopted and followed closely in all things. Universal literacy, and production of technicians and scientists became the dominant objective. Communist countries cut out our "theologies", philosophies, poetry, and trim severely literature and history. Although they introduce their own "theologies" on balance there is a powerful shift to the practical. Following the Soviet system, the Chinese checked the political allegiance and social origins of the students but after that, with some exceptions, stressed individual scholastic achievement and academic excellence. That system had features which the Chinese now call "Soviet educational elitism". That system also had heavy dependence on foreign scholarship (mostly Marxist, mostly Russian), and as its roots were foreign was not the best adapted to the Chinese culture and needs. For example, in medicine it stressed expensive foreign equipment and chemical pharmaceutical products, which China could not afford, and for which China had in many cases magnificent and superior domestic alternatives.

When the "Great Leap Forward" came there was an attempt in education, like elsewhere, to obtain instant results and big shortcuts. This impatient move did great damage, but the attempt was soon abandoned when the results were noticed. However, Mao's discontent with the educational system continued. The fact is that tertiary education never coexists easily with any strong ideology, because its main function is to question everything, and a questioning and criticising spirit is dangerous to any ideology. In addition, tertiary education is undoubtedly highly elitist: giving degrees, and at several levels at that, is highly elitist, and the professorial structure is highly elitist, non-egalitarian, and not "democratic". Further, tertiary education creates a social class of bureaucrats and technologists who stand above the people and who tend to challenge and frustrate politicians (the Party, in this case).



## Social and Economic Aspects of Today's China

Mao was extremely concerned about those facts and his Cultural Revolution was an attack on the universities and the bureaucracy. Tertiary institutions of learning were closed for four years 1966-70. Some academics were sent for re-education. Then when the universities were re-opened it was a different system. Examinations were abolished, both at the entry level and during the course. The Chinese academics, that the present writer met, have called examinations "an attack on students by surprise". Even the entry to the university in that period until the end of 1977 was not by examination. The present writer checked it in two Chinese universities, the entry selection was as follows, in three steps:

- a) "Recommendation by the masses" (the place of work or living).
- b) Approval by the Party (local unit)
- c) Interview at the university. (In this interview no academic questions were asked. Thus it was not examination in our sense. The type of questions asked would be: What work did you do? What are the main social and political problems in your productive enterprise, or your locality?).

It is clear that this system would tend to safeguard political purity and political reliability but not expertise. It is also clear that a similar system would produce disastrous results in a Western society. (Would the reader like to be operated upon by a doctor who never had to sit for an examination but whose loyalty to the Liberal or the Social Democrat Party has been well confirmed? However, the whole Chinese social fabric is so different that if the present writer were sick he would prefer to be treated by the "barefoot doctor" of China<sup>8</sup>).

The examination incentive was temporarily replaced in China by the ubiquitous Party pressure on the individual. And it worked there, at least for a while. None theless the effect of the whole system of educational changes appears to a Western observer to have been destructive, even if one admits that the former Chinese universities must have had a lot of "dead wood" in terms of subjects studied, and in terms of some useless staff appointments based on patronage (just as our universities have).

A mere look at a university library in China reveals something about the nature of scholarship there. This writer found in a university library (in the University of Canton) no Western books, and no Western periodicals, not even the current Russian periodicals, or books that e.g. any Australian university has. They were not there, unless they were of the older vintage, of the type of communist "classics" like the works of Marx, Engels, Lenin or Stalin. But there were a few Rumanian, Albanian periodicals, and one Australian communist (pro-China faction) journal. The various disruptions to university work and the attempt to "go it alone" in cultural matters must be doing a lot of damage. In this century no country "can go it alone".

In the process of "cultural revolution" the old Chinese scholarship has also suffered. There is, of course, no doubt that the old Chinese culture contained much that was worthless (just as ours does) but in the process of the change also many worthwhile works were thrown out. For example, this writer, seeking for private purposes, was unable to find in China even one copy of a book by, or about, a famous Chinese philosopher Wang Yang Ming (sometimes called Wang Shou-Jên, 1472-1528) in the University of Canton library, or in any Peking bookshop, even in the second-hand shop, in any language, including Chinese<sup>9</sup>. (By contrast, the

University of Queensland has at least three such books).

