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J. P. McCarthy

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The Industrialization of Red China and its Cost

J. P. McCARTHY

THE great progress made in China in recent years in building up its industry exercises a certain fascination on neighboring countries which are themselves striving for economic development. India in particular is deeply interested and has sent or proposes to send a number of investigating commissions to China to study conditions on the spot. One may feel some doubt as to the probable success of this move: the iron curtain and the bamboo curtain are very real; news does not easily pass through them, and such visitors as are admitted to communist countries are commonly taken on conducted tours from which they return with no more information than is contained in the official propaganda publications.

There seems then to be a real need for an objective estimate of what has been achieved in China, and of an assessment of its cost—looking to the cost in human values no less than in material resources. Such an estimate is attempted in this article.

The question, however, at once arises: Have we the material on which to base an estimate? Is there any source of information beyond the propaganda publications of Peking in English and other languages and the reports of privileged visitors? The answer is, that there remains the vernacular press and publications of Peking. These are indeed all offi-

cially controlled, but they are not, like the literature intended for foreign consumption, pure propaganda. There is propaganda in them for they present what the government, or more correctly the Communist Party, wishes the people to think, but they are also the means by which the orders of authorities are conveyed to their subordinates throughout the country; they contain decisions, decrees, and orders, but also criticisms, confessions, admissions. If one reads on any one day the *People's Daily* of Peking, the supreme paper, the *Pravda* of China, one will learn little, but if one reads it patiently day after day, if one compares the news and proposals of today with the news and plans of six months ago or a year ago, one comes to have an accurate notion of what is really happening in China. It is a wearisome, frustrating process; in some respects its fruits are meagre, but it does eventually, if painfully, give one a grasp on the real facts. It is on such a day-to-day survey of the Chinese press over many years that this survey is based.¹

I. THE PLAN

In 1949 the Communist Party extended its control to the whole of mainland China. It took some years to consolidate its position and power, and then, at the end of 1952, it announced its five year plan for the development of the Chinese economy. The "plan" came into operation in January 1953, but in fact no plan had been drawn up, although its main lines were clear enough, and two years later Chou En-lai, the premier, said that it was not yet ready. It was eventually published in July 1955, when half of the five years had already passed.

It was a Marxist plan. Marxism, still living on the intellectual capital of the nineteenth century, has conserved its early enthusiasm for industrialization and technical progress, and according to the still dominant Stalinist theory, the key to the development of other branches of industry is to be found in heavy industry and therefore in steel production, which

¹ Such a survey has been published now for many years in a weekly newsletter, *China News Analysis*: it is to this that we are indebted for our material.

provides the machines necessary for light industry and the mechanization of agriculture. It was admittedly a Russian devised plan, it could only be carried out under Russian direction and with equipment provided by Russia, and moreover all important plants were to be located in proximity to Russia. It was an extension of Russian industry to Chinese soil.

The main investment of the Plan was to go to steel and the machine industry, to coal, power and allied industries. Anshan in Manchuria, for example, was eventually to have three iron-ore mines, eight ore-dressing and sintering plants, six automatic blast furnaces, three refineries, sixteen rolling mills, ten coke-oven batteries, as well as auxiliary workshops. All this was not to be completed in the first five year plan, but when completed it would make Anshan one of the greatest steel cities in the world. Other large steel centres were planned, all in proximity to Russia.

On the other hand, there was to be little or no investment in agriculture, the main existing industry of China. There had been talk earlier of the mechanization of agriculture, but that did not appear in the five year plan. Agricultural production was expected to increase, but by the labour of the farmers. Similarly light industry was comparatively, though not wholly, neglected.

Here a grave blunder was made, for it was laid down that light industry, mining and indeed all industry, was to be moved from the coast to inland regions. Now there existed in Shanghai and elsewhere on the coast, a well established textile industry, and many other small but efficient industrial enterprises. These were to be abandoned; so that the Plan instead of building up on foundations that already existed, set out to erect an entirely new industry and on a grandiose scale. This blunder was to be acknowledged and corrected later.

