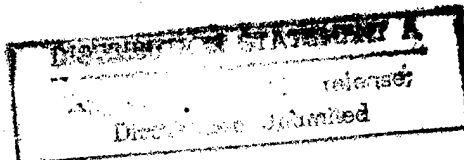


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29 September 1982



# China Report

ECONOMIC AFFAIRS

No. 269

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No. 269

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### PROBLEMS IN IMPLEMENTING RESPONSIBILITY SYSTEM DISCUSSED

Beijing JINGJI LILUN YU JINGJI GUANLI [Economic Theory and Business Management] in Chinese No 3, 25 Jun 82 pp 1-6

[Article by Sun Xuewen [1327 1331 2429]: "Problems Arising in the Process of Implementing the System of Enterprises' Responsibility for Their Profits and Losses"]

[Text] Since the latter part of 1981, the departments of industry and communications, finance and trade, and affiliated organizations in all localities have begun to institute a "system of responsibility for profits and losses" at every level of their administrative systems. Some comrades thought that "production contracts," "piecework" and "bonuses" denoted a "system of economic responsibility." Some lumped the several types of presently functioning profit distribution methods together with the various different forms of the "system of economic responsibility," whose main feature is indeed assumption of responsibility. Others even considered the method of "profit turned into tax," the experimental units operating with expanded authority, and the method of retaining a share of the profits as forms of production contract, believing that "contracting for production amounts to expanded authority." Some believed "poverty is cured by relying on production contracts, laziness is cured by relying on piecework," and the responsibility for profits and losses "once contracted for immediately brings efficiency, life and change," regarding "responsibility for profits and losses in contracts as a breakthrough in the reform of the economic system. In my opinion all these views are open to question.

"Production Contracts" and "Piecework" Are not Tantamount to a System of Economic Responsibility

The economic responsibility system has a specific meaning, and one must not arbitrarily assign to it any kind of content. As its name implies, the economic responsibility system is a system in which clearly defined responsibilities must be borne between the state and the enterprises, between enterprises among themselves, between the various sectors within the enterprise and by workers in their productive activities. In simple terms, there is to be a sound system of economic responsibilities at all levels and for each person. As to "production contracts," that term denotes a form of distribution, and "piecework" denotes a form of wages; at most they may be considered as "systems of responsibility for profits and losses." If "responsibility for profits and

losses" is practiced only in the distribution and a system of "piece rate wages" is operated in the enterprises internally, if no sound system of economic responsibility has been established from top to bottom, on all sides and in all vertical and horizontal relations, especially no responsibility system for each individual post, no delineation of the range of duties for departments and enterprises, and no responsibility assumed toward the state, there cannot be smooth progress of socialist reproduction, organic coordination of the four links--production, circulation, distribution and consumption--and the national economy cannot achieve steady, coordinated development. Instituting a system of economic responsibility must therefore place emphasis on the establishment of a solid sense of economic responsibility in the departments responsible for enterprise management, in enterprises, workshops, teams and in the individual employees and workers. Speaking of an individual enterprise, it is not enough that it may carry on "contracting for production" and "piecework" in order to be reckoned as having a system of economic responsibility, but it must also in all earnest establish a system of responsibility applicable to the factory director (manager), a system of specific responsibility in its production, management and administration, and a system of personal responsibility for each post occupied by an employee or worker. Some comrades think that once the "benefits" of "production contracts" and "piecework" are gained and the business shows a profit, economic responsibility will result automatically. This is an unrealistic way of thinking and a view that is refuted by the common occurrence of enterprises "only wanting to keep the profits, but not to bear responsibility for losses," "only wanting to be credited for excess output, but not to take care of shortages," "only wanting to take in profits, but not to bear economic responsibility," which finally ends up by having the state take care of deficits, debts and losses, and resulting in "eating from the same big pot" at the expense of the state.

When dealing with the question of economic responsibility, we should make an issue of the "responsibility" aspect, strengthen the responsibility system, raise the sense of responsibility, and not harp on "profits" and "authority." Only after responsibility has been asserted, should we dispense appropriate economic benefits, according to the extent that responsibilities have been met and duties fulfilled. Only to facilitate meeting all responsibilities and fulfilling all duties should we grant appropriate authority. This is the only way we can truly achieve an integration of the three factors. We must take a stand against what happened during the 10 years of calamity, when the "smashing to smithereens of all rules and regulations" took place, when the normal order of production and management in industry and communications, in finance and trade was wrecked, and when no attention was paid to economic responsibility and economic efficiency. It has now become extremely urgent that a system of economic responsibility be put into effect in all trades and industries, and especially in the grassroots enterprises. The State Council has decided to overhaul and consolidate on a grade scale all enterprises during the next year or two. The major substance of this reorganization will be to set up a solid system of rules and regulations, which will also include a system of economic responsibility applicable to all levels and to every individual. This is both an actual necessity and also a fundamental item of basic structure of all enterprises. In the last 3 years, we have operated experimental units with extended rights of self-management, having

granted these enterprises a certain degree of authority and a certain amount of benefits, but we have not emphasized that the enterprises should bear any economic responsibility or duties. This aspect is now being added, and this will no doubt contribute to the further perfection of the system of enterprise management. Only by discussing it from this angle, by demanding that the experimental enterprises with extend authority build up further and perfect all the various rules and regulations, including a system of responsibility applicable to every level and every individual, can we say that there is a follow-through and development of the granting of greater authority. Only if we are resolved to gain full understanding of the meaning and demands of the economic responsibility system and institute an economic responsibility system in fact as well as in name, can we steer this undertaking on to a path of correct and sound development.

### Correct Evaluation of the Effect of Production Contracts

The method of contracting for production at all levels instituted last year concentrated on the "profit" index and was therefore also called "production contracts with responsibility for profits, gains and losses." Profits constitute an important index for the evaluation of the business results of an enterprise and have a certain appeal and stimulating effect. In enterprises that carry out an appropriate measure of "production contracts" and "piecework," in enterprises that determine reasonable base figures and allot reasonable shares to all parties concerned, in enterprises which fix quotas for piecework in a progressive way and adopt reasonable unit prices, and which furthermore, after concluding "production contracts" and instituting "piecework," sincerely and truly implement a system of economic responsibility at all levels, strengthen their internal basic work, resolutely implement the principle of distribution according to work, in such enterprises the system of "assumed responsibility" will indeed show good results. This has been proved in a large number of cases. Judging from the experience in various places, the system of production contracts at all levels shows the following two main advantages: first, the figures for production contracts show an increase over the figures set by the finance authorities, and second, it places hope in the fact that through greater benefits for the Ministry of Industry, the bureau of industry, the economic sections of the party committees, enterprises and staff and workers, it will stimulate enthusiasm and initiative, and the state will increase its revenue from its share in excess production, calling this: "yielding a little profit to the enterprises, yielding a large profit for the state."

However, our evaluation of the production contracts must be balanced and not overestimated. We must be aware that in many places the system of "production contracts" is still beset with quite a number of problems. The main problems are:

First, the problem of the production contract method as such. The basic figures of the contractual production figures are excessively low, and the ratio of shares from excess production excessively high, the relationship between the state and the production contract units not being handled properly, to the detriment of the state's interests.

Second, the fact that "responsibility" is assumed only for profits poses a number of new problems: 1) Due to the lopsided view that regards carrying out "production contract" and "piecework" as carrying out the economic responsibility system, many places and enterprises are in fact without an economic responsibility system that is effective at all levels, responsibilities remain vague, and there are many incidents where the state is still left to take care of shortages, deficiencies in harvests and losses, so that the "system of responsibility for profits and losses" is turned into a "system of responsibility for profits and excess production." This violates the original intentions of the economic responsibility system. 2) Being "responsible" for profits only will of course create an attitude of producing only what brings large profits and ceasing production of what is less profitable, so that an imbalance occurs between production and needs. The goal of production and of managing a business becomes making superprofits and is no longer to serve the society and the livelihood of the people. This runs counter to the demands set by the goal of socialist production. 3) Where conditions are not precisely stipulated, where there is no scientific and reasonable assessment of quotas and unit prices, where there is no system of strict examination and checking before acceptance, where piece rate wages are adopted over large areas and above-quota wages are calculated according to pieces and amounts produced, there is bound to arise the tendency to concentrate on the production of quantities and numbers of pieces alone, without regard for quality and bringing a definite drop in quality. For the same reason it is inevitable that the costs of production will rise, consumption go up and economic effectiveness become deficient. 4) The production contract accepts profits as the only index for assessment of the operations of an enterprise, but due to unreasonable conditions of pricing and taxation, and different natural conditions, enterprises with high profits do not necessarily contribute the most and enterprises with low profits do not necessarily contribute least to the general cause, so that new problems of unfairness arise in enterprise income and distribution. 5) When "responsibility" is assumed only for profits, when there is no checking and supervision and when enterprises have not yet been properly reorganized, with managerial work not having kept up with requirements, it is bound to lead to some enterprises adopting improper means and illegal methods in their extreme eagerness for profits. 6) Control is lost over the income of staff and workers. After assuming "responsibility" for profits, the total amount of wages increases and control is lost over the issue of bonuses, while labor productivity and profits turned over to higher authority drop due to the fact that the regulations that control the issue of bonuses are not properly carried out. After instituting piece rate wages, the piecework quotas in some enterprises were set low, unit prices high and employees and workers exceeded their quotas in large measure, so that the individual income rose beyond the range of increases in production, profits and labor productivity. Consumption capital increased unduly rapidly, aggravating the contradiction between purchasing power and commodity supplies. 7) A contract that is concluded and is to remain unchanged for several years may not tally with the fulfillment of the state plan. Looking at the Sixth Five-Year Plan, in its demands for certain rates of development, the plan may be different every year, especially since the focal points of investments, loans and technological transformations differ in the various departments, areas and enterprises; the production plans, marketing plans and financial tasks which the state orders the various areas, departments and enterprises to follow may also differ; these changeable factors are hard to anticipate.

This means that the state plan cannot be maintained as a "system immutable for years." This demands of the units that have concluded production contracts that their base figure of profits to be turned over to the state financial authorities must be progressively increased every year, that in this arrangement the base figure of assumed responsibility for losses be reduced year by year, that in the base figure for proportions of surpluses the principle should be firmly upheld of allotting more to the state, and the various economic and technical indexes of the enterprises must dovetail with the state plan; only in this way can the all-round fulfillment of the state plan be guaranteed. The methods of production contracts prevalent last year mostly maintained an unchangeable base figure, or even a reduced figure, while the share from excess production of enterprises and bureaus in charge grew larger and larger. Many areas, when first instituting the production contracts method, made it clear that once adopted, it would remain unchanged for 3 or 4 years. At that time they did not establish consistency with the state plan, and in fact many showed great discrepancies. If this situation were left to continue, it could affect the overall fulfillment of the Sixth Five-Year Plan.

Although these problems did not all emerge only after the system of production contracts was adopted, the problems became increasingly serious and critical after adoption of the production contract method. Judging by practical experience, the production contract method has its definite functions, but the system is also beset with many problems and contradictions, and its side effects are great. At some enterprises, for instance at the Capital Steel and Iron Company, after concluding production contracts, those in charge devoted efforts to improving business management, devised means to increase production and practice economy, used their brains to broaden sources of income and to reduce expenditure, and as a result have achieved very good economic efficiency. However, many enterprises merely stagnate in "production contracts" and "piecework," don't do solid work and are unable to apply economic responsibility to all levels and individuals. They either cannot fulfill their duties from the production contract or show new losses, and finally become a burden to the state. This means that the "production contract" is not something that "once concluded, will bring effect, life and change." It is not a panacea that guarantees to cure all sickness. The problems that exist in our country's economic work derive from many factors and sources. We must examine the complex conditions of the economy, take up contacts in all directions, and adopt mutually complimentary measures, because only a large number of different "prescriptions" can bring a solution. Relying only on "production contracts" or the economic responsibility system as the only "prescriptions" will not solve the problems existing in our economy.

Production Contract Units Are Not the Same as Enterprises of "Extended Authority"

Does "contracting for production" amount to the same thing as "extended authority"? As viewed by the economic sections of the party committees, the Ministry of Industry and the bureaus of industry, the enterprises discharge their responsibilities by fulfilling the duty of turning over their dues to the higher authority, but their responsibilities do not consist merely in making profits. They have many other tasks and responsibilities--for instance, regarding quality, variety of products, consumption of materials,

production costs and other such economic indexes, as well as the readjustment of the enterprise, its reorganization and technological renovation, the training of cadres, employees and workers, etc. If they only fulfill this one task of making a profit and do nothing else, they are still neglecting their duties. It is now proposed to carry out an overall assessment of enterprises and check up on work according to the sphere of duties of the departments, but here another problem crops up, namely that there is no great difference from the eight-point economic-technological index of the past enterprise examination and assessment with regard to the limits of competence of the departments, i.e., that there is no fundamental difference whether contracts have been concluded or not. If one still wants to assume responsibility, one may do so with respect to profits and quantities, but what relations are there between the various indexes, not matter how responsibility was assumed, as to variety of products, quality, consumption of material, labor productivity, cost of production, circulating capital employed and other such indexes? Up to now there is no clear and definite method that would solve the problem of how to contract for the readjustment, reorganization, straightening out and technological renovation of enterprises, and for such work as the training of cadres, employees and workers. This is one point. Second, the party committees, ministries and bureaus are administrative organizations. Viewed from the standpoint of reform of the economic system, if we have economic organizations replace the administrative organs in the management of the economy and gradually arrive at a separation of government and enterprise management, a number of party committees, ministries and bureaus should be combined and reduced. The "autonomy" that is now being enjoyed after the institution of the production contract system has strengthened the administrative organization and is ruining the fruits of expanding the self-management powers of the grassroots enterprises during the last few years. This runs counter to the direction of the reform of the organizational system. Third, the party committees, ministries and bureaus enjoy autonomy in matters of "personnel, finance, material, production, supply and marketing," and the right of allocations and transfers, of the enterprises with extended authority, a high centralization of powers. Some comrades even want to concentrate all "six powers" in the hands of one department. This would reintroduce some of the problems of the past, when power was centralized to a great degree. I therefore believe that the conclusion of production contracts carried out by party committees, ministries and bureaus is not the same thing as the "extended authority" of enterprises. They therefore may not enjoy the self-management rights of the enterprises with extended authority, but must be subject to the various constraints imposed by the party Central Committee and the government and must insure the fulfillment of the state plan and of all tasks entrusted to them.