A closure of the university system for four years, or the subsequent damage to the work done by it, does not produce immediate problems like the closure of the sewerage system would do, but the long-run effects must be quite serious. Towards the end of 1977 Hsin Hua News Agency acknowledged that those educational reforms were an "educational disaster". The students who were completing the University studies were semi-educated. They had undergone no tests, had no marks, no degrees were conferred upon them, and even if their political orientation was "correct" good political consciousness does not produce goods. Led by Teng Hsiao Ping (after his return to grace) there was in 1977 and still is a gradual return to academic standards in universities. Thus in December 1977 university entrance examinations re-appeared. Compulsory physical labour for university entrants is being gradually abolished. Students are told to study and "not to make trouble". Some purged academics are being rehabilitated and re-instated. Postgraduate studies are being re-introduced. The status of scholars is being restored and scientists are told to do laboratory work, and not to attend "political study" sessions. On the other hand, the other levels of education in China have not suffered so far any obvious harm and their performance there (on the basis of what the writer saw in schools) was most impressive. A characteristic feature of the Chinese schools is stressing the importance of production. Little infants make parts for some industrial products for a brief period each day. That society is not producing drop-outs.

### 3. Living Standards

Given the fact, discussed before, that there are wide discrepancies in the official estimates of the total population of China, one could expect a fortiori that the total GNP of China would be subject to an even greater doubt, and it should be obvious that there would be no point in trying to calculate the GNP per caput, which is the usual method of assessing the standard of living. Therefore we are left with a merely visual assessment of how people live, such as frequency of various consumer durables in the homes visited, glimpses of what goes to the cooking pot, and the way people are dressed.

The present writer knows very well several Asian countries and can say on this visual basis that the standard of living in Singapore and Hong Kong might be four or more times higher than in China, in Taiwan perhaps three times higher. This writer has not seen in China any beggars, but the homes in the rural and urban areas had extremely modest consumer durables and equipment. The main aim of a worker, questioned about saving motive, was to buy a radio. (A Chinese-made small transistor radio cost about one month's wage of a city worker, and several months income of a commune member). All the houses that this writer visited were unheated and so were most shops. There were no record players, no cameras, and no television sets in private homes, nor are there any private cars. In contrast to this, most of these products would be found in an average Singapore, Hong Kong or Taiwan home. However, as for cars, China has official cars in lieu of private cars, but still cars (as distinct from trucks) are very scarce.



## Social and Economic Aspects of Today's China

As for food I think that availability of food to the ordinary person is greater in China than in the Soviet Union, or some other communist countries (except Yugoslavia). This difference was quite striking for me in respect to availability of meat, sweets and chocolate. This writer had seen last year queues for food stuffs and other goods in two communist countries but saw no queues in China. Although China's income per head is undoubtedly lower than the Soviet Union's income per head, it is probable that the ordinary Chinese is better fed than the ordinary Soviet citizen. In my view this may suggest greater concern of Chinese leadership about the living conditions of the people, whereas the Soviet Union stresses more military power. In other words, the Soviet Union is bent on a world conquest and China is not. Further, in the matter of health care for the general public there is almost certainly no underdeveloped country with a comparable income that provides as good services as China does.

This writer has no personal knowledge of living conditions in China before the Second World War, but a member of the tour who had lived in China in the 1930's, said that living conditions for the mass of the people have greatly improved. This would easily be confirmed, of course, by the disappearance of beggars. However, what conclusions, of any, we can draw from these facts of improvement is not clear. Since the 1930's living conditions have improved greatly in probably every country of the world. The question therefore is how much they have improved compared to the potential for improvement that the country has. Unfortunately that question cannot be answered. What gives food for thought, however, is that in countries with somewhat comparable conditions (though not the same) such as Singapore, Hong Kong, Taiwan, and South Korea, not only is the present standard of living incomparably higher than in China but also the rate of economic growth (often around 10 % p. a. in real terms) must be much higher. This writer heard in Peking from a knowledgeable foreign resident that the top Chinese public servants are extremely interested in the economic policies in those countries and study them with great care.