Another blunder in the planning was the neglect of transport. The Kuomintang regime had pushed vigorously the building of roads and railways; the Plan neglected roads and could spare little investment for railways, though it seems obvious

that as heavy industry developed, there would be increasing demand for the transport of materials. That blunder also was to be recognized later. One could however list many blunders in the Plan, many perhaps inevitable in any plan drawn up on such a scale, but many also that should have been avoided. It may however be more profitable, before we consider how the Plan fared in the course of the five years, to weigh what it involved for the country and the people.

The Plan was the plan of a country on a war-time footing. Its object was to increase the warlike potentialities of China and of the communist bloc. The steel produced went by first priority to the armament industry. Industry was located where it was, in Manchuria, Inner Mongolia, etc. "because," as one writer put it, "defence conditions are better there and it is close to Soviet Russia." Such railways and roads as were built, were designed for military and not for economic purposes. China was to become a great power.

And what was the price to be paid for this? The whole country must be subjected to the conditions dictated by a war-time economy. For many years the great industrial plants being built could not be remunerative; the loans from Russia and other communist countries, for the purchase of materials, equipment and technical assistance must be paid for—and Russian loans to the satellites are commonly onerous; China was still suffering from a long period of war and internal strife which had impoverished an already poor country; yet the necessary resources for investment must be found. The already low standard of living must then be depressed to an incredibly low level, and the whole population must be dragooned into accepting this.

Other countries which find themselves attracted by the Chinese success in industrialization would do well to reckon up the cost: success cannot be attained in a free country. First, the accumulated savings of the people were tapped by forced selling of government bonds; then all businesses, commercial and industrial, were confiscated to the state; then a monopoly in the buying and selling, first of food, and later of everything else, was reserved to the state. So the money for investment

was found. It has been remarked that the one great advantage that communist governments have over free countries in industrial expansion is this, that there is no limit to the taxes they can impose, so that taxes may reach a weight and incidence that would not be tolerated in a democratic country.

In China, eventually, it was the farmer who must pay for industrialization. China was an agricultural country and three quarters of all exports were agricultural products (the rest were mainly minerals), and so it was by the export of pigs, rice, wheat, edible oil, cotton and cotton goods, etc. that the Russian loans were re-paid for foreign currency earned, though at the same time in China there were shortages of meat, rice, oil and indeed of everything the people wanted. Agricultural taxes were high, but the main contribution of the farmers came from the fact that they must sell their crops to the state at prices fixed by the state, and buy from the state all the tools, seeds, etc. that they needed, again at prices fixed by the state. We cannot here go into the lot of the farmers in China, but enough has been said to show that it was desperately grim.

II. THE ACHIEVEMENTS OF THE PLAN

The Plan in the course of the five years ran into many difficulties, which were greatly aggravated by the complete re-organization of the country involved in the collectivization of agriculture and the socialization of commerce and industry. Harvests had been good in 1952 and 1953, but in the following years there were natural disasters, especially wide-spread floods, and the planners discovered, apparently to their surprise that the economy of the country was wholly dependent on agriculture: when harvests failed, investment in industry was necessarily curtailed.

Modifications in the Plan were introduced each year, by way of assignments of investment in the annual budgets, but in general the Plan was pushed through as it had been devised. The five year period ended in December 1957, and a complete report on the Plan was promised, but has never appeared. We give below some selected figures taken from

individual reports by responsible Ministers, who however sometimes state that their statistics are provisional.

	Production in 1952	Planned Production for 1957	Actual Production in 1957
Food Crops (Million tons)	154	181	185
Edible Oil (Million tons)	0.72	1.55	1.45
Cotton (Million tons)	1.3	1.6	1.6
Horse-Oxen-Mules-Donkeys. (Million head)	76	88	84
Pigs (Million head)	90	138	120
Coal (Million tons)	68.5	113	120
Pig Iron (Million tons)	1.9	4.67	5.9
Steel (Million tons)	1.35	4.12	5.24
Steel Products (Million tons)	1.11	3.045	4.7