Speaking from the standpoint of enterprises with production contracts, such enterprises are not the same as enterprises with extended authority. Extended authority and "profit turned into tax" experimental units are important measures within the reform of the system. Their purpose is to reform the system of enterprise management, to expand self-management in grassroots enterprises, to make them into relatively independent producers of commodities, to enliven the microeconomy, and to stir up enthusiasm and initiative in the enterprises, in order to adapt to the ever changing needs of the economy and raise economic efficiency. However, the "production contract" system is

merely a method of distribution, at best only a "system of responsibility for profits and losses." In comparison with "extended authority," its sphere is much more limited and it is also of much less significance. "Extended authority" involves the reform of the entire enterprise management system. Of course it comprises establishment of a sound system of rules and regulation, but in a true sense an economic responsibility system is also merely one important item within the system of various rules and regulations. For this reason, production contracts and the establishment of an economic responsibility system cannot take the place of "extended authority" and the "profit turned into tax" experimental units. Everybody knows that when the extended authority experimental units were originally set up, there were three conditions: first, the enterprise had to have a good leadership team; second, it had to be a normally profitable enterprise; third, it had to have a solid management system. The third condition, the "solid management system," comprised the question of whether it had an economic responsibility system. An enterprise with extended authority must therefore have set up a sound economic responsibility system, but that does not mean that every enterprise that has an economic responsibility system is an enterprise with extended authority. Even if the first two conditions are fulfilled, it is only after all three conditions are fulfilled, that the enterprise may, through examination and approval, be listed as an experimental enterprise with extended authority and will then be able to enjoy the autonomy of an enterprise with extended authority. Looking at the overwhelming majority of enterprises with production contracts, they will not qualify to be listed as enterprises with extended authority, and even less qualify to enjoy the autonomy of enterprises with extended authority, because their leadership team has not yet been straightened out, their production is far from normal, they have no sound system of rules and regulations, their administration is chaotic, discipline is lax, wastage and losses are great, and they engage in many dishonest practices and incur serious losses. In the case of such backward enterprises it is still a question of straightening out, readjustment and reorganization, and their problems cannot be solved by something like extended authority, concluding production contracts and dispensing benefits. In the light of our practical experience with reform during the previous 3 years, the calculated distribution scale of experimental units with "extended authority" and "profit turned into tax" was more cautious and of much better quality compared with the previous year, when production contracts with responsibility for profits and losses were used. The proportion of the base figure for profits to be retained in most places was calculated by conversion of reward funds, welfare funds, director's funds and funds for the experimental production of new products. The share from increases to be shared was determined on the basis of the degree of difficulty of increased production and increasing income, the amount of contribution to the state, the extent of outstanding accounts in production and in private lives, and the capacity of the state's financial strength. This means that these figures were all painstakingly calculated, account by account, on the basis of objective evidence. However, the production contract system that was introduced throughout the country last year had neither objective foundations, nor was it based on detailed calculations. The figures are nothing but empirical figures, figures haggled over by high and low, left and right, or figures "graciously bestowed" by a certain department or leadership. Could it be that something that is subjective arbitrary is more "advanced" and more "progressive"

than what has been carefully calculated and based on objective evidence? If economic work is undertaken without qualitative and quantitative analyses, without considering the special conditions prevailing and the capacity of the national strength, merely relying on one burst of boisterous agitation and on "natural reasonableness," such economic work will definitely run into a stone wall or meet defeat. The "Great Leap Forward" and the "Cultural Revolution" were of this kind. Are they not yet sufficiently instructive? As to the scale of shares in increased production, this was originally fixed at three rates, allowing the enterprises to withhold at the rates of 10, 20 and 30 percent, the highest being 30 percent. This was a true expression of the principle "the biggest lot for the state, the smaller lot for the enterprises, and the odds and ends for the staff and workers." If it was considered too low, the share of the enterprises being too small, and the national strength allowed it, an appropriate increase in the ratio of retention by the enterprises would be made. However, in the present production contract system, where the base figures of the contracts have been forced down to a low level, the share of the contract unit in the surplus income is at least 40 percent, and a maximum of 100 percent, and this goes on while the state finances are deeply in the red, while many enterprises have reduced profits and turned over less profits to higher authority, or have had small profits or losses, and when it has been most inappropriate to set such high rates of portions to be retained, to issue such large bonuses and wages for extra production. This method of "pushing base figures in production contracts down, lower and lower, and raising share ratios higher and higher, fixing piecework norms lower and lower and raising piecework unit prices higher and higher" is an infringement on the state's interests and shows a disregard for the economic interests of the three parties concerned, namely the state, the enterprises and the individuals. I believe that enterprises operating with normal profits, all enterprises with extended authority that operate with profit retention, and experimental units on the "tax replacing profit" system, should continue to carry out the original experimentally introduced methods; and one must not institute in these enterprises some sort of "production contract" method, "fish for further extra income," and even less mix up "extended authority" and "profit turned into tax" enterprises with the ordinary production contract enterprises.

#### Contracts With Responsibility for Profits and Losses Are not a Breakthrough for Reform of the System

If we want to see whether any reform measure is a breakthrough for the reform of the economic system, there are, under the present conditions, mainly two objective criteria: first, whether the measure will benefit or promote readjustments, and second, whether it will induce reforms in other areas. If we measure the system of production contracts with responsibility for profits and losses by the mentioned criteria, we discover that the system of contracts at all levels neither benefits readjustments nor reforms in other areas.

There is a contradiction between the system of "production contracts" and readjustments and reorganizations. Because the contract system employs the method of contracting at all levels of the administrative system, all economic activities of the provinces, prefectures, municipalities, counties,

departments, bureaus in charge and enterprises assume a rigidity, without room for movement, and therefore will aggravate the situation of regional blockades, disjunction between departments and between enterprises, each doing things its own way, each creating its own system, each "self-sufficient," and the whole thing obstructing any economic readjustment and reorganization as well as any economic intercourse. In 1979 the central authorities and the local authorities instituted a financial system of two ranks as an "eating from separate kitchens," which allowed all localities their own economic interests and stirred up enthusiasm in all localities to increase income and limit expenditure. However, when organizing production and circulation of commodities, this makes itself felt as blocking off progress from without and protecting backwardness within. The presently operating five-level production contract system (provinces to prefectures, municipalities and counties; prefectures, municipalities, counties to bureaus in charge; bureaus in charge to enterprises; enterprises to workshops and teams; workshops and teams to individual employees and workers) is "peeling the skin off" at every level and is apt to aggravate these defects. The unchecked development that is now occurring everywhere, the rush to come out with commodities that are in great demand, the duplication in construction work, the efforts to be "big and complete" or "small but complete," are manifestations of these defects, which are becoming increasingly serious. Every district, department or enterprise that has contracted for production has become fixed and static; in any case they consider they are "in good shape" as long as they only show the will to fulfill their tasks in the production contracts. They are not able to attempt anything else, in fact cannot involve themselves in anything else. Thus, if anything else should have to be taken care of, anything stopped, combined or shifted, they could not do it; if anything should have to be repressed, shrunk, adjusted or shortened, they could not do it; if anything should have to be combined, reorganized or linked together, they could not do it. The method of production contracts at all levels indeed created new obstacles and difficulties for readjustments and reorganizations.

There is a contradiction between contracting for production and adjusting pricing and taxation. Developing effective economic leverage for adjustment and reform of the pricing and taxation system is an important link in the reform of the economy. After production contracts are concluded, because they stipulate no change for 1, 3 or 4 years, all factors of economic influence, whether beneficial or not to the contracting units, become bargaining counters in the haggling over prices. Whenever the price and tax rates are touched upon, there is a row and demands put forth to change the base rates of the production contracts and of the share ratio for excess production. Frequently, all the profits are taken away by the production contract units, and nobody is there to contest it on behalf of the state, but if anything is disadvantageous to the production contract units, they explain it as factors that reduce their income and profits. Some make overstatements or present only the unfavorable, omitting the favorable points. Some take this opportunity of adjusting pricing and taxation to fleece the government some more. The result is that all the benefits are taken away by the production contract units, while the government is still being criticized by such statements as "policies are too changeable with the changes of dynasties" and it is "always apt to go back on its word." The system of production contracts at all levels is detrimental to reforming the pricing and taxation system and prevents activating economic leverage to effect adjustments.

The production contract method runs counter to the trend of reforming the system. The method of production contracts at all levels, viewed from the relationship between the state on the one side and party committees, ministries and bureau on the other side is a relationship of assuming contractual responsibility for profits and losses; viewed from the relationship between the state and the enterprises, it is still a relationship of contractual responsibility for profits and losses; viewed from the relationship between the enterprises on one side and the employees and workers on the other, it is a system of piece rate wages. This is a distorted and incorrect state of socialist production relations and violates the essential demands of such relations. According to the demands and trend of reforming the system, correct handling is required of the relations between centralized and decentralized authority, between plan and market economy, between controlled and free management, between rigid and flexible methods and between the macro and micro economies. Giving the localities "greater independence," progressively expanding the autonomy of the grassroots enterprises--all this is undoubtedly correct. However, owing to the public ownership of the means of production in socialism, the only factor that determines the socialist production relations must be mutual cooperation and not money. The socialist state as the representative of all the people must adopt unified principles, policies and regulations, must have a unified plan and program for the main proportions and developmental direction of the national economy, a unified pricing policy for the main commodities, a unified system of basic wages and rewards, unified regulations governing taxation, interest and such profits as are to be turned over to higher authority, etc. The localities, departments and enterprises must resolutely implement and carry out all these demands. The means of production, all products and all income of units in an economy of ownership by the whole people are the property of the whole people and must be held and distributed by the socialist state as representative of the whole people. The authority of initial and subsequent distributions of national revenue must be in the hands of the state. Now, with the inception of production contracts at all levels, some localities and enterprises emulate the experience of the rural commune production teams of fixing farm output quotas for each household, in operating what they call "linking profit and output to remuneration," which is an infringement of the state's authority in matters of distribution. This kind of violation of the central authority's centralized unified leadership, such stirring up of troublesome parochialism, embracing the "welfare mentality," destroying a policy regarding the localities that would benefit the entire country as a whole, that is a small group mentality and individualism--all these trends are not legitimate "activism" and must be rectified. These trends of each doing things his own way, of harming the state while enriching oneself, turning all-round fairness into fairness for some, neglecting the state's principles and policies, neglecting the state plan, engaging in liberalized trade, in dishonest practice--all these trends can change the charter of the enterprises that are owned by the whole people and can destroy planned economy. In a socialist state the relationship between the central authority and the localities, between the state and enterprises, is one of leading and being led within the context of the socialist public ownership system, a relationship of a whole to its parts, and it must not be reduced to one single relationship of contracted responsibility for profits and losses. No reform must distort these relationships.

Some comrades believe that since the production contract system was "effective" in our country's rural communities, it must also be effective in the industrial, communications, financial and trade systems. This idea shows confusion about the difference in character of the two ownership systems and also confusion as to the different degrees of transfer to public ownership in our country's industry and agriculture. Owing to the different character of the ownership systems, there is a difference as to the means of production and products in the system of ownership by the whole people and in the system of ownership by the collective; in the former the state can effect allocations and transfer in a unified way, but in the case of the latter the state has no right to allocate or transfer anything. Although the state-run enterprises have a certain autonomy, their production and business operations are under the unified direction of the state, while the collective-run enterprises enjoy a greater flexibility and independence. The different nature of the ownership systems also determines differences in their income distribution. The state-run enterprises must distribute according to the unified regulations of the state. Such enterprises must turn over the larger amount of their income to the state for redistribution. The collective-run enterprises, apart from paying fixed amounts of taxes, can freely dispose of, or use, the balance of their income. The state-run enterprises, in distributing according to work, must basically observe the unified wage standards and the bonus system determined by the state, while the commune-run enterprises can decide at their own discretion. It follows that the distribution by enterprises under the system of ownership by the whole people cannot simply adopt "remuneration linked to production and profits," and enterprises under the system of ownership by the collective, apart from having to pay taxes, can adopt the system of "remuneration linked to production and profits."

Because of the different degrees of transfer to public ownership in our country's industry and agriculture, the methods of production and degrees of socialization differ. In the vast majority of our country's enterprises, under the system of ownership by the whole people, the degree of socialization of large-scale production, mechanization and automation, is much higher than in agricultural enterprises. Most of our agricultural enterprises engage in manual labor and show a low degree of socialization; the proportion of trade commodities is low and so is their labor productivity. It follows that there is hardly any industrial product that can be produced from beginning to end only by one person or a small group of persons. Most require hundreds, thousands and even several tens of thousands of people to complete. Each link in the production chain completes only one work process. The value of the product is created by the staff and workers in the whole production chain, and not at all by one worker, one workshop or the workers of one factory. The production contract methods with "remuneration linked to production and profit" would be very unscientific, very inaccurate and very complex in its mutual, vertical and horizontal relations. In agriculture one peasant or one household, one person or a small number of persons, can basically complete production of certain agricultural and sideline products from planting to harvesting, and most agricultural and sideline products or economic crops can find a market. The labor (comprising quantity and quality) that a peasant invests can therefore generally find use for the product to directly yield the remuneration. These points of difference determine the differences between industrial and agricultural production, and one must not copy

indiscriminately certain specific methods (for instance, the fixing of farm output quotas for each household) of the agricultural responsibility systems. Moreover, the responsibility system in agriculture does not consist merely of the "contractual assumption of responsibilities"; there are also other forms. How much less should industrial production--so much more complex and beset with so many more problems--rely only on the system of "contractual assumption of responsibilities" to solve all its problems?!