#### 4. Production Units

There are no private enterprises in China. This point needs to be made, is not self-evident, because some other communist countries, e. g. the Soviet Union and Poland, do have some private enterprise. In agriculture the top unit is a "commune" which consists of "production brigades" and these of "production teams". In industry there are publicly-owned enterprises converted by workers' decision into co-operative first, and later changed into public enterprises, or enterprises which were started by the national, provincial, or municipal government.

Every enterprise, "commune", or industrial enterprise, is run by a Revolutionary Council, consisting of a Chairperson, Deputy Chairperson, and an Executive Committee. Those officers are elected from the members of the enterprise. Some Westerners derive some conclusions from this fact of an election. It should be noted that the Party is omnipresent in all "corners" of Chinese society: the Party can block a person wanting to go to university, the Party decides what study and what job a person is to undertake, the Party decides on house allocation (which

amounts to permission, or refusal to get married), etc. Therefore when it comes to those elections of the chairman of the particular enterprise the Party may be presumed to have a decisive voice, if for no other reason, because it is the only organised pressure group in the commune.

Further, it has to be stressed that though the Chinese productive units would appear to us as productive units only (through the habits of our own thinking and the knowledge of our own institutions) they are a great deal more than that. Apart from deciding on, and controlling production, the Chinese productive enterprise has many other important functions. The commune, is essentially a multi-purpose government institution, it has even some judicial powers over the members. It also has political functions, transmitting the wishes of the Party to the people, transmitting the officially approved views on all matters of importance. The commune authorities are also a watchdog over the members of the commune, checking infringement of the laws, using persuasion on recalcitrant elements. The commune provides health services, education, marriage guidance etc. The commune also allocates housing loans, gives permission (the local Party branch) to marry, establishes the "baby quota", gives permission to enter university. The commune organises and maintains "militia" (communist countries' jargon word for police). More precisely each production brigade will have a militia unit of roughly the size between a company and a battalion. It could even be that the main motive in establishing the communes was for the government to obtain total access to the life of every individual peasant. As long as individual peasants existed, there existed independent though, opinion, attitudes and potential sources of competing power. Now every peasant family is completely integrated in this economic-socio-political unit. Everything is seen, known, and within direct influence of the commune authority and the Party. Clearly, there is no separation of powers whatsoever in this system. The system must be the ultimate in integration of all forms of human institutions and social control. The reader will recall that the essence of the feudal system was placing all political powers where the ownership of land was. Except for the fact, that in the feudal system the landlord was hereditary, and one person only, the commune system has some similarity to it in the sense that the owner of land has all the political, judicial, economic and social powers (in this case the commune owns the land, that is the members of the commune are only cultivators)<sup>10</sup>.

As for the pure function of controlling production the fact is that, in the sense of day-to-day intervention, this is not done by the commune (again a similarity to the feudal system). Although the commune does have an overall control of the general direction of production it is not the accounting unit. The accounting unit is the "production brigade"<sup>11</sup>. The "production brigade" is the true enterprise operation level and it allocates particular tasks to "production teams". (This latter could consist of a former village). This again points to the proposition that the commune is not a mere production unit, not even primarily a production unit, but rather a multi-purpose unit for controlling every aspect of life of its members. (The commune itself is subordinated to the government through the Party).

Viewed as a production unit, the communes vary as to the type of products they produce, which are mainly determined by geographical conditions, and are al-



## Social and Economic Aspects of Today's China

most exclusively agricultural. The reports by media of industrial production in the communes are now certainly inaccurate (if they ever were accurate). This writer has seen two communes which were described as "typical"<sup>12</sup> and none of them had any industrial output, if by industrial output is meant production of manufactured goods for sale. The nearest thing to industrial output was the repair workshop for the agricultural equipment and machinery owned by the commune. It is true, and in another sense significant, that this workshop manufactures apparently all parts needed for repair of its tractors etc, from lumps of steel turning them out on the lathes in the workshop. This is manufacturing but not in the usual sense of the word. It is, of course, extraordinary that every broken part should be turned out by hand-controlled lathes. The cost of this must be so high that it would normally be uneconomic. Why do the Chinese communes do this?