In considering these figures, we must remark first that the figures for 1952 are quite unreliable; the statistical office which gives them admits that no reliable figures were available. The Plan therefore was drawn up, incredible as it may seem, without any accurate knowledge of the existing production. In most things the Plan was attained or approached, but since the Plan itself was often wrong in its estimate of requirements, this did not prevent economic distress. There was an increase in food crops in accordance with the Plan, but since the population was increasing at the same time, and since food was being exported, food continued in short supply and was severely rationed. Cotton reached the target but supplies fell far short of needs. Cotton in China ranks no less than food as a necessity of life, for in the severe winters, it is the cotton-padded clothing, and not fire, which is the defence against cold; yet it was necessary to cut repeatedly the

cotton ration. Vegetable oil—again, an irreplaceable article of diet in China—was always in short supply. There had been a calamitous fall in the numbers of pigs and of draught animals after these had been taken over from the farmers by the collective farms: the government had taken alarm and had ordered the animals to be returned to the farmers. By the end of the five years, the number of pigs was rising rapidly again, but a shortage of draught animals persists to the present day. Such important export items as tea and silk had inexplicably been neglected by the planners, and though attempts are now being made to remedy this, they have never reached their pre-war production figures.

The Plan had set very high targets for coal, pig iron, steel and steel products, and yet the targets were not merely attained but greatly exceeded. It must be emphasized that when targets were overfulfilled, this was due to unforeseen events or human effort, at least when we are dealing with such a thing as steel. The overfulfillment depended on the state allotment for investment made in the yearly budgets. The errors in the five year plan, leading to grave im-balance in the economy, might have been corrected in these allotments; instead they were greatly exaggerated.

In a sense one can say that the plan was a success: the planners have got what they wanted. Though there is a shortage of essential food, of cloth and clothing, of building material, electric power, transport, China is preparing to challenge comparison with England in the production of steel and coal, for though the steel production was modest, Anshan and the other steel plants were only at the beginning of their useful life.

Yet even in this—the heart of the Plan—defects have appeared. The steel produced has often been of poor quality and China still has to import all special steels. China, too, has been importing seamless steel tube while Anshan was turning out tube of a type that was not wanted. Although the production of coal is said to have doubled in the five years, there has been a severe shortage of coal. One reason, no doubt,

is the increasing use of coal in industry, but another reason is the serious falling off in quality. There were frequent complaints of "fifty per cent of stones" in the coal, of ash content of 30%, 35%, 38% and it is evident that if a fixed quantitative target is set, the temptation exists to attain it at the cost of quality. This vice affected very many of the targets in the five year plan. The *People's Daily* mentions a machine factory which was awarded a prize for exceeding its target when actually it had two million items stored which no one wanted, while it refused to produce the machines for which there was a demand, since production of these would make it fall short of its target. The *People's Daily* also frequently mentions fake reports of targets reached and overfulfilled. In agricultural production particularly, it seems that little reliance can be placed on the reports sent in.

Perhaps the most important failure in the five years was the neglect of transport. The Minister of Communications has said that eighty per cent of road transport is accounted for by animal-drawn vehicles—usually ox-carts. China, for a great country, is extraordinarily poor in roads, and the Minister said that he had no plan for developing them "since trucks and petroleum are lacking." The shortage of trucks is acute. One would have thought that the automobile factory of the five year plan ought by now to be turning them out in quantity, and one can only suspect that its capacity is employed on military vehicles. The five year plan for petroleum production fell short of the modest target. There have been glowing reports of great finds of oil, but the only productive fields seem to be the small ones that were known before the war. Some railway construction has gone on, but it is quite inadequate for the needs of the country, and it is only in the last few months of 1958 that at last a vigorous effort was in progress to expand railway facilities. Lack of transport must continue for long to forbid the exploitation of many resources in the country, and it already seriously hampers the movement of food and goods throughout the country.

We have no space further to analyse the five year plan, but perhaps the most eloquent comment on it is to be found

in the fact that at its conclusion the authorities decided to launch out in a different direction: 1958 was to be a complete contrast to the years that went before it. Iron, steel, heavy industry, of course, continued to be the supreme objective; the Marxist vision still guided the planners. Nor was there to be any concession to human nature; on the contrary the whole population was to be mobilised for incessant work as never before.

III. AFTER THE PLAN

A second five year plan was published in outline, but little has been heard of it in the last year. In the Autumn of 1957, the government granaries were depleted to feed the hungry people, agricultural exports had to be reduced, and consequently equipment for industry could not be purchased. It had at last been borne in on the planners that the economy must be built upon agriculture and it was decided to make immense efforts to secure a bumper harvest in 1958.