Speaking of the internal relations in the enterprises, the problem must not be taken as merely one of piece rate wages. The system of piece rate wages is one form of wages and is quite different from the economic responsibility system in enterprises. The view and practice of assuming that the reform of wages in our country is inevitably tending and developing toward "piecework" wages is incorrect, because piece rate wages depend on certain conditions and cannot be put into effect in every trade, profession and enterprise. Under no circumstances can they be applied in the area of finance, trade, culture, education, health services, scientific research and for government functionaries. This is one point. Another point is that, looking at the direction and trend of developments, as industrial production progressively turns to modernized large-scale production, the sphere of piece rate wages is gradually being eliminated. In some developed capitalist countries, the sphere of piece rate wages is shrinking and the system of time wages is expanding. In a number of highly modernized trades and industries there is simply not one that uses piece rate wages. If our country, after more than 30 years of construction, still requires the piece rate wage system in certain industrial and communications enterprises, it shows that our country is really a developing country and is far from the developed countries of the world, but we certainly must not demand that the system of piece rate wages be applied in all our trades and enterprises.

To sum up, the production contract system at all levels and the unchangeability of such contracts, once they have been concluded, for 3 or 4 years, is not suited to the period of great transformations in which our country finds itself now. It is not suited to the demands of readjustment and reform and is not suited to the socialist planned economy of large-scale production. The adoption of a system of contracts with responsibility for profits and losses, too, not only lacks qualities that would stimulate reforms in other areas, but actually creates new obstacles in the way of reorganization and linking up of enterprises, in the way of opening channels for commodity circulation, in the way of a reform of pricing and taxation, in the way of readjustment of the organizational structure, etc. As to the idea that "retention of a portion of the profits must inevitably develop into the conclusion of contracts on profits," this thesis is untenable whether judged on grounds of logic or by the practice of reform. The system of allowing retention of a portion of the profits might comprise contracts on profits, but not the other way around. I believe the production contract system is not a good system. It is not a breakthrough for reform, but merely a temporary emergency expedient. Reform must work in a direction which will benefit and promote readjustments, which is conducive to a transformation of the industrial structure, the product structuring and the organizational structure, and which will finally achieve control without inflexibility and vitality without disarray.

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## NATIONAL POLICY AND ISSUES

### 'JINGJI YANJIU' ON FINAL RESULTS OF MACROECONOMY

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[Article by Wang Jiye [3769 4469 2814] of the Economic Research Institute of the State Planning Commission: "On the Final Results of Macroeconomy"]

[Text] Issue No 7, 1980 of JINGJI YANJIU carried an article of mine entitled: "The Question of the Results of Macroeconomy." In that article, the pivotal point of discussion was on the relationship between macroeconomic policy and macroeconomic results, and the question of the realization of the results of macroeconomy was left untouched. In the present article, I shall discuss the realization of the results of macroeconomy from the standpoint of fulfilling social demand, that is to say, the question of the final results of macroeconomy.

#### I. Realization of Social Products and Final Results of Macroeconomy

The essence of the final results of macroeconomy concerns the problem of the realization of the social product. In the past, when we talked about the results of macroeconomy we generally stressed the results of production. Subsequently, we paid attention to the economic results of the circulation sector. This was of course correct. Nevertheless, it is still not sufficient to use them alone to evaluate the results of macroeconomy, because the mere input of a certain quantity of social labor into the production of a quantity of products which have use value still does not denote whether or not the products actually conform to social needs. Our definition of economic results as the standard of comparison between production results and the consumption and use of labor uses product realization as the logical premise. This is necessary in theoretical analysis and is also correct. If the problem of economic results is studied in the recurring social reproduction process, then production results, particularly the realization of the use value of products, will become the pivotal point. In the following discussions, we shall emphasize studying the problem of realization of the use value of products.

Use value is realized only in actual use or in consumption. Viewed from this angle, not only are the results of macroeconomy affected by the question of realization, the results of macroeconomy are also so affected. The difference is that the realization of the results of macroeconomy is manifested in the

conversion of the compensation funds, accumulation funds and consumption funds of the social product into the productive forces of the means of production and the means of consumption in satisfaction of the people's wants, whereas realization of the results of microeconomy is manifested in his individual products or groups of products reach the hands of the consumers through the distribution and circulation processes. Therefore, we cannot talk in general terms of the problems of realization of either the results of macroeconomy or the results of microeconomy. We must watch whether or not the social product actually reaches the consumption sector from the production sector and from this angle assess the ultimate results of the economic activities. Concerning the use value of products, it may be definitely established that the use value of products has not been realized if the products of industrial enterprises have not been purchased by the commercial departments or the departments in charge of the supply and marketing of material resources and if they cannot be marketed by the enterprises themselves and are stockpiled in the production sector. However, if the products are purchased by the relevant departments, then, in so far as the production units are concerned, the use value of the products has been "realized," but, if in the course of the circulation process, the products are not disposed of for a long time and are literally stockpiled, then this realization of the use value of the products is a false one. Correspondingly, the value of the products has not been really realized and the profit remitted from the enterprise is not real.

Social products, after having a portion deducted to serve as normal reserves, are ultimately destined for consumption either for production purposes or to meet livelihood needs. These two forms of realization of the use value of products are both important in so far as the results of macroeconomy are concerned but viewed from the standpoint of the final results of macroeconomy they have a different significance. As for consumption for purposes of production, the consumption of materials for the replenishment of products constitutes a necessary condition for restoring socialist simple reproduction. We should never overlook the realization of this portion of products otherwise the result will be to expand reproduction at the expense of simple reproduction and expanded reproduction will lose its firm foundation and the ground for advancing forward. If the material consumption of products can be replenished, then this portion of the means of production may be said to have been realized and to have satisfied the needs of simple reproduction. But as for the means of production used for accumulation the problem is a more complicated one. Can it be said that so long as the means of production have been used in accumulation then they have accomplished their purpose? The problem indeed is not so simple. The function of accumulation is to expand reproduction. This is the criterion for assessing whether or not the means of production used for accumulation have been finally realized. If the means of production used for accumulation have really been converted into capacity for expanded reproduction, then the use value of this portion of the means of production may be said to have been realized. If for a prolonged period of time this portion of the means of production cannot be converted into capacity for expanded reproduction, then it cannot be acknowledged to have been realized in production consumption. In the event that the direction of investment is

not correct, or that the project has been blindly undertaken without first having attained an overall balance, and that despite the completion of the project and formation of productive force, the project cannot begin normal production but remains in a "semistarved" state for a prolonged period, then it still cannot be acknowledged that the use value of this portion of the means of production used in accumulation has been fully realized. Based on this understanding, I am of the opinion that we must make a further study of the accumulation rate and the accumulation results.

First, the accumulation rate represents the proportion occupied by gross accumulation out of the total national income and is so calculated. Although the means of production represented by the gross amount of accumulation may in the following year be put into socialist expanded reproduction, it cannot display at once the function that is expected of it. Frequently it cannot really play a role in expanding reproduction until some years later. Large-sized ones require a rather long duration for their completion. It is true that as a result of improved management and control we can shorten the construction period but by and large it is still a fact that the means of production represented in accumulation can hardly display its role in expanded reproduction within a short period of time. In other words, the final results of the means of production represented in accumulation, or the realization of their use value in production consumption, cannot be seen in 1 or 2 years' time but in a much longer period. At the same time, the effects of the means of production represented by accumulation used in past years may be felt during the current period of the plan while this portion of the means of production may not have been comprehended at all in the gross accumulation amount and the accumulation rate of the current period. Such an interlocking pattern in accumulation performance is frequently seen in economic life. If it is assumed that within the current plan period the portion of the gross accumulation that is anticipated to display its role in subsequent years exactly corresponds to the portion of accumulating from past years which displays its role in the current plan period, then the problem of the present or future realization of the accumulation does not exist. However, such a coincidence is rare in economic construction. The usual situation is that the accumulation of the current plan period does not correspond with the accumulation that is currently performing its role. However, such a nonconformity tends to gradually diminish if the planning period is progressively extended. The carried-over construction that we customarily talk about refers in effect to the accumulation of a previous planning period being carried over to the following planning period(s) to perform its role and to achieve its results. Following the expansion of the scale of construction, the scale of carried-over construction within the plan will correspondingly increase. But this has reference to the absolute quantity only and the situation may not definitely be the same in regard to the proportion occupied by the investment outlay on the carried-over work out of the total investment outlay for the current planning period. Indeed, we can increase the percentage of the completed projects out of the total projects under construction by means of such measures as improving the planning, surveying and prospecting, designing and building phases of capital construction, shaping the scale of the

construction according to capacity and to the available financial and material resources, subjecting the projects to a prior feasibility study and putting them through an overall balance, carrying out the construction work in strict accordance with the schedule and procedure, making a rational arrangement for all the large, medium and small-scale projects in the entire structure to facilitate the liaison of the present and future results of macroeconomy, gradually improving the technology and equipment of the capital construction departments and steadily raising the management level. (Note: The percentage of projects completed and in operation (out of total projects under construction) for the various periods was as follows: First 5-Year Plan period, 45 percent; Second 5-Year Plan period, 20.1 percent; 1963-1965, 21.1 percent; Third 5-Year Plan period, 38.2 percent; Fourth 5-Year Plan period, 25.0 percent; Fifth 5-Year Plan period, 1976, 5.7 percent; 1977, 8.4 percent; 1978, 5.8 percent; 1979, 7.9 percent, and 1980, 8.3 percent. It can thus be seen that commencing from the period of the Second 5-Year Plan up to the present, the completion and operation rate has been lower than that of the First 5-Year Plan period. Moreover, since the rate for the First 5-Year Plan period was already not an ideal one and at present the technology and equipment of the capital construction departments has already been raised to a much higher level, we should strive for a completion and operation rate higher than that of the First 5-Year Plan period.) In other words, the ratio occupied by the carried-over construction work in the scale of investment for the subsequent planning periods will not rise but rather fall. Under normal conditions, this should be the case. Indeed, it should all the more be so if we take into consideration the facts that hereafter socialist expanded reproduction will be diverted from extension to intension, that dependence on new building will be converted into reliance on technical transformation and renewal of equipment of existing enterprises, that the relative weight of new building will be lowered and that the relative weight of rebuilding, and tapping potential, renovating and restructuring, will be raised. In this way, under normal conditions, the disparity between the accumulation for the current planning period and accumulation that has actually realized the display of its function will be shortened. Conversely, the final results of the accumulation for the current planning period will tend to be heightened. Naturally, in the event of changes in the geographical distribution of construction projects and in the condition of natural resources (such as changes in coastal and inland distribution of construction projects, changes in the anticipated quality of the natural resources and in their availability for mining and excavating, and changes in the structure of inland and offshore oilfields), then definitely the construction period will be affected and it is possible for the final results of accumulation either to rise or to fall. In view of the above-mentioned complicated constructions, I believe that concerning the final results of macroeconomy, we should not overemphasize the importance of the accumulation rate and accumulation results for any 1 year and that it would be more suitable to use a 5-year basis for their evaluation.

Second, as mentioned above, the production volume of the national income is not equivalent to its utilization volume or realization volume. Following the gradual expansion of our external relations with foreign countries, the situation of the production volume of the national income not being consistent

with the utilization volume will remain for a long time. Viewed from the angle of the final results of macroeconomy, the utilization volume of the national income has an increasingly important significance. Even under the condition of the production volume of the national income being roughly equivalent to the utilization volume of the national income, we should still view the utilization volume of the national income importantly since it reflects the condition of the realization of the production volume of the national income. Hence, I feel that in both planning and statistical work, in addition to finding out the development speed of the production volume of the national income, we should also find out the speed of development of the utilization volume of the national income. The latter is more directly related to the accumulation rate and the accumulation results and facilitates the study of the realization of the national income from the angle of the final results of macroeconomy in current planning and statistical work.

Third, the final results of the means of production represented by accumulation are shown in current planning and statistical work as accumulation results. This is not a very clear concept. Accumulation is differentiated into productive accumulation and nonproductive accumulation. The economic functions of the two are dissimilar. Nonproductive accumulation belongs to the realm of consumption. Only productive accumulation can contribute to new increases in the national income. In determining the accumulation target, it is more appropriate to use a unitary basis (such as for each 100 yuan) for additions to the national income. In current planning and statistical practices, computation of the accumulation results is on the basis of the production volume of the national income. As a result, the accumulation results cannot reflect the realization of accumulation. At the same time, the accumulation rate is computed on the basis of the utilization volume of the national income. Even though comparative prices are used as a basis for computation, the product of accumulation and accumulation results does not equal the growth speed of the national income computed on the basis of the production volume. This complicates the analysis of the growth volume and growth rate of the national income as to what portion is derived from raising the accumulation rate and what portion is derived from raising the accumulation results. To solve this dilemma we may resort either to computing national income's growth rate, accumulation rate and accumulation results on the basis of the production volume of the national income or to computing the national income's growth rate, accumulation rate and accumulation results on the basis of the utilization volume of the national income. The latter alternative is more convenient for evaluating and analyzing the final results of macroeconomy.