The simplest logical answer must be that the workshop cannot easily get the spare parts from outside. For the rest, Mao strongly encouraged the spirit of self-reliance and independence. After the Russians suddenly pulled out their experts, credits and supplies from China, spare parts for Russian-made equipment became unobtainable, so they had to be made locally. However, spare parts are made in the commune workshop also for the Chinese-made equipment. This must mean that spare parts are difficult to get in China because of complications in the economic planning apparatus. Or, in part, it could also be a reflection of the sentiments that I would call "economic regionalism"<sup>13</sup>.

Some writers do continue to write of industrial production in the communes, and at the time of the Great Leap Forward the media were full of such reports. The view that industrial production exists in the communes could be held only in the most special sense of the term "industrial", i.e. in the sense of initial, first-stage (!) processing of farm products. Needless to say, that type of processing is not normally called "industrial production".

All the same, the media reports of blast furnaces in the communes of the period of the Great Leap Forward, have sunk into the minds of people and now any mention of "industries" in the communes triggers in the readers' minds visions of manufacturing activity. That type of activity (on the definitions of, e.g. the Australian Government Statistician) does not exist in the communes now, although in a briefing on economic planning in Shanghai our group was told that after 1980 The Long-Term Plan provides for establishment of industries in the rural areas so that workers would not have to be shifted to the cities.

## 5. Economic Planning

In the early years, just after the victory of the revolution, China tried to adopt the Soviet Union's centralised economic planning system, based on work norms and factory targets, which apart from its own inherent weaknesses (in any society) was very imperfectly applicable to the Chinese realities<sup>14</sup> because of, e.g. lack of statistical data on the technical side, and its inherent clash with the Chinese Communist Party ideology which did not like the big use of material incentives in the Soviet system and its general "elitism".

K. Bieda

During the "Great Leap Forward" (1957-9) centralised planning receded, and greater role was given to decentralised regional and municipal planning, with a further level of decentralisation in the enterprise itself. Further, the Party was assigned a firm role in the planning process which was to be more responsive to the masses. The excesses of form-filling and the red tape of the earlier period were attacked and reduced<sup>15</sup>. The pressure of enforcement of production norms was also reduced because it was producing alienation of workers from management.

The regional planning system of "The Great Leap Forward" however itself also stressed norms and output targets (as it indeed also had to) and thus "commandism" reappeared, but some managerial functions were brought down to the factory floor. The new planning system over-extended the demands on the whole economy and it collapsed. The early 1960's produced a serious economic crisis and food shortages. It is a contentious matter whether that economic crisis was due to the incompatibilities and inconsistencies of that regional planning, or due to the bad harvests in three consecutive years, or due to the sudden withdrawal of Soviet experts, technical blueprints and credits. Probably all these bear a share of responsibility. Generally, Chinese statistical data of that period were found grossly exaggerated and distorted<sup>16</sup>. Since 1960 the Chinese have ceased to publish statistical data.

The system that evolved from the disasters of "The Great Leap Forward" had "horizontally-integrated trust-like organisations"<sup>17</sup>. Needless to say, such combinats would greatly reduce the powers of the (provincial) planners. Then came the "Cultural Revolution" which in the economic sphere moved against these combinats, and against the Chinese supporters of the Soviet trends then favouring a (partial) reliance on the market mechanism (an essentially capitalist institution according to the communist orthodoxy).

During the "Cultural Revolution" attacks were made on Liu Shao-chi's horizontal "trusts", and what was alleged to be his plan to turn parts of industry into organisations similar to the British "public corporations", with the objective to make profits, and free them from Party control<sup>18</sup>. There was also an attack on such "revisionists" as Sun Yeh-fang<sup>19</sup> for favouring greater use of market mechanism.