In previous years, when food had been insufficient, it had been asserted that there were too many mouths to feed, and there had been intensive propaganda for birth-control and abortion; now, on the contrary, the authorities decided that their one great asset was the immense population, and they determined to draw everyone, men, women and children, into the labour force. All through the winter and spring of 1957-58, there were great armies of millions of men working at irrigation works, water conservancy, preparing the fields for the sowing, collecting fertilizer and putting it on the fields, ploughing etc. ("Men," the *People's Daily* tells us, "not animals, pull the plough.")

In the course of 1958, the whole country was turned upside down again by the conversion of the collective farms into communes, large units with a population of 30-60 thousand. Common dining rooms were set up so that the women of the households should be set free to join their husbands in work, while their children were cared for in nurseries and kindergartens. Orders went out that the children in the schools must combine study with productive labour. Thus the whole

people could be mobilized under military discipline for productive work, and the harvesting of the crops became a war-like operation. It was a year of favourable weather for a good harvest; various agricultural techniques were introduced to increase the yield of the fields; what could be done by human labour was done. Nevertheless, the claim made at the end of the year that the food-crops were double the previous record, was received with scepticism by agriculturalists abroad: it seems an impossible achievement. Our concern, however, is with industrialization and we only mention the agricultural programme here because it must be remembered that this was combined with the demands made on the peasants by the new plan for expanding heavy industry.

In 1958 an intensive campaign was launched for dispersing industry throughout the country. Factories of all sorts, textile, oil-pressing etc., but especially small furnaces for the smelting of iron, were to be set up by the collective farms—later by the communes—so that all the villages of China would have their factories and their iron and steel plant. The object of this extraordinary move was to make use of the population to expand production and at the same time to relieve the state of the financial burden, since the investment required must for the most part be found locally. Thus the peasants everywhere had, in addition to their work in the fields, to mine coal and iron ore, to carry them to the furnaces which they had to build and tend. At the same time, others were employed in building and working industrial plants of various kinds. All this, clearly, could scarcely have been done without the organization of the communes, in which the whole people, men, women and children, were recruited into labour brigades which were directed to the work at which the authorities wished to employ them, moving in military formation under military discipline like an immense army of ants.

It is significant that orders had to go out from Peking that the people must be allowed eight hours a day for sleep!

It was reported that over a million miniature blast furnaces were built and worked during the year and it was ser-

iously claimed that the production of steel had been doubled in the year, reaching a total of nearly eleven million tons. What is one to make of this? It is true of course that the small scale production of steel is not impossible: it was produced in this way before the industrial revolution, and in some places quite high-grade steel used to be made. Such production, however, was found only in places which had a long tradition, fuel and ore of tried value, and a ground of highly skilled workmen. To introduce the method all over a great country, with wide varieties of ore and fuel and with unskilled labour, seems little short of madness. It is small wonder that the claims subsequently made for the success of the operation should be received with incredulity. Once again we have an implicit comment on its success in the fact that, for 1959, the emphasis is to be on comparatively few plants of larger size, operated by people trained in modern steel plants.

Already in 1956, the mistake that had been made in neglecting the existing industries in Shanghai and other coastal towns had been acknowledged, and Shanghai industry was encouraged to resume "temporarily." Now it seems that it is to be permanent. One would have thought that the traditions of Shanghai would have perished in the interval with the liquidation of the management and the dispersal of the skilled workmen, but it seems that Shanghai has kept its skill and initiative, and here the revival of industry did meet with success. Shanghai was one of the few places which did succeed in making real steel—or so one suspects. Workers now are being sent to Shanghai from other places to learn its methods.

Such then is the industrial achievement of China. If the sole purpose of man and of human society is to produce (as the Marxists would have it), then perhaps there is something to be said for it. Yet, even given their objective, one can offer the most damning criticism against the plans and their implementation: no freely elected government would have been allowed to get away with the egregious blunders that

were made. Economically the Plan stands condemned. One cannot however stop on economics when one thinks of the miserable fate of the inhabitants of that great country. If, instead of the spectacle of China as it is, communism could offer a model of a prosperous and balanced economy, every government which has the welfare of its people at heart,—every people which sets any value on the decencies of human life—must refuse to imitate the model.