The realization of the means of livelihood used in nonproductive consumption is also not an easy task. We have an insufficient supply of consumption materials in the country. The supply of some necessities of life requires certification and it is very easy to overlook the question of the realization of the consumption materials. In recent years, the light and textile industries have undergone a rapid development. The supply of consumption materials has thus improved and simultaneously the problem of the realization of consumption materials is becoming prominent. Compared with the realization

of the means of production, the means of consumption has certain special features. The means of consumption serves the purpose of meeting mankind's direct needs. The state of the realization of the means of consumption is thus directly related to the final results of macroeconomy. Because a large proportion of the means of consumption is not suitable for long-term storage, a state of urgency is thus found in the realization of the means of consumption. In the event of a prolonged storage, and since they cannot submit to systematic changes as in the case of the means of production, the only way out is to dispose of them at reduced prices and this represents a waste of social labor power. Moreover, people are rather selective in the choice of the means of consumption while, at the same time, our understanding of social needs is not at all conclusive. As a result, supply and demand can easily become disjointed. Some originally high-grade consumer goods become low-grade consumer goods while those which formerly were readily marketable become difficult to sell. A clear example is found in the case of the prolonged and excessive stockpiling of polyester-fiber cloth and long chemical fiber knitwear. This becomes even more thought-provoking if we link this situation with the growth rate of the light and textile industries and their proportional weight in the gross value of industrial output. In 1981, the gross output value of our light industry (based on 1980 unchanged prices) increased by 14.1 percent over the preceding year and of the gross output value of industry the output value of light industry increased from 46.9 percent the preceding year to 51.4 percent. Hereafter, will it happen, as in the case of heavy industry in the past, that on the one hand the development speed of light industry increases and on the other hand the stocks of light industrial products in the warehouses likewise increase to the extent of excessive stockpiling? Since the percentage of the gross output value of light industry in the gross output value of industry as a whole is already greater than that of heavy industry, it commands an increasingly important position in the speed of development of industry as a whole. No matter how we interpret the concept concerning the end product of society, it is unquestionable that consumer goods now occupy the major portion of the entire output. At the same time, relatively speaking, the realization of the agricultural products among the consumer goods is much easier than light industrial products. In particular, the self-consumed portion of the agricultural products in the countryside (particularly food grain) occupies a rather large percentage, whereas the commercial portion is relatively small. In order to raise the final results of macroeconomy, we should pay great attention to the problem of the realization of the light industrial products. The problem before us is not that purchasing power is insufficient but rather that the supply of these products lags behind demand. Besides, some of the products are not marketable. The present condition of the production capacity of the light and textile industries is that in some cases there is a surplus capacity whereas in other cases the capacity is insufficient but, in the main, the capacity is insufficient. Moreover, most of the equipment is antiquated. Those industrial establishments which have full or even surplus production capacity may be mentioned as those which produce wristwatches, electric fans, radio sets, and so on, whereas manufacturers of well-known

liquors, concentrated refined oil, newsprint, wrapping paper, and so on, generally lack sufficient production capacity. There is an abundance of chemical-fiber cloth whereas cotton cloth is in short supply, as a result of which their comparative price is highly irrational. At the same time, the importation price of cotton is also rather high. Therefore, the development of the light and textile industries must be put under strong and planned control, in order to lessen the chances of blind development.

## II. Planned Control and the Final Results of Macroeconomy

The socialist economy is a planned economy. In order to raise the final results of macroeconomy, we must strengthen and improve planned control. What is most important here is to link together the authoritative character, scientific character and stable character of the plan. A plan has authoritative and restraining power, but it must be supported by a scientific character. The so-called scientific character of a plan means that it must be practical and realistic, and that it must conform to objective reality and to the requirements of objective laws. Moreover, the scientific character of a plan must have as its source a comprehensive grasp and understanding of the entire situation of the national economy. Strengthening a plan's scientific character requires first of all performing well the job of effecting an overall balance of the national economy. At the same time, for the national economy to achieve a real overall balance, there must be a scientific 5-year (medium-term) plan. Seen from the angle of input and output, the overall balance realized in any 1 year is confined to only certain sectors (such as fiscal balance, balance between monetary purchasing power and commodity supply, and so on). But if we further examine a combination of the material form and monetary form or social products, it is rather difficult to achieve a real overall balance within any 1 year. In the economic construction of our country, for many years in the past a scientific 5-year plan has been lacking. As a result, several cases of a serious disproportion occurred in the relations of the national economy, making it necessary to readjust the national economy in an overall manner. Meantime, readjusting the economy requires roughly 5 years for completion. In other words, to ensure a sustained and steady growth of the economy, a scientific 5-year plan is absolutely necessary. Given a scientific 5-year plan in operation, an annual plan has some basis to fall upon and can avoid defects such as shortsightedness, caring for current needs but disregarding the country's actual capability, undertaking all at once a host of capital construction projects and continuously widening the construction front. And only in this way will it be possible to pay due regard to the country's capability in matters of finance, material resources and manpower, and to make arrangements for the big and important construction projects in a planned manner, systematically, adhering to schedule and stressing diversification.

In order to achieve the realization of an authoritative plan which has a firm scientific foundation, we must, on the one hand, formulate and issue to the subordinate organs targets in the nature of directives and, on the other hand,

must use economic levers well. Neither of these measures should be overlooked. As for mandatory targets, if we look at the form of their execution, they belong to the field of administrative measures in economic management, but their contents are more of the nature of economic tactics. That is because any mandatory target must reflect movements in the various stages of socialist expanded reproduction. Hence, mandatory targets must have a solid economic basis, otherwise they cannot perform a useful role and cannot ensure that social production conforms to social demand. As for determining what products are subject to a mandatory plan, what products are subject to a plan of a guidance nature and what products may be freely disposed of by the production units themselves though still subject to the guidance of the state plan, it is all the more necessary to have an economic basis. I believe that the following three factors deserve attention: First, the importance of the products. The production and distribution of all important products related to the national economy and the people's livelihood must be incorporated into the state's unified plan, and must be subject to mandatory targets. Second, the supply and demand relations of the market. Products for which supply exceeds demand, that is, the so-called long-line products, generally must be subject to plans of a guiding nature or handled by the basic-level units under the guidance of the state plan. As for products for which supply is short of demand, generally they should be subject to a mandatory plan. Third, the status and role of enterprises in the national economy. The economic activities of backbone enterprises with a bearing on the economic lifelines of the state must be governed by a mandatory plan. In this way, products subject to a mandatory plan are not necessarily so-called short-line products, nor necessarily important products or products of backbone enterprises. It is true that in economic planning, the execution of a mandatory plan or a plan of a guiding type must in the end affect the products, but in principle we should examine all the foregoing three factors. Simply stressing any one factor and neglecting the other factors will not be conducive to balancing or linking together social production and social demand.

Let us turn to the question of the stability of a plan. This is a comparatively difficult matter. Even if the economic plan is an authoritative one and is built on a solid scientific basis, that does not mean the plan has a stable character. The scientific character of a plan has reference to the overall balance of the national economy, that is to say, the balance between social production and social demand. But economic life is extremely complex and intricate and market demand is susceptible to swift changes. Even if the macroeconomic policy is a correct one, a partial and temporary imbalance cannot be avoided. One of the superior features of a socialist planned economy is that it can overcome such an imbalance and bring about a balance in the relative sense. Under such conditions, it is necessary and permissible for the state to readjust the imbalances that have occurred in the course of the execution of the economic plan, although this kind of readjustment should not be too frequent and we must also avoid a readjustment of an overall nature. It may thus be said that the stable nature of an economic plan is only relative and that this does not preclude necessary changes and readjustment.

In order to heighten the final results of macroeconomy, we must also make good use of economic levers. If it is said that a mandatory plan must possess

an economic basis, then it is all the more true that economic levers must likewise have an economic basis. We must avoid the notion that since what we are employing is an economic lever, then automatically it conforms to the demand of the law of economic development. Since our country is adopting a planned economy, use of the economic levers must serve the purposes of realizing the targets of the plan. This calls for the following: First, use of the economic levers must be conducive to realizing the overall balance of the national economy. For example, in regard to the production, distribution and use of the national income, the state is practicing planned control for the purpose of effecting a balance between the national income, and accumulation and consumption. To accomplish this objective, it is of course necessary to issue to subordinate organs relevant targets of a mandatory nature. Effecting control over the scale of accumulation principally depends on fulfillment of the fixed assets investment plan on the part of the subordinate organs. A portion of the fixed assets investment must still be controlled by means of bank credits and loans although this portion of the fixed assets investment should not in any way violate the entire fixed assets investment plan but, rather, must ensure fulfillment of the entire plan (including capital construction investment on new building and major expansion work as well as investment on renewal of equipment and technical transformation of existing enterprises). Consumption funds must also be subject to planned control. While we may well use economic levers such as wages, profits, bonuses and prices to adjust the economic benefits of the parties concerned, we should not break through the limits set for total wages under the state plan, otherwise this will bring about a dislocation between consumption funds and the available supply of the means of livelihood. Second, economic levers must be formed into a complete whole. In recent years, experiences gained from the trial-point reform of the economic management system have shown that in the main the orientation of our use of economic levers has been correct, but the problem which still remains is that the economic levers have not been formed into a complete whole and are not linked with each other. Such a situation must be improved. For example, in the past, for a certain period of time some communes, brigades, production teams and enterprises contested for raw materials and energy supply with state-operated enterprises and yet the form of our taxation system and prices was not such as to rectify this trend. As another example: the enterprises have now adopted the practice of retaining a percentage of the surplus profits, but the base figures are still fixed according to the original profit level. As a result, due to the large base figures on the part of the progressive enterprises, they have to exert great efforts in order to achieve a surplus profit whereas in the case of the backward units, their base figures being low and their latent potential being more or less untapped, they need only to slightly exert themselves to achieve surplus profits. This abnormal situation is like "whipping a fast ox." Third, economic levers must be linked with targets of a mandatory plan. In this connection, certain problems may also present themselves. For example, whereas the targets of a mandatory plan have the objective of restricting production, the economic levers may be encouraging production instead. Certain long-line goods command a high price and a big profit, but the use of economic levers (like prices) to regulate them may only result in

making the long line even longer. Moreover, whereas the state plan calls for an increase in output (such as cotton cloth and certain kinds of commodities for daily use), application of the economic levers may restrict their production instead. In this way, the contradiction between social production and social demand is increasingly aggravated. It can thus be seen that if economic levers and a mandatory plan are not formed into a complete whole, then the realization of the targets of the plan cannot be achieved and the outcome may be just the reverse of what is expected. Fourth, use of economic levers should facilitate treating the whole country as one chessboard and breaking up of the blockades in the localities. Take, for example, the case of the price of grain. Since the grain price is lower than that of the economic crops, the production enthusiasm of the base areas of commercial grain is greatly affected while the outward transfer of grain from the bases must necessarily suffer losses. On the other hand, regions producing economic crops naturally welcome the importation of grain, not only because the economic crops command a higher price and can bring them a much larger income but also because the imported grain is entitled to a price subsidy from the state. This is manifestly inconsistent with the efforts of the state to make an overall arrangement and to make a planned distribution of grain. As for industrial products, cases are ample in which the parties concerned, on the plea of the irrational price factor, are willing to accept the state's plan for production and transfer. The above-mentioned cases show that the logical premise for the use of economic levers and enabling them to perform their function well is that the economic levers themselves must conform to the laws governing economic development. In adopting a planned economy, one must firmly insist on treating the whole country as one chessboard and must also make overall arrangements for the economic benefits of the various parties. Only in this way is it possible to harmonize the relationship between economic levers and targets of mandatory plans.

Improving the final results of macroeconomy requires that the study of social demand be accorded importance. Basically speaking, the development of a socialist economy is adjusted by social demand. The Marxist theme calling for a proportionate distribution of social labor among different production departments in effect refers to distribution of social labor according to social demand. In carrying out a planned economy, socialist countries may spontaneously enforce this form of division of social labor and in this way avoid the loss and waste of social labor. In a socialist society, commodity production and commodity exchange are still very much in existence and since a large proportion of social demand is expressed in commercial and monetary terms, prices play an important role in the computation of social demand. However, under the conditions of price and value frequently pursuing courses which are directly opposed to each other, to correctly compute social demand poses a rather difficult task, although, despite this setback, we must still do our best. Recently, our planning organs and basic-level units have begun to undertake the task of forecasting social demand and have achieved much success. This is a good sign. We must proceed from our basic national conditions, continue to improve the method of forecasting, and gradually form a forecasting system for social demand. Within the sphere of forecasting work, we should formulate the necessary rules with due consideration of the pivotal points, systematically

and discriminately. Merely computing the per capita consumption level of certain commodities is far from sufficient. We must compute, under varying conditions, the targets of relevant social demand to facilitate the planned organization of social production in conformity with social demand.

In the final analysis, strengthening and improving planned control aims at the realization of a benignant cycle for the national economy, since this is the only way of ensuring the sustained and steady growth of the national economy. The key here lies in strengthening an understanding social demand and carrying out planned control. At present, the social demand of our country still cannot be well satisfied. More recently, as a result of the service orientation having been rectified and the structure of the products readjusted, production of heavy industry appears to be on an upward trend and the products of the metallurgical and electrical machinery industries held in stock have only slightly increased. Products of the metallurgical industry generally are in common use but there is still a surplus in stock, although this cannot do much harm if sufficient efforts are made in rectification. As for the products of the electrical machinery industry, the stocks held in the warehouses are basically stabilized, in fact actually on the downturn. But these latter products are not in general use as in the case of the former products and stockpiling them too long may lead to them becoming obsolete production equipment. Moreover, due to the poor storage conditions, high-precision electrical machinery can very easily become damaged or suffer a change in quality. Adequate attention should, therefore, be paid in this regard. Production of light industry has continued to maintain a relatively high speed, but stockpiling of the products has likewise increased and if this persists, a portion of the production equipment of this industry may develop have to lay idle. This in turn may affect the development of the machine-building industry and of the entire heavy industry. Devoting great efforts to developing the food industry may provide a way out but this will be restrained by the problem of grain supply. Stockpiling of commercial goods has shown a rather large increase, partly because some of the products are not marketable, or are of substandard quality, or because passage through the circulation channels is not smooth enough, although while these goods may not be marketable in the urban areas they may be readily saleable in the countryside. On the other hand, in the cities and the countryside the savings of the residents have greatly increased. This is a good sign but we must look at the crux of the problem and that is that a portion of the savings represents in effect deferred purchasing power. It is true that under the conditions of stable prices, high interest rates or the interest rate being higher than the rise in the commodity price index, thos does not constitute an urgent problem. At any rate, basically speaking, we should promote the production of marketable consumer goods to enable this portion of the purchasing power gradually to accomplish its purpose.

### III. National Income Is the Main Index for Evaluating the Final Economic Results of Macroeconomy

In my opinion, viewed from the angle of the final results of social production, the production volume of the national income constitutes an important index

for evaluating the final results of macroeconomy. It denotes the gross capacity available for socialist expanded reproduction and improvement of the people's livelihood. The utilization volume of the national income, plus this important factor of product realization, is the overall target for the evaluation of the final results of macroeconomy. In the following discussions on the various grades of targets of the national income, the majority of the targets are computed on the basis of the volume of production of the national income, while some of the targets are computed on the basis of the utilization volume of the national income.