Generally speaking the "Cultural Revolution" was an attack by Mao on the Party through the formation of revolutionary rebel groups in production units, and finally the use of the army<sup>20</sup>. This attack had, of course, many effects everywhere. The All-China Federation of Trade Unions was dissolved and replaced in factories by new committees, e.g. in the Shanghai Glass Machinery Plant a "Revolution and Production Committee" was elected and "put in charge of political, production and trade union work"<sup>21</sup>. Trade unions were accused at the time of "economism" and during the "Flying Leap Period" (1969-70) they were not on the scene. Since 1973 there were attempts, Brugger reports<sup>22</sup>, to re-create trade unions. However, the present writer on a visit to China in 1977 did not come across any sign of the existence of trade unions. The enterprise "revolutionary councils" assumed all powers and all functions in any enterprise.

The planning system must have been jolted severely, although in official briefings in many institutions, I heard in 1977 many times that production rose so



## Social and Economic Aspects of Today's China

much, or so much, since the "Cultural Revolution". However, in none of these cases were the exact dates, or base year given, nor were the actual quantities given, but only percentage changes of (vague) aggregates.

It would seem that the attitudes to the problem of economic planning (similarly as the attitudes to material incentives) have been, so to say, subject to the laws of yo-yo. In this China has independently reflected similar trends that have battled in the Soviet Union, though, it may be interesting to note, China moves faster (in this and in other matters).

The centralised planning of the early years until 1958 produced many inefficiencies. Here are some of the reasons for these:

- a) Enormous size of the country, and non-homogeneous nature of the various provinces,
- b) Predominance of very small enterprises whose numbers went into hundreds of thousand, which would make any central management extraordinarily unwieldy.
- c) Inadequate coordination of the central planners (and central government departments) with the work of provincial planners (and provincial governments). As a result often both the central government and the provincial government would start enterprises of the same kind<sup>23</sup> in the same province based on some local resource.

On the other hand, the strong centralised control of the development plans then allowed some redistribution of man-made resources and industrial production from the advanced North-East and some coastal areas to the backward area inland. That process would be justifiable on economic grounds (a sort of "infant-province-encouragement argument") if one assumes that the Chinese leadership believes, that the inherited distribution of advanced industries was based on nothing else than foreign domination of the past. In any case, the military leaders would have feared such concentration, and further Mao himself stated in his "On the Ten Great Relations"<sup>24</sup> (1956) that continuation of the provincial disparities, would in the long run be politically unacceptable, especially as the many and numerous ethnic minorities in the backward hinterland. There is substantial evidence that this early period of centralised planning did produce some shifts of economic growth to these backward areas.

The inefficiencies, however, of the highly centralised planning in a country of the size and diversity of China provoked in 1956 a discussion about how much central control there should be and how much power should be devolved to the provinces (including the autonomous regions, and the three great municipalities with a status of provinces, Peking, Shanghai and Tien-tsin). Mao raised this matter in his speech On the Ten Great Relations. As a result in 1958 there was a change in the planning system.

The State Planning Commission since then controls only some major aspects of the economy and has transferred many enterprises to the provincial governments and provincial planning bodies, under "dual leadership" of the central and provincial governments<sup>25</sup>. This would naturally improve over-all coordination (unfortunately, however, other factors, i. e. political unrest did a lot of damage). On the other hand, there is some doubt whether the transfer of resources from

K. Bieda

the rich provinces to the poorer ones continued, especially as provincial military commanders, and provincial party officials, seemed to gain more power in the political unrest (some of them have been reported as refusing to send scarce supplies to the other provinces)<sup>26</sup>.