Concerning the targets of the first grade, we may examine the following:

The speed of growth of the average per capita national income. This reflects the increase in national income and also takes into consideration the factor of population growth. From 1953 to 1980, the output volume (computed on static prices) of the national income averaged a yearly increase of 6.1 percent, whereas population growth averaged a yearly rate of 1.9 percent. The average per capita increase of the national income was only 4.1 percent. To achieve a higher growth rate in the average per capita national income, on the one hand, we shall devote our efforts to develop production and thus to increase the national income and, on the other, we should further control the population growth rate.

The speed of growth in the average per capita national income of social laborers. Since the speed of growth in the average per capita national income includes people who are devoid of, or have lost, their labor power and since in the main these people have to depend on support from the social laborers, the larger the coefficient of this support required the smaller will become the average per capita national income compared with the average per capita income of the social laborers. Comparing 1980 with 1957, it is found that the number of people (including the staff and workers themselves) supported by each staff member and worker dropped from 3.29 people to 1.83 people. Computed according to comparable prices, the average per capita national income of social laborers averaged a yearly increase of 4.7 percent for the years 1979 to 1980.

The speed of growth of the average per capita national income of laborers engaged in material production. This actually is the social labor productivity index computed on the basis of the net output value. The denominator of this target includes only social laborers engaged in material production out of the total population, and is therefore smaller than that of the two preceding targets. Social labor productivity is an important subtarget of the results of macroeconomy. Provided that the output volume of the national income can be smoothly realized, the basic method to raise the final results of macroeconomy is to raise social labor productivity. In this connection, our country's latent potential is enormous. From 1950 to 1980, the labor productivity of all personnel of industrial enterprises under the system of ownership by the whole people averaged a yearly increase of only 4.6 percent, much lower than the 8.7 percent of the First 5-Year Plan period and the 23.1 percent for the years 1962 to 1965.

As for the targets belonging to the second grade, the following may be examined:

Material resources required for the production of each 100 yuan of national income. This denotes the extent of the economic results that can be achieved from the consumption of materials in socialist production. According to a rough estimate, the worth of material resources consumed in the production of each 100 yuan of national income was 129 yuan in 1980. Compared with the 72 yuan for 1952 and the 77 yuan for 1957, this represented an increase of 79 percent and 72 percent respectively. This shows the extremely poor results in the utilization of material resources. In this connection, it may be noted that the energy utilization rate during the period of the Fifth 5-Year Plan dropped by 55 percent compared with the First 5-Year Plan period. Hence, the latent potential in energy economy is rather great.

The yield of national income from each 100 yuan of capital funds (subtarget is yield of taxes and profits from each 100 yuan of capital funds). It may be further broken up into yield of national income from each 100 yuan of fixed assets and yield of national income from each 100 yuan of liquid assets.

The proportion of the amount of increase of the national income attributable to the rise in labor productivity. Viewed from the standpoint of the consumption of living labor, an increase in national income depends, on the one hand, on the additional input of living labor and, on the other hand, on a rise in labor productivity. These two factors have a different effect on the results of macroeconomy. The realization of an increase in the national income from the additional input of labor power belongs to the realm of expanded reproduction by extension and is accompanied by the expenditure of additional consumption funds; whereas realization of an increase in the national income from a rise in labor productivity belongs to the realms of expanded reproduction by intension. In this case, although addition of a corresponding amount of means of production is demanded, there is a drop in the proportion of the consumption of materials per unit of the social product and this makes it possible to increase the national income. Moreover, since the consumption funds are not proportionately increased, it is possible to increase the accumulation funds.

Targets of the third grade are those which reflect the ultimate use of the national income. They are:

Accumulation results. They reflect the newly added national income contributed by accumulation of a productive nature. Whether or not accumulation can contribute to addition of new national income depends on whether the accumulation is productive or nonproductive in character. We cannot make the generalization that all accumulation can contribute to addition of new national income. Accumulation funds spent on fixed assets and liquid assets for the promotion of culture, education and public hygiene, for urban public utilities, and for housing and dormitories of staff and workers are accumulation of a nonproductive character. The function of this portion of accumulation is to satisfy the livelihood consumption of a group or an individual. They are not put into the process of socialist expanded reproduction to create new national income.

From this it can be understood that if the entire accumulation funds (those of a productive nature and those of a nonproductive nature) are taken as the basis for computing the accumulation results, then in reality the accumulation results have been underestimated. This is because the results of production accumulation are higher than the accumulation results calculated on the basis of the whole category of accumulation. From 1953 to 1980, the results of each 100 yuan of productive accumulation averaged 30.9 yuan, 8 yuan higher than the accumulation results of 22.8 yuan calculated on the basis of the entire category of accumulation funds.

The residents' average consumption level and the speed of increase. In addition to the use of an overall target to reflect the average consumption level of residents in the cities and the countryside, certain unitary consumption indices should be computed, such as for the consumption level of the necessities of life, for consumer goods for daily use (including consumer durables such as ceramics, metallic products, furniture) and so forth. In addition, in examining the final results of macroeconomy, targets which reflect the consumption structure are extremely important. Based on the different characteristics of urban and rural demand and grasping well the changes in demand and the trend of development, we must organize social production in a planned manner, strive for the marketability of products and do the utmost to raise the final results of macroeconomy.

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## NATIONAL POLICIES AND ISSUES

### NATIONAL ECONOMIC PLANNING AS SCIENCE STUDIED

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[Article by Zhong Qifu [6947 1148 1133]: "A Further Probe into the Subject of National Economic Planning as a Science"]

[Text] The science of national economic planning is a branch within the system of Marxist economics; it has been gradually built up in our country since the early fifties. As to the subject, scope and methods of this special science, one will only gradually gain a deeper understanding and clearer idea through practice (practice of actual planning work and of further theoretical research). In recent years the practical need for national economic planning and the need to give instructions on the subject have evoked a new discussion of this problem by a number of comrades engaged in instruction and research in this branch of science. Each voiced his own views, opinions differed, and quite a number of valuable and stimulating opinions were published.<sup>1</sup> Basing itself on these various opinions, the present article is intended as a renewed probe and will present a few not entirely well-thought-out views.

#### 1. Planned Economy and National Economic Planning

The planned nature is the basic characteristic of a socialist economy. A planned economy is a national economy that has a plan and that is developed in determined proportions. Engels once pointed out that socialism is a "kind of social production consciously organized to be able to produce and distribute according to plan," and he predicted that historical development will make this kind of social production organization more and more necessary and also increasingly possible. A new era will begin with this social production organization in which the people themselves and all aspects of their activities will advance by leaps and bounds, an advance whereby everything in the past is pale by comparison.<sup>2</sup> Of course, the socialist system, like everything else, must have its period of growth and development, its phase of transition from immaturity to maturity, from imperfection to perfection, from low grade to high grade. Planned economy came into being following the establishment of the proletarian dictatorship and the socialist system of public ownership, and was gradually perfected as this political economic precondition and the social productive forces developed. Because of the constraints imposed by the level to which our productive forces had been developed and by the degree

of socialization of our means of production, our country in its present stage cannot yet have all means of production transferred to the ownership of the entire society and cannot yet organize combined work of a scope that would comprise the entire society, so it also cannot bring the society's entire economic development comprehensively into line with a scheme of unified direct planning. The economic system practiced in our country is one which puts planned economy first, with market adjustments as a secondary factor, while economic activities of overall importance and those that concern the national economy and the people's livelihood are brought under the control of the state's centralized unified plan. The management of planning must give ample consideration to, and fully apply, the law of value, give decisionmaking powers of varying degrees to different kinds of production units, must integrate economic measures with administrative measures, must pay attention to utilizing economic levers and must have laws and regulations that will promote and guarantee the implementation of plan management. Be that as it may, our socialist planned economy still maintains huge advantages and a much greater vitality than the capitalist market economy that is based on the system of private ownership, because our system can avoid the dangerous anarchy and cyclical nature of production in the capitalist society and can establish a direct link between social production and social demand. It can also regularly and consciously maintain a proportional development of the various departments of the national economy and of the various sectors of reproduction, which leads to a rapid growth of social production and a continuous improvement in the people's livelihood. It can furthermore make rational use of manpower, material, financial and natural resources and achieve the greatest economic effectiveness. Under socialism, too, it can happen, due to defective work or for other reasons, that the economic proportions become unbalanced, and at times to a very serious degree. However, the society is able consciously to make adjustments that will correct the situation fairly rapidly. This indeed is the advantage of planned economy. In the past our economy twice suffered considerable setbacks in its development; we can trace the main reasons for this to "Leftist" errors in guiding ideology and to the influence of noneconomic factors; we must not conclude that they are the inevitable consequences of planned economy. The rapid development of our economy and the improvement in the people's livelihood during the period of the First Five-Year Plan, the tremendous effect of the adjustments in the sixties of imbalances in the national economy, and the successes achieved in the readjustment of the structure and proportions of our national economy in the last few years, following the Third Plenum of the 11th Party Central Committee testify to the fact that the socialist planned economy under the varying conditions of either smooth progress or of facing obstacles that have to be overcome, has a vitality and superiority which have established it in the eyes of the Chinese people as a new historical era.

The term "national economic planning" is derived from the Russian "planirovaniye narodnogo khoziaistva," which was translated into Chinese as "planning the national economy," with the implied meaning of planned management, or planning work and planning activities concerning the national economy. We will use the term according to this implicit meaning.<sup>3</sup>

National economic planning (hereafter called "planned management" for short) manifests the law of planned (proportional) development of the national economy. It is the embodiment of socialist economy, that is, the basic form by which a socialist country manages its national economy and regulates its economic relations, the object of such planned regulation being the socialist reproduction process.

Planned management of the national economy, according to the practice of socialist states, comprises mainly the following processes: determining correctly the intermediate and long-term plan and annual plan for the development of the national economy, based on objective laws and the political line, principles and policies of the party; allotting and employing in a planned way the manpower, material, financial and natural resources, so as to achieve the most advantageous use of all resources; coordinating according to unified planning the developmental relations between the various areas and departments of the national economy and the various chief sectors of reproduction; and checking and adjusting the execution of the plan. For instance, it was already pointed out in the fifties and sixties in the regulations and rules for planning that the fundamental task of all planning work was to proceed on the basis of the fundamental law of socialist economics, on the basis of the law of planned and proportional development of the national economy, and on the basis of the party's political line, principles and policies, to correctly draw up the developmental pace, the scope of construction, the level of the people's livelihood and the various proportional relations in the national economy, to draw up long-term and annual plans for the development of the national economy and to check the implementation of the national economic plan.

## 2. Theoretical Outline of Planning Practice

Any branch of science originates in practice, and this is especially true in the case of national economic planning as a particular branch of economics, because it is the direct theoretical generalization and summing up of the above-described process of planning management. The science of national economic planning is aimed at researching and elucidating the theories and methods of planning management.

Planning management is a special economic feature of socialism. It is an activity which the core of the society (the state) employs, based on the knowledge and understanding of the objective law of socialism (the rule of the development of production relations and productive forces) to guide and regulate, consciously and in a dynamic way, the development of the national economy. Planning management is a comprehensive social and economic phenomenon. On the one hand the form of planning management is related to economic factors (production relations and productive forces) and also to certain elements of the superstructure (the functions of the state's economic organizations, the state's administrative body, its policies, etc). On the other hand, regarding the scope of planning management, it involves not only the field of economics, but also other areas of social life. National economic planning aspires to research and reflect not only the complex process of socialist expanded reproduction, but also the development of cultural, educational, public health, scientific and technological undertakings, as well as the need

to develop various administrative departments and the national defense. Furthermore, the scope of planning extends even to human reproduction, environmental protection and other areas. We see that planning management embraces a large number of social and economic relations and constitutes an integration of diverse affairs. In this sense one may speak in general terms of the science of national economic planning as a science which studies the laws of social and economic relations as reflected in planning management.

However, penetrating through the outer appearance to the essence, the object which the science of national economic planning studies is still mainly the socialist reproduction of material goods, the reproduction of the natural resources which make up the combined entity of production relations and productive forces. Socialism is also a combined entity; speaking especially of the particular matter of planning management, if one were to eliminate the impact of the superstructure on the economy and if one were to sever the mutual relationship and mutual impact between the economy and the population, natural environment, ecological equilibrium, etc, it would also become impossible to gain a clear understanding of the planned development of the national economy and how it should be developed.

In accordance with the above analysis, we believe that, in contrast to the science of political economy, which is the economic science that studies the developmental laws of production relations, the science of national economic planning is based on the general developmental laws of socialist production relations, revealed and elucidated by the science of political economy, and its studies not only the relations of man to man in the process of planning management, but also the relations between various materials and between man and materials, that is, it studies the rational organization and development of the productive forces. The science of the national economic planning is very much policy-oriented; based on the objective laws of economics, it must study the economic policies and their correct manifestation in planning management. All this is included in the practice of planning management itself, and it thereby also determines the particular character of the science of national economic planning as an economic science. Note that political economy and the science of national economic planning are quite different in the degree of scientific abstraction.

The science of national economic planning is the theoretical expression of the practice of socialist planning management, grown out of practice as this practice developed. Socialist planned economy has a history of only a little over 60 years, if we consider it to have started with the Soviet October Revolution of 1917. From the founding of the PRC in 1949 until now, its history is only somewhat over 30 years. As to our knowledge of the objective developmental laws of socialist planned economy, we must still undergo a fairly lengthy process of practice until we gain a deeper understanding and can achieve perfection. All this means that the science of national economic planning is still a very young economic science.

### 3. Reviewing Our Knowledge of the Object of Study

"A constant process of readjustments through state planning is needed to deal with the contradiction between production and the needs of society,

which will long remain an objective reality. Every year our country draws up an economic plan in order to establish a proper ratio between accumulation and consumption, to achieve an equilibrium between production and needs. Equilibrium is nothing but a temporary, relative, unity of opposites. By the end of each year, this equilibrium, taken as a whole, is upset by the struggle of opposites; the unity undergoes a change, equilibrium becomes disequilibrium, unity becomes disunity, and once again it is necessary to work out an equilibrium and unity for the next year. Herein lies the superiority of our planned economy."<sup>4</sup>

With these words, spoken in 1957, Comrade Mao Zedong pointed to the essence of socialist planned economy; they give a most compact and comprehensive summary of the unity of opposites of the main aspects in the development of the socialist national economy and in sum say that they are the planned adjustments of the contradictions between social production and social needs. This is a scientific conclusion arrived at from a brilliant application of Marxist materialist dialectics. In our opinion these words pointed to the special contradictions which the science of national economic planning intends to study and resolve and also to the very target of its research.

There is a contradiction of social production and social needs in every form of society, because the activity of producing material goods is fundamental to the existence and development of human society and has as its purpose the satisfaction of whatever mankind needs for its existence and development.<sup>5</sup> This is a question of general knowledge discussed by all economists past and present. However, in differently shaped economies there is a radical difference in the specific character and the specific conditions of this production-demand contradiction, and as a consequence there is also a difference in the methods of resolving the contradictions and in the forms of linking up production with needs. In the history of science, it was the political economy of Marxism that first analyzed and explained this problem in a scientific manner. Speaking of the equilibrium between social production and social needs in a society with private ownership, especially in the capitalist society, the proportional distribution of labor can be effected only through the form of "exchange value," that is, adjusted through the spontaneous effect of the law of value. There the rule is "each man for himself and God for us all." The entire relative equilibrium necessary between social production and social needs became a spontaneous fluctuating average figure, which more often than not came about merely by the force of economic crises. The British classic economist Adam Smith vividly described it thus: "This kind of relationship is like the ancient god of destiny, hovering over the world and distributing fortune and misfortune among men with an invisible hand."<sup>6</sup> Marx pointed out: "On the basis of common production" it is "the social distribution in a planned way of labor-time which regulates the proper proportion between the different kinds of work to be done and the various wants of the community."<sup>7</sup> If the system of public ownership of the means of production is adapted to the socialization of production, changing those "invisible hands" into "visible hands," the state in which the people have become masters of their own affairs will truly be turned into a "god of destiny." Of course, socialist practice also makes it clear to us that the socialist economy does not simply use planned

adjustments to replace the adjustments by "exchange value" or the value rules, but rather integrates the two by consciously adjusting the equilibrium between social production and social needs.

Marxist political economy, especially its theory on reproduction, provides us with a general theoretical foundation for the study of the adjustment in the equilibrium between social production and social needs. The system of socialist economic laws, revealed by the science of political economy, such as the socialist basic economic law, the law of planned (proportional) development of the national economy, the law of value, the law of distribution according to work, etc, reflects the most essential and necessary links in the socialist economy and imposes constraints on the socialist reproduction process and on the fluctuations in the contradiction between social production and social needs. In our planned socialist reproduction and in adjusting the equilibrium between social production and social needs, we must be deeply aware of, and abide by, the demands of all these economic laws. However, to merely stagnate at this stage would be highly inadequate. Stalin once correctly pointed out that the problem of changing over to a planned national economy lies in drawing practical conclusions from the socialist economic laws as these have been clarified by the science of political economy, and to make these laws concrete, so as to build one's day-to-day work on them.

The practice of planning has made it clear that if planning management is to be effectively carried out and the equilibrium between social production and social needs is to be established in a planned and scientific way, it is necessary:

First, to study the regularity of all sectors of socialist reproduction, including the particular regularity of the economic and technological relations and developments of the various departments of the national economy, that is, the particular regularity of the changes in the proportional relations and in the rate of development.

The process of equalizing the contradictions of balances and imbalances in social production versus social needs epitomizes the overall process of realizing the reproduction of the social product. The social reproduction is the equalization of the reproduction of production relations, social product and work force. The study of the science of national economic planning must put reproduction of the social product first, and at the same time deal with the reproduction of the work force and the reproduction of the production relations. Social production is composed of many material production departments producing with ever increasing division of labor all kinds of means of production and means of subsistence. Among them there exist intricate economic and technological relations which frequently show mutual causality and mutual interdependence. This mutual relationship and interaction constitutes the process of kinetic development of social material production. If there were no mutual relationship and interaction between the various departments, there would be no developmental activity in the various departments and in the entire national economy. We may therefore say that if there were no proportional relations, there also would be no tempo in the development. The proportionate relations in the economy constitute the essential conditions for developmental changes

in the economy. There definitely do not exist any solitary and isolated economic departments, economic processes or economic factors. If one were to examine the proportional relations of the economy divorced from the rate of development and were to regard the proportional relations as absolutely static, one would actually deny the interaction between departments and factors and consequently also deny the proportional relations themselves. For instance, in the case of the relations between agriculture, light and heavy industry, the development of these three departments is one of interdependence for their very existence and one of mutual constraints. The developmental change in any one of the departments will lead to corresponding changes in the other two departments, and as a consequence bring about developmental changes in the entire social production. It has been also borne out by our practical experience that due to the conditions in our country, with agricultural production presently still at a low level and the rural population still so predominant in our national economy, the rate of agricultural development has a decisive impact on the development of light and heavy industry and on the entire national economy. This condition, one may say, will be of a concrete regularity for quite some time in our relations between agriculture, light and heavy industry. It is a particular manifestation of the general principle of "agriculture is the foundation of the national economy" in the specific conditions of our country. The social product must pass through distribution and circulation before it reaches accumulation and consumption and thus finally completes the reproduction process of social products, that is, achieves the equilibrium in social production and social needs. In the process of distribution and circulation of the social product, there are similarly specific relations of various factors and proportional relations, and under particular conditions also particular regularities.

The particular regularity mentioned here is the unity of quality and quantity, that is, the "measure," or also "what determines the quantitative limits of the quality of the object." The proportional relations and the rate of development are both quantitative expressions of economic development. The national economic plan intends to fix in concrete terms the various indexes that show the development of the national economy at particular times in the form of numerical values. Indexes are the language of planning; they express the specific goals, tasks and demands of the party and the state, determined on the basis of objective laws and in accordance with the political line, principles and policies, and the national strength. Only after grasping the "measure" of social reproduction and national economic development, can a scientific plan be determined that will correctly guide economic activities. Whether the proportions are well coordinated, whether there is an equilibrium, whether the rate is speedy or slow, whether economic effectiveness is good or faulty--all these are the unity of quality and quantity; they all have their "measure," "quantitative limits," numerical expressions. For instance, as to the ratio between accumulation and consumption, judging from the practical experiences in our country over many years, if the rate of accumulation is excessively high, that is, in excess of a certain quantitative limit, it will cause an imbalance in the proportions of the national economy, an imbalance of social product vis-a-vis social needs, and impede the smooth social reproduction. At certain levels of social production and national income, and within certain periods of time, the changes in the rate of accumulation

and consumption (that is, the ratio that each occupies in the national income) have a relatively firm upper and lower limit (limiting border or borderline) and based on our country's experience, a rate of accumulation of more or less 25 percent is appropriate in the present conditions.

The science of national economic planning must not only study the proportional relations, rate of development and the "measure" of economic effectiveness, that is, the limits, range and scope of quantitative change, study in depth and reveal the regularity of these quantitative changes, have the plan conform to the "measure" of the objective economic development, and achieve an "appropriate measure," but must also make every effort to have the fixed plan become the "most appropriate" one, that is, what is usually called the "most advantageous" one. The most advantageous plan is the draft plan which shows the best economic effectiveness all round. The most appropriate proportional relations and the most appropriate rate of development will, as a consequence, also result in the most advantageous economic effectiveness. Of course, when we study the quantitative regularity, we cannot disregard the qualitative regularity of the socialist economy; quality is the beginning of knowledge and the precondition for recognizing quantity. Advancing from quality to quantity is the deepening of our knowledge of quality. Although this is so, basic economic theory, when carrying out the analysis of quality, must simultaneously carry out the analysis of quantity. However, its task is to explain quality through quantitative analysis. In contrast, the research task of the science of national economic planning is to proceed from quality to quantity, to reveal the quantitative determinate character and regularity of the future development of the socialist national economy. This is also a special feature of this branch of science. In this sense, the science of national economic planning may also be called the "science of planning and measuring." Obviously, this formulation is not sufficiently exact and is mentioned here only to emphasize the special features of this branch of science.

Second, to study the organizational pattern and system of plan adjustments adopted to the particular conditions of the socialist productive forces, production relations and superstructure.

If we intend to carry out effective planned readjustments, we must not only study and reveal the particular regularity of movements occurring in the contradictions between social production and social needs, but we must also study the organizational pattern and system of planning management as appropriate to the particular conditions of the level of development of a country's productive forces, its production relations and superstructure. The socialist reproduction and the national economy constitute an intricate, unified, organic entity; it is a giant system. When the state (the core of society) determines a unified plan and when it is in the process of organizing plan execution and transmitting plan information and receiving feedback, the economic activities of the various departments, districts and production units, that, according to the plan, are coordinated in the national economy, must have an appropriate organizational pattern and system. This is none other than the plan organizing system at all levels, the plan procedure and plan management system, which integrates unity and dispersion, centralized and decentralized authority, planned and flexible elements. Practice has shown that if these

factors are absent, it is impossible to achieve true guidance by plan, mobilization of personnel and the performance of organizational and adjustment functions. The determination of the organizational pattern and system of planning management is not a matter of free improvisation and purely subjective judgment, but must rather be adapted to the particular conditions of the country's productive forces, production relations and superstructure; it must meet the demands of the socialist national economy, demands of the economic mechanism of this huge machine to keep it in regular motion, and must furthermore be capable of promoting the speedy development of the productive forces. The practical experiences of all the various socialist countries have shown that this practice will require a fairly long period of time, and only by unceasing exploration and continuous summing up of knowledge will we be able progressively to resolve this problem completely. The present reform of our economic system has only just gotten under way.

Third, to study scientific planning methods.

The special nature of the contradictions that are the target of study of the science of national economic planning also determines the special character of study methods. The basic method of national economic planning is comprehensive balance. Comprehensive balance is a balance in the entire body of socialist reproduction, a balance in the national economy as a whole, a balance in "unified planning, starting out with the population of the whole country, with due consideration for all concerned and arriving at appropriate arrangements." Comprehensive balance is the concrete application of Marxist materialist dialectics in national economic planning; in particular, dialectic thinking and analytical methods of materialist dialectics that deal with extensive interrelations and the unity of opposites have very great significance in guiding the methods of comprehensive balancing; they are the general theoretical basis for the method of comprehensive balancing.

As the practice of planning work developed, the demand arose to continuously improve and perfect the methods of comprehensive balancing and the methods of planning. The development of modern science is inseparably linked with the development of techniques and methods of cognition. Systematics, cybernetics, information theories and mathematics all have entirely new scientific methodologies, studying the common properties of things or their wide interrelationships, and as such are of particularly important practical significance in the concrete application of planning management. They will help us to gain vastly deeper and more accurate understanding of the complex interrelationships and mechanics of the socialist economy, and as a consequence greatly raise the quality and level of our comprehensive balancing work. Systematics is in actual fact the dialectic ideology of extensive interrelationships made concrete. Cybernetics is the science that studies the principles of common controls in various systems. Economic cybernetics is the branch that uses the present scientific methods of cybernetics to analyze economic processes. Economic cybernetics actually is the science that studies the methodology of economic adjustments, and therefore is very close to theories on planned adjustments, providing us with new tools for effective planning and management of the national economy and its various departments.

Planning methods may be divided into qualitative analysis and quantitative analysis. The science of national economic planning starts out from its special feature of studying the "quantitative limits" and must therefore regard as especially important the use of mathematics and modern electronic computer technologies in planning management. The extent of such applications is an indicator for the increasing perfection of this branch of science. The digital analog method has important practical significance for planning management. The digital analog method establishes mathematical patterns; it establishes a kind of simulation of the operating processes of the socialist economic system and on the other hand maintains its important character of a system of mathematical formulas. Economics is different from the natural sciences in that it cannot conduct experiments in the laboratory, especially in the study of macroeconomic problems. Otherwise, economic experimentation could lead to heavy losses and serious consequences. However, the mathematical methods can possibly enable us to carry out simulations. These will use mathematical patterns that reflect the objective economic system, carry out calculations and comparisons on electronic computers, and yield excellent conclusions for planning.

National economic planning is not only scientific prediction, but also a dynamic act of decisionmaking by the socialist state as to future social economic developments, based on scientific economic forecasts and other forecasts. It has a certain binding force regarding directing the development of the national economy. The work of economic forecasting is a component part of planning work; economic forecasting is in general the early stage of the planning process. We must study and absorb all that is scientific in the Western science of economic forecasting, which is a newly developed science, and utilize whatever is beneficial for the enrichment and improvement of our economic forecasting methods. It must be pointed out that there is a great difference between the phenomena of social economics and natural phenomena. We must therefore appropriately evaluate the functions of quantitative analysis and forecasting methods in planning management, must not engage in limitless overestimation, and also must not demand that quantitative probes be as exact as quantitative analyses in the natural sciences. "Marxists are not fortune-tellers."

The above are separate explanations of the substance, patterns and methods of planning management. Planning management is an entity composed of these three factors. This is a rough outline and the basic content of the science of national economic planning, a branch of economics. If we have to give a definition of the research target in the science of national economic planning, it is this: the study of the regularity of planned adjustments in the equilibrium between social production and social needs, or in a more sweeping way, the study of the regularity of planning management in the national economy.