At present (1977) the planning system has this division of powers:

- a) The State Planning Committee sets certain national limits and targets;
- b) Within those limits the "Revolutionary Council's" Planning Committee of each area with the status of a province sets out detailed product targets for various factories and the communes. (Thus, e. g., The Shanghai Planning Committee tells the communes in its area what to grow and stipulates the acreage).
- c) Prices are not fixed by enterprises but by the respective level of government: for products of firms under central government control prices are fixed by central government, for products by provincially-controlled firms, e. g. clothing and other daily necessities, by "provincial" government, and for municipally-controlled firms by municipal government.
- d) Quantities to be produced are determined "by the needs of the people". However, how do you determine the needs if the market mechanism is almost completely suppressed? The staff of a provincial planning body told our group, in answer to a specific question, that they make enquiries in the department stores. It was, however, clear from the ensuing questions and answers that these enquiries do not have the nature of any statistically-designed surveys. All the same although the market mechanism is almost completely suppressed a small homage is paid to it in this reference to "finding out the needs of the people from the department stores". It seems that although the present is the low point for the market mechanism in China that system will never be killed completely and for ever by any conceivable political system.

#### 6) Distribution of Incomes and Incentives

In the West there is one belief that is very strongly held, and that is that incomes in the communist countries are highly equalised. This view is held contrary to all evidence and facts and even a public statement by Stalin does not seem to have had much effect in the West. In an official speech on 23 June 1931 Stalin said:<sup>27</sup>

"... equalisation in the sphere of needs and personal way of living is a reactionary, petty-bourgeois absurdity, worthy of some primitive ascetic sect, but not of socialist community organised in a Marxist way".

"... equalisation of pay leads to a situation where the unqualified worker does not strive after gaining qualifications, as he does not see in it any improvement in his position".

In the same way there is a strong, unmistakeable belief that incomes in China are highly equalised. The present writer has had a strong interest in the matter and during his visit (1977) to China asked many questions about that matter in official briefings in various Chinese institutions<sup>28</sup>. The clear and unambiguous picture that emerges is that income distribution in China is also unequal, and even before tax is more unequal than, e. g., in Australia.

As for Western publications, Brugger<sup>29</sup> speaks of a 24-grade wage system in China.



## Social and Economic Aspects of Today's China

The present writer was given the following official Chinese information in several Chinese institutions.

In a small Chinese factory there were eight grades of workers and wage levels ranging from 40 yuan per month to 140 yuan<sup>30</sup> per month. But as that factory did not involve highly skilled or sophisticated jobs it did not have highly skilled personnel, and therefore its top wage rate was not very high. In two universities we were told, publicly, that the income of a "newly-appointed lecturer is 50 yuan a month, and the income of a professor is "over 300 yuan per month". This means that a professor gets more than six times as much as a "newly-appointed lecturer".

Trying to compare this with the Australian salary structure and assuming that the Chinese "newly-appointed lecturer" must correspond to our "Senior Tutor", or "Tutor Group 4" (the lowest rank for a full-time university teacher) we find that our professor gets only 2-2.8 times more than our equivalent of the Chinese "newly-appointed lecturer". Thus even before tax the salary differentials are larger in China than in Australia. After tax the spread in China becomes even larger because in China there is no income tax and the Australian income tax greatly reduces the income difference between professor and "tutor".

The present writer visited two communes and was told that an annual income in the communes varied between 200 and 500 yuan. This would give the lowest monthly income below 20 yuan. This income compared to the income of a Chinese professor gives a ratio of 1 to 15, whereas in Australia a comparable ratio might be 1 to 3, although in this case it is not easy to find a typical farm income. In another small Chinese factory we were told that an ordinary worker would get 40 yuan per month, the Chairman of the Revolutionary Council ("who came from the masses") 105 yuan per month, and the most skilled engineer in that factory 170 yuan per month. In a very large factory, however, there would be highly qualified managers and experts and their salaries would go to much higher levels. Similarly, the salaries of high-ranking military personnel or other government servants would go to higher levels. The present writer did not see any very large factory, but Professor Eckstein said about 2 years ago in a seminar at Queensland University that the lowest to highest income ratio in China would be 1 to 30 or 40.