#### 4. The Science of National Economic Planning Is a Science of Applied Economics

The science of national economic planning provides specific theoretical guidance for planning practice on the basis of the general principles of socialist development, elucidated by basic theoretical economics--political economics and the economics of the productive forces, elucidated by further study and

revelation of the particular regularity of socialist planning management and by a further clarification of the theories and methods of socialist planning management. In this sense one may say that the science of national economic planning is a science of applied economics. It is similar to the basic theoretical sciences in the system of the natural sciences as they relate to the technological sciences. Between basic theoretical economics and economic practice there is a series of various intermediate sciences; the science of national economic planning is thus one of these intermediate links. The development of Marxist economics has already formed a system of economics composed of a certain number of branch systems. Some of their aspects are mutually related and some overlap, while there are also separate and independent research areas and those differentiated by the targets of their research. Moving from a basic theoretical economic science to an applied economic science is like rising from the abstract to the concrete, or moving from analysis to synthesis, reflecting a deepening of man's understanding of the objective economic processes. The difference between the science of national economic planning and the various other branches of economics and the science of management is: the science of national economic planning studies primarily the problems of planning management within the sphere of the national economy, that is, the principles of planning management, principles found to be of a common nature in the various branches of economics. Next, the science of national economic planning must also involve itself in all the various special departments of economics, but will study them from the angle of the mutual relations between these various departments.

The science of national economic planning came into being during the socialist stage of human social development; it is therefore a very new and young science. Planning management of the national economy deals with a wide range of subjects, its problems are complex, necessary analyses and syntheses are extremely difficult, and our practical experience is still limited. Only by continuous further practice, by further unceasing explorations, by continuous summing up of results, by "practicing--cognition--practicing" on the basis of an earnest study and full understanding of Marxism-Leninism and Mao Zedong Thought, only then will we be able to gradually reduce our blindness in planning management, and will we gradually strengthen the systematic planning and achieve an advance by leaps and bounds from "necessity" to "freedom." This is our long-term, and also very arduous, task in the study, research and development of this branch of science.

#### FOOTNOTES

1. Cf. the article "Summary of a Discussion of the Research Target of the Science of National Economic Planning," in JINGJIXUE DONGTAI [TRENDS IN ECONOMICS], No 12, 1981.
2. "The Collected Works of Marx and Engels," vol 20, p 375.
3. The term "national economic planning" in Chinese usage refers in general also to the 5-year and annual plans of economic development compiled by the state.
4. "Selected Works of Mao Zedong," vol 5, p 375.

5. The so-called needs are merely the conceptional reflections of consumption, what, under conditions of existing commodity-currency conditions, is generally expressed as "purchasing power needs."
6. From "The Collected Works of Marx and Engels," vol 3, p 40.
7. "Das Kapital," vol 1, p 96.

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## ECONOMIC PLANNING

### COMMUNIQUE ON 1981 ECONOMIC PLAN FOR FUJIAN

Fuzhou FUJIAN RIBAO in Chinese 8 Jul 82 p 2

[Article: "Communique of the Provincial Bureau of Statistics on the Results of Implementation of the 1981 National Economic Plan in the Province (23 June 1982)"]

[Text] In 1981, under the leadership of the CCP Central Committee, the State Council, the Provincial CCP Committee and the provincial government, the people of the entire province conscientiously implemented the general policy of further readjustment of the national economy and the special specific policies and flexible measures on carrying out foreign economic activities, with healthy growth and stable advance being seen in the national economy. The total value of industrial and agricultural production for the province as a whole, calculated on the basis of the unvarying prices of 1980 (hereafter the same), was 12,532,000,000 yuan, an increase of 7.3 percent over that for the previous year (note 1). As production expanded, there were further improvements in the standard of living of urban and rural peoples. The communique on the state of development of the major sectors of the national economy is presented below.

#### 1. Agriculture

In 1981, production responsibility systems of various types were generally put into effect throughout the province, the structure of agriculture was readjusted, a positive attitude toward production was aroused among the broad masses of peasants, such natural calamities as low temperatures, storms, diseases and insects were overcome and good harvests were obtained in agricultural production. Yields of grain, oil-bearing crops, sugar crops, flue-cured tobacco, tea-leaves and fruits exceeded the highest levels in history and rich harvests of other economic crops were obtained. There was diversification, with sideline production being particularly effective and experiencing a great advance. The total value of production for the province as a whole was 4,412,000,000 yuan, an increase over that for last year of 6.75 percent.

The volume of production of major agricultural products was as follows:

|                        | <u>Unit</u>            | <u>Actual for 1981</u> | <u>% increase over<br/>previous year</u> |
|------------------------|------------------------|------------------------|------------------------------------------|
| Total grain production | 100 millions<br>of jin | 161.97                 | 0.99                                     |
| Peanuts                | 10 thousands<br>of dan | 314.07                 | 40.54                                    |
| Rapeseed               | 10 thousands<br>of dan | 50.82                  | 26.36                                    |
| Jute and dogbane       | 10 thousands<br>of dan | 40.53                  | 25.99                                    |
| Sugarcane              | 10 thousands<br>of dan | 7762.41                | 10.51                                    |
| Flue-cured tobacco     | 10 thousands<br>of dan | 44.07                  | 69.83                                    |
| Tea-leaves             | 10 thousands<br>of dan | 59.13                  | 14.37                                    |
| Fruits                 | 10 thousands<br>of dan | 392.81                 | 55.12                                    |

The total area of afforestation in the province was 2,068,100 mu, a decrease of 558,800 mu as compared to the previous year. The actual area of young forests nurture is 6,370,000 mu, an increase of 195,000 mu as compared to the previous year. An amount of 1,540,000 mu of hillsides were closed for afforestation, with 14,170,000 trees being planted on all sides. There was a great increase in the major secondary forest products. Of these, the yield of tea-oil tree seeds was 604,600 dan, an increase in production of 72.59 percent. The yield of tung oil tree seeds was 64,900 dan, an increase in production of 17.79 percent. The yield of pine resin was 2,092,600 dan, an increase in production of 15.77 percent. The yield of dried bamboo shoots was 110,800 dan, an increase in production of 57.83 percent. In 1981, there were increases in the numbers of pigs and sheep on hand and there were increases in large livestock.

Major animal products and numbers of head of livestock were as follows:

(see table on next page)

|                                                            | <u>Unit</u>                | <u>Actual for 1981</u> | <u>% Increase over<br/>previous year</u> |
|------------------------------------------------------------|----------------------------|------------------------|------------------------------------------|
| Yield of pork, beef<br>and mutton                          | 10 thousands<br>of jin     | 552.16                 | 14.07                                    |
| Number of live pigs<br>on hand at end of<br>the year       | 10 thousands<br>of head    | 696.28                 | 1.35                                     |
| Number of large<br>livestock on hand<br>at end of the year | 10 thousands<br>of head    | 103.81                 | 4.46                                     |
| Number of sheep on<br>hand at end of the<br>year           | 10 thousands<br>of animals | 73.30                  | 2.12                                     |

The yield of aquatic products in 1981 was 48.44 tons [sic: probably means 484,000 tons] an increase of 13,100 tons and of 2.78 percent over the previous year, the highest of any year in history. Of this total, the yield of marine aquatic products was 465,600 tons, an increase of 2.45 percent. The yield of freshwater products was 18,800 tons, an increase of 11.59 percent.

In 1981, there were 9,465 large and medium-sized tractors in the province as a whole, an increase of 1,938 over the previous year. There were 72,080 walking tractors, an increase of 7,120 over the previous year. There was 702,000 horsepower of powered irrigation and drainage machinery for agricultural use, an increase of 18,000 horsepower over the previous year. The amount (material amount) of agricultural chemical fertilizer applied for the entire year was 1,880,600 tons, an increase of 4.14 percent over the previous year. The average amount per mu (material amount) of chemical fertilizer applied was 195 catties, an increase of 9 catties over the previous year. The amount of electricity used in the agricultural villages was 712,522,000 kilowatt-hours, an increase of 10.79 percent over the previous year.

At the end of 1981, there were 2,286 reservoirs in the province as a whole with a storage capacity of over 100,000 cubic meters, an increase of 51 over the previous year. The area of the province under effective irrigation was 12,540,800 mu, or 64.9 percent of the total area of cultivated land.

There were continual advances in weather forecasting work, with further progress being made in capacity to monitor and in the level of forecasting of disastrous weather. This has made a positive contribution to building of the national economy and particularly to serving agricultural production.

## 2. Industry

In 1981, there was steady growth in industrial production in this province. The total value of production for the province as a whole was 8,120,000,000

yuan, an excess of 4 percent over the annual plan and an increase of 7.55 percent as compared to the previous year.

Light industry continued to grow. The total value of light industry production for the province as a whole was 5,182,000,000 yuan, fulfilling 105.76 percent of the annual plan and amounting to an increase of 11.5 percent over the previous year. The proportion in relation to that for all industry increased from 61.8 to 63.8 percent. The characteristics of the growth of light industry were a widespread increase in the use of durable consumer goods such as sewing machines and bicycles, rapid growth of textile products and further expansion of light industrial export products.

In heavy industry, there was a shift from decline to advance. The readjustment of heavy industry toward service continued, with expansion to support light industry and agriculture. There was also a partial shift to production of light industrial products and export products. The total value of production amounted to 938,000,000 yuan, with 101.31 percent of the annual plan being fulfilled. This was an increase of 1.2 percent over the previous year.

On survey of the volumes of production of the 56 types of major industrial products included in the provincial plan, it was found that the plan was fulfilled or exceeded for 42 types, or 75 percent, while there were 36 types, or 66 percent for which there were increases as compared to the previous year.

Volumes of production of major products are shown in the following table.

|                                     | <u>Unit</u>           | <u>Actual for<br/>1981</u> | <u>% increase over<br/>previous year</u> |
|-------------------------------------|-----------------------|----------------------------|------------------------------------------|
| Sewing machines                     | 10 thousands of units | 24.05                      | 83.17                                    |
| Bicycles                            | 10 thousands of units | 8.48                       | 2.07 times                               |
| Television sets                     | 10 thousands of units | 3.41                       | 8.25                                     |
| Radio sets                          | 10 thousands of units | 29.41                      | 87.44                                    |
| Sugar                               | 10 thousands of tons  | 38.50                      | 3.3                                      |
| Crude salt                          | 10 thousands of tons  | 81.91                      | -20.97                                   |
| Cigarettes                          | 10 thousands of cases | 25.90                      | 12.02                                    |
| Cans                                | 10 thousands of tons  | 6.47                       | Same                                     |
| Machine-made paper<br>and cardboard | 10 thousands of tons  | 23.92                      | 3.73                                     |
| Chemical fibers                     | tons                  | 15,000                     | 11.11                                    |
| Yarn                                | 10 thousands of tons  | 2.80                       | 17.15                                    |

|                                                                                           |                                 |        |        |
|-------------------------------------------------------------------------------------------|---------------------------------|--------|--------|
| Cloth                                                                                     | 10 millions of meters           | 1.37   | 7.03   |
| Raw coal                                                                                  | 10 thousands of tons            | 416.55 | -10.03 |
| Electric energy production                                                                | 100 millions of kilowatt hours  | 52.46  | 6.04   |
| Steel                                                                                     | 10 thousands of tons            | 21.90  | -9.35  |
| Pig iron                                                                                  | 10 thousands of tons            | 29.47  | -8.09  |
| Rolled steel                                                                              | 10 thousands of tons            | 19.47  | -3.04  |
| Wood                                                                                      | 10 thousands of cubic meters    | 366.89 | -4.24  |
| Rosin                                                                                     | 10 thousands of tons            | 7.86   | 25.56  |
| Cement                                                                                    | 10 thousands of tons            | 161.62 | 4.07   |
| Plate glass                                                                               | 10 thousands of standard crates | 90.5   | -4.72  |
| Sulfuric acid                                                                             | 10 thousands of tons            | 12.21  | -0.45  |
| Caustic soda                                                                              | 10 thousands of tons            | 5.74   | 1.41   |
| Chemical fertilizers for agricultural use (on the basis of 100% of effective constituent) | 10 thousands of tons            | 24.88  | 2.30   |
| Agricultural chemicals                                                                    | 10 thousands of tons            | 2.15   | -8.90  |
| Plastics                                                                                  | 10 thousands of tons            | 2.47   | 2.92   |
| Electric generating facilities (over 500 kilowatts)                                       | 10 thousands of kilowatts       | 0.53   | -91.06 |
| Walking tractors                                                                          | Units                           | 9,534  | 23.16  |

In 1981, there was an increase in economic benefit in industrial enterprises. The total amount of profit for state-managed industrial enterprises within the budget increased by 8.9 percent over that for the previous year, with increases in production and income being realized. Labor productivity of all workers in state-managed industrial enterprises increased by 2.4 percent over that for the previous year. However, there were increases in the enterprises suffering losses, with deficits increasing 2.6 percent. This is comparable to the 1.37 percent increase in costs of products as compared to the previous year. The amount of floating capital in use increased 11 percent. Generally speaking, the economic benefits of industrial production were still comparatively poor.

### 3. Capital Construction

In 1981, there was a reduction in the scale of capital construction in our province. The total sum of investment for completion of capital construction in the province as a whole was 869,000,000 yuan, a decrease of 15.86 percent as compared to the previous year. Of this, the investment in the national budget was 387,000,000 yuan, a decrease of 28.33 percent as compared to the previous year. However, the portion outside the budget exceeded the plan by a considerable amount.

Further readjustments were made in the direction of investment. The investment in nonproductive construction completed for the year as a whole amounted to 370,000,000 yuan, the greatest for any year since the liberation. The proportion of the total amount of investment increased from 30.14 percent the previous year to 42.44 percent. Of this, the investment used for residential construction amounted to 204,000,000 yuan, an increase of 16.57 percent over the previous year. In terms of sectors, the proportion of investment was increased primarily in light textile industries, communications and transportation, culture, education and health and urban construction.

There were increases in the effectiveness of investment. The fixed capital that was consigned and used for capital construction in the province as a whole amounted to 707,000,000 yuan, its proportion of the total amount of investment increasing from 65.81 percent the previous year to 81.36 percent. Thus, this was the highest amount of fixed capital consigned and used in the several of the most recent years. A group of large and medium-sized construction projects was completed. There were new increases in productive capacity. Primarily, these were the following: Synthetic ammonia, 65,000 tons/year; chemical fertilizers, 130,000 tons (actual amount)/year; agricultural chemicals, 2000 tons/year; transformer facilities (110,000 volts and higher), 121,500 kilovolt-amperes; highways in forest regions, 246 kilometers; lumber cut and shipped, 78,400 cubic meters/year; cement, 166,300 tons/year; cotton spinning spindles, 30,000 units; machine-processed sugar, 24,000 tons/year; cigarettes, 9000 cases/year; bicycles, 50,000 units/year; sewing machines, 100,000 units/year; track laid on newly constructed railway main lines, 21.77 kilometers; and effective area of irrigation, 3940 hectares.