However, some further adjustments, other than income tax, have to be made in these assessments, and they do not all point in any one direction. In Australia a professor (to use the former example) may occasionally have an invested income, and although the "tutor" may also have such income, the chances of that are less, so this factor would tend to increase income differentials. On the other hand, housing is provided in China at purely nominal cost, and yet as in China (as elsewhere) some houses are very poor and some houses are excellent, this must increase the real income differentials because in the non-market, administrative allocation of houses the high-ranking members of society will be allocated the best houses (for which they pay only nominal sums). Then there is the problem of the car. In China there are no privately-owned cars, yet high-ranking officials are allocated official cars and even chauffeurs. As they have the use of the car, and the chauffeur, and free petrol, this must be added to their income and this factor would again increase income differentials

K. Bieda

in China. Further, in general, the high ranking officials would have a great deal of income in kind, e. g. excellent free meals, free holidays etc.

Having established that large income differentials do exist in China, we have to search for reasons and for effects<sup>31</sup>. It is clear that in general income differentials, if justifiable at all, are justifiable as an incentive to work harder, to work better, and to improve one's skills. It is also clear that the Chinese revolution, like the Russian one, carried with it demands for equalisation, and that these demands are reappearing now and then. In other words, this matter is also subject to the laws of yo-yo. Now, if we view the Chinese income distribution not as a matter of distributional "equity", but as a matter of incentives, the Chinese wage system at present is somewhat inconsistent. They obviously respect financial incentives in regard to various levels of skills and official grades, but strangely enough they offer no financial incentives whatsoever within any single category of skill, for any exceptionally hard work, or intelligent work.

The present writer checked it several times, if a worker, or even a group of workers, in a factory worked exceptionally hard, or exceptionally intelligently, or inventively, they would obtain no financial reward, no bonus. The only thing that would happen there would be that the particular worker, or workers, would have their name chalked up on a factory notice board (for one week). Similarly, in the educational process China has had no incentives until the current reforms. (In our educational process incentives appear in the form of examinations, high or low grades, or even exclusion from the educational process). Not only until this year did the Chinese student have no material incentive to study hard in order to enter a university (although he had an incentive to try to be popular with "the masses", and especially with the Party branch leadership), he had no material incentive to study hard at the University, because all students completed their studies.

It must not be thought however, that the Chinese worker or student was working under no incentive system at all. The incentive there was and is what I would call "direct incentive", or "physical incentive", in the form of pressure by the leadership of the branch Party.

Given the fact that in this hard world some work will always have to be done which we would rather not do, some incentives will always be necessary and for any non-doctrinaire person the choice between financial incentives and direct, physical incentives would depend upon the issue of which system hurts least and delivers the goods. In any case, however, even if the present Chinese system of incentives works when there is some zeal in the minds of the Cultural Revolution reformers, the question is whether the present system of incentives in education will continue to deliver the goods in the long run. Officially, the incentive system of examinations is not favoured in China. It is favoured in Russia, and the Chinese call it "Soviet elitism" and consider it one of the greatest sins of the Russians.

The above impressions may be qualified by a statement that a foreign diplomat in Peking (who does not wish to be identified) made to the present writer, that in fact, behind the scenes, China already in 1977 started moving back to the financial incentives system. That would be a yo-yo move. Recent reports from China and Hsin Hua News Agency reports confirm the gradual return to incentive system, and to a law and order campaign.



## Social and Economic Aspects of Today's China

Footnotes

- 1) Joint Economic Committee of the U. S. Congress: China: A Reassessment of the Economy, U. S. Government Printing Office 1975, p. 2, 35, 71, also: Colin Clark, "Economic Development in Communist China, Journal of Political Economy 1976, Vol. 84, No. 2.
- 2) China: A Reassessment of the Economy, op. cit. , p. 36.
- 3) China: A Reassessment of the Economy, op. cit. , p. 35.
- 4) Op. cit. , p. 36.
- 5) When this writer was visiting China in 1977 he watched in a commune hospital (in a rural district) two operations then going on, and one of them was tying up the Fallopian tubes in a young woman (both operations done under acupuncture anaesthetic).
- 6) Thus China has apparently eliminated sparrows, cats, dogs and flies. This writer did not see one of these creatures in three weeks' travel over China.
- 7) Carl Djerassi, "Some Observations on Current Fertility Control in China", China Quarterly, No. 57, January-March 1974. Also Joint Economic Committee of the U. S. Congress, China: A Reassessment of the Economy, op. cit. , pp. 36-37.
- 8) This statement is on the basis of a visit to a hospital in China. Anaesthetising is superior in China, also several diseases are treated without operations. Some by herbs, some by acupuncture, and some by other Chinese methods. Western diagnosis, however, is even in the Chinese view, better than the Chinese one.
- 9) The failure to find one such copy was not due to linguistic problems because the writer had the assistance of a person whose mother tongue was Chinese.
- 10) Some communes do allow their members small private plots for cultivation (not ownership!) but the "advanced" communes do not have private plots. Statements to the contrary of this, that is, that private plots had been abolished with the advent of communes, and that all free market sales were abolished have been made by Nai-Ruenn Chen and by W. Galenson in their: The Chinese Economy Under Communism (Aldine, 1969) p. 165, but they are incorrect.
- 11) F. W. Crook, writes however, in a paper (China: A Reassessment of the Economy, op. cit. , p. 366) that "production team" is the accounting unit, that it makes decisions regarding production and distribution of output among members. This is contrary to what the present writer was told in 1977 in briefings in two different communes, in two different provinces, namely that the accounting unit is the "production brigade". The matter of where the major decisions are made, at the brigade, or the production team level is not trivial. It has a major effect on incentives. If production decisions and distribution of output decisions are made at the team level (often coinciding with the old village) the connection between effort and reward is more clear

K. Bieda

- than it would be if those decisions were made at the brigade level. No doubt, this matter also has some ideological connotations. To some Chinese communists it would appear that the further away from the cultivators the decisions are made the more "advanced", the more socialised is the system (i. e. less individualistic).
- 12) Probably better than average, as the Chinese, naturally enough, would have liked to impress us.
  - 13) This writer noted during a briefing in a department store a ring of pride in statements that "90 per cent of goods there are of local production", meaning, made in the city where the department store was located.
  - 14) Cf. A. Donnithorne, *China's Economic System*, London: Allen and Unwin, 1967, pp. 496-511, also: W. Brugger, *Democracy and Organisation in the Chinese Industrial Enterprise*, C. U. P. 1976, pp. 253-263.
  - 15) Brugger, *op. cit.*, p. 467.
  - 16) Nai-Ruenn Chen and W. Galenson, *The Chinese Economy Under Communism*, Aldine Publishing Co., 1969, p. 159.
  - 17) Brugger, *op. cit.*, p. 262
  - 18) Brugger, *op. cit.*, p. 262
  - 19) Sun Yeh-fang, an economist, Director of the Economic Research Institute of the Chinese National Academy of Sciences, Deputy Director of the Government Statistical Bureau, and Vice-Chairman of State Planning Commission.
  - 20) Cf. Merton Don Fletcher, *Workers and Commissars*, Occasional Paper No. 6. Program in East Asian Studies, Western Washington State College, pp. 69-77.
  - 21) *Ibid.*
  - 22) Bill Brugger, *Contemporary China*, London: Croom Helm, 1977, p. 372.
  - 23) Cf. N. R. Lardy, in *China: A Reassessment of the Economy*, *op. cit.*, p. 99.
  - 24) This speech appeared in official translation into several foreign languages in 1977.
  - 25) Cf. Audrey Donnithorne, *op. cit.*, p. 496-511
  - 26) N. R. Lardy, *op. cit.*, p. 107.
  - 27) See K. Bieda, "Social Incentives and Income Differentiation in the U. S. S. R.", *The Australian Quarterly*, March 1952. Also Dvorkin (a Soviet economist) in his: "The Socialist Principle of Distribution of National Income According to Work", *Problems of Leninism*.
  - 28) Those briefings were done for our group (University of Queensland) and this author's questions and the Chinese answers were heard by the whole group.
  - 29) Bill Brugger, *Contemporary China*, *op. cit.*, p. 370
  - 30) The rate of exchange is: 1 yuan equals roughly 50 cents Australian.



- 31) For the high level Chinese theory in this matter see: "On absolute equalitarianism" in Five Articles, Chairman Mao Tse Tung, Foreign Language Press, Peking 1972, pp. 36-39.