In 1981, there were new advances in hydrology and geological prospecting. 122,800 meters of mechanical core drilling was completed, with 603 meters of drilling samples being obtained. Pit exploration amounted to 1428 meters. There were 12 newly developed deposit points and there were 5 newly developed mineral product areas. New increases in major reserves: coal, 40,940,000 tons, silver ore, 0.56 metal tons; graphite, 23.6 mineral tons; porcelain clay, 170,000 tons.

### 4. Communications, Post and Telecommunications

In 1981, the communications and transport sectors basically completed their passenger and freight transport assignments. The volume of turnover of railway freight was 5,554,000,000 ton kilometers, with 105.78 percent of the

plan having been completed. The volume of passenger turnover was 2,316,000,000 passenger-kilometers, with 119.07 percent of the plan being completed. In the communications sector, the volume of vehicular freight turnover was 904,000,000 ton kilometers, with 103.55 percent of the plan having been completed. The volume of passenger turnover was 3,858,000,000 passenger-kilometers, with 113.47 percent of the plan having been completed. The volume of steamship and barge freight turnover was 1,756,000,000 ton kilometers with 118.73 percent of the plan having been completed. The volume of passenger turnover was 320,000,000 passenger-kilometers, with 115.94 percent of the plan having been completed. The volume of freight and mail transported by civil aviation was 836 tons, with 139.4 percent of the plan having been completed. The volume of passengers transported was 31,200 persons, with 124.9 percent of the mission having been completed. As compared to the previous year, there were slight decreases in the volume of freight turnover carried by railroad and truck, while there were increases in the volume of freight turnover carried by railroad and truck, while there were increases in the volume of freight turnover carried by steamships and barges and in the volume of freight carried by civil aviation. The volume of port freight traffic was 6,160,000 tons, with 106.4 percent of the plan having been completed. This was an increase of 2.4 percent as compared to the previous year. There was a fairly great increase in the volume of freight transport to foreign countries, with an increase of 27.6 percent in transport of foreign goods as compared to the previous year. At present, communications and transport is a weak link in the development of the provincial economy and cannot keep up with the demands of expanding industrial and agricultural production and foreign trade.

In 1981, the total amount for post and telecommunications work for the year for the province as a whole was 55,388,000 yuan, an increase of 5.8 percent over the previous year. Among the amounts of calculated-fare service work, there was an increase of 13.9 percent in telegrams, an increase of 2 percent in long-distance telephone calls, an increase of 6.8 percent in city telephone subscribers, an increase of 2.9 percent in letters, an increase in 2 percent in newspapers sold by subscription and an increase of 40.9 percent in magazines sold by subscription.

## 5. Commerce

In 1981, there were comparatively great increases in purchases and sales of goods. The total value of goods purchases in the commercial sectors of the province as a whole amounted to 5,042,000,000 yuan, an increase of 9.3 percent as compared to the previous year. Of this, purchases of agricultural by-products amounted to 1,658,000,000 yuan, an increase of 10.98 percent as compared to the previous year. The retail sales turnover of social commodities was 4,825,000,000 yuan, an increase of 12.5 percent compared to the previous year. There were general increases in the net sales volumes of food, clothing and use-consumption goods. Of these, there was an increase in sales of 30.5 percent in vegetable oils for foods [and there were increases in sales] of 4.2 percent for cigarettes, 4.7 percent for alcoholic beverages, 57.4 percent for bed sheets, 20.1 percent for cotton shirts and trousers, 24.9 percent for sewing machines, 13.2 percent for wristwatches and 14.2 percent for

bicycles. There were decreases in the volume of sales of pork, fresh eggs, aquatic products and sugar. At the end of the year, there was an increase of 10.34 percent as compared to the previous year in the total amount of commercial goods in stock in commercial units under the ownership of the people.

In 1981, there was still a comparatively pronounced contradiction between supply and demand of market goods. The total index of average retail commodity prices for the entire year rose 3.4 percent. Of this, the prices of country fair trade consumer goods rose 13.3 percent, impacting improvements in the standard of living of urban workers. In some regions and some enterprises, such phenomena in sales of commodities occurred as passing inferior goods off as quality goods, selling short amounts and disguised inflation of prices. These increased the burden on the consumers.

In 1981, many types of flexible measures were taken in goods and materials supply work. Except for requirements for a small number of important short line goods for which planned allocation was adopted, for which supply was verified according to need and for which preference was given to supplying agriculture, light and textile industries, consumer goods production and exports, there was open-ended supply of most goods and materials and there was a comparatively good level of satisfaction.

#### 6. Foreign Trade Economics and Tourism

In 1981, there were further advances in foreign economic activity. The number of countries and regions with which our province had trade contacts reached 121. The total value of purchases of foreign export goods for the entire year reached one billion yuan, an increase of 7.21 percent as compared to the previous year. The total value of the import trade was \$US 536,000,000, an increase of 6.57 percent over last year. Of this, exports were \$US 380,000,000 and imports were \$US 156,000,000, increases of 5.28 and 9.91 percent, respectively, as compared to the previous year. There were great changes in export commodity structure, with an increase in the proportion of exports of industrial goods and with decreases in exports of grain and oil foodstuffs that are closely related to the people's livelihood.

There were progressive advances in processing of materials from outside, compensatory trade, joint-capital partnership financing and introduction of technical facilities. Construction of the Xiamen Special Economic Zone was accelerated.

On the basis of a survey of 21 major tourist counties and cities, the number of foreign, overseas Chinese and compatriots from Hong Kong and Macao visiting our province as tourists amounted to 173,000 person-times.

#### 7. Financial and Monetary Affairs

In 1981, revenues and expenditures were in balance. Total revenues for the province as a whole were 1,452,000,000 yuan, with 100.9 percent of the budget being fulfilled. Of this, enterprise revenue was 310,000,000 yuan.

Industrial and commercial tax revenues were 996,000,000 yuan. Expenditures were 1,426,000,000 yuan, or 99.8 percent of the annual budget. For the year as a whole, revenues were greater than expenditures, with a slight surplus occurring. Expenditures for the province as a whole were reduced by 5.2 percent as compared with the previous year, with a decrease of 38 percent in allocations for capital construction, a decrease of 26.7 percent in funds for enterprises to tap latent potential and reform and a decrease of 55.5 percent in the floating funds of enterprises. Revenues decreased 5.3 percent because of the reform in the allocation structure and of economic effects that were not ideal.

In 1981, our province issued 88,710,000 yuan in treasury bills. This exceeded the percentage required by central allocation by 26.7 percent.

In 1981, for the province as a whole, the balances on various types of loans by the banks increased 19.1 percent as compared to the previous year, while the balance of deposits increased 25 percent as compared to the previous year. Savings deposits by urban and rural residents of the province as a whole amounted to 1,635,000,000 yuan, an increase of 36.1 percent as compared to the previous year. Of this, savings deposits in cities and towns were 926,000,000 yuan, an increase of 31.9 percent as compared to the previous year, while there was an increase in savings deposits in rural villages of 709,000,000 yuan, an increase of 42.1 percent as compared to the previous year.

In 1981, the net amount of currency put into circulation by the banks decreased by 92,000,000 yuan as compared to the previous year, a decrease of 42.1 percent.

#### 8. Science and Technology, Education, Culture, Health and Physical Culture

In 1981, there was continued readjustment in science and technology, education, culture, health and physical culture activities in this province.

In 1981, there were 155 natural sciences research facilities in the province as a whole, an increase of 29 over the previous year. There were 3,395 scientific research personnel, an increase of 401 persons over the previous year. There was a total of 112,900 natural scientific and technical personnel, an increase of 9,570 persons over the previous year. In the sphere of social sciences, there were 55,200 persons, an increase of 4,205 persons over the previous year. On approval of the provincial government, 41 awards were given for scientific research that reached or exceeded the domestic level of advancement and that were of distinct economic benefit in terms of promulgation and application.

In 1981, there were rapid advances in measuring activities. It was found that there were 479,000 (items) measuring tools of various types being used in the provinces as a whole for modern measuring techniques. This made a positive contribution to building the national economy.

In 1981, there were in the province as a whole 18 institutions of higher education and 7 universities and colleges, with the number of students

attending school being 30,370 persons. The number of students in secondary vocational schools was 35,215 persons, a decrease of 3200 persons as compared to the previous year. The number of pupils attending general middle schools was 974,100,000 [as published] persons, a decrease of 120,000 persons as compared to the previous year. The number of students attending agricultural middle schools and vocational middle schools was 17,951 persons, an increase of 15,800 persons as compared to the previous year. The number of students attending technical schools was 15,531 persons. The number of pupils attending elementary schools was 3,670,600 persons, a decrease of 93,5000 persons as compared to the previous year. The number of children in nursery schools receiving preschool education was 399,000 persons, a decrease of 19,800 persons compared to the previous year. The number of students attending workers and peasants schools of higher education was 16,023 persons, an increase of 3100 persons as compared to the previous year. The number of students attending workers and peasants sparetime technical middle schools was 27,560 persons, a decrease of 6000 persons from the previous year. The number of students in workers and peasants sparetime middle schools was 43,186 persons, a decrease of 3700 persons as compared to the previous year.

In 1981, there were 2255 motion picture projection units of various types in the province as a whole. There were 954,000 showings of motion pictures, with an audience of 799,000,000 person-times. In the province as a whole, there were 105 artistic performing groups, 75 cultural centers, 962 cultural stations, 31 public libraries and 15 museums. In the province as a whole, there were 3 radio stations and 36 broadcast transmission stations and relay stations. There was 1 central television station and 225 television transmission stations and relay stations, with up to 60 percent of the population being covered by television. For the year as a whole, 142,000,000 province-wide and regional newspapers, 121,000,000 books and 13,803,000 magazines were published.

In 1981, for the province as a whole there were 48,013 hospital beds and there were 61,749 medical and technical personnel, an increase of 2985 persons as compared to the previous year. Of these, there were 6647 traditional Chinese medical doctors, 10,003 physicians trained in Western medicine, 5891 medical practitioners with secondary medical school education in Western medicine, 10,542 nurses. In the rural villages, there were 32,179 barefoot doctors.

In 1981, 744 athletic events were held at the provincial or county levels or higher, with 145,000 athletes participating in the athletic events. There were 40 persons who participated in 58 domestic and foreign competitions and who broke 51 provincial records. There were four persons who broke four national records in six events and there was one person who broke Asian records two times. There were 57 persons who won among the first three places in 33 national events, there were two persons who won among the first three places in two Asian events and there were eight persons who won among the first six places in seven world events. 53,000 youths attained the "National Athletic Fitness Standard."

## 9. People's Livelihood

In 1981, on the basis of the expansion in production, continual improvements were obtained in the people's livelihood. On the basis of a sampling survey of income and expenses in 420 peasant households in 14 counties, the average net income per peasant amounted to 231.65 yuan, an increase of 59.91 yuan as compared to the previous year, an amount 11 times that of the yearly increases in income of 5.34 yuan after the liberation. Of this, income from household sideline production was 115.02 yuan, or 49.65 percent of total income. However, there was still a definite proportion of households having difficulty with their livelihood. Their incomes were comparatively low and they were having difficulty with their lives.

In 1981, in the cities and towns of the province as a whole there were 171,000 persons who were placed in employment, including young people and other people and graduates of colleges and middle schools under centralized placement by the state. At the end of the year, the number of staff and workers in the province as a whole amounted to 2,424,000 people, an increase of 113,000 persons as compared to the previous year. Of these, there were 1,764,000 staff members and workers in units under the ownership by all the people, an increase of 89,000 persons as compared to the previous year. There were 661,000 staff members and workers under collective ownership systems in cities and towns, an increase of 24,000 persons as compared to the previous year. There were 32,000 persons in individual private endeavors, an increase of 5000 people as compared to the previous year.

In 1981, the total amount of wages of staff members and workers for the province as a whole was 1,656,000,000 yuan, an increase of 112,000,000 yuan, as compared to the previous year. Of this, the total amount of wages of staff members and workers under the ownership by the whole people system was 1,254,000,000 yuan, an increase of 84,000,000 as compared to the previous year. The total amount of wages of staff members and workers under collective systems in the cities and towns was 402,000,000 yuan, an increase of 28,000,000 yuan as compared to the previous year. The average wage for staff members and workers for the province as a whole was 715 yuan, an increase of 1.7 percent as compared to the previous year. Of this, the average wage for staff members and workers under the ownership by the whole people system was 744 yuan, an increase of 2.1 percent as compared to the previous year. The average wage for staff members and workers under the collective system in cities and towns was 637 yuan, an increase of 3.9 percent over the previous year. Because of expansion in employment, there were increases in the actual level of income in staff member and worker households. According to a survey of income and expenditure conditions in 324 staff member and worker households in four cities, the average cost of living income per person per month was 34.76 yuan, an increase of 3.3 yuan by comparison to the previous year. When the amount of the increase in the cost of living price index for staff members and workers is deducted, this is an increase in actual income of 6.7 percent. However, there are some staff member and worker households with few members who are employed, with large numbers of family members and with low wage incomes for which the economic burden was heavy and for which there were also difficulties in livelihood.

In 1981, an area amounting to 2,199,400 square meters of residential housing was completed as capital construction and projects by units under the ownership by the whole people system in the province as a whole, an increase of 40.28 percent as compared to the previous year. This was the largest area of residential housing completed in this province since the liberation. Thus, there was improvement in housing conditions for staff members and workers. However, housing is still in short supply for some staff member and worker households.

#### 10. Population

At the end of 1981, the population of the province as a whole was 25,569,000 persons, an increase of 391,200 persons, or 1.55 percent, as compared to the previous year.

Note (1): The total value of industrial and agricultural production for 1981 was calculated on the basis of 1980 constant prices as 14,015,000,000 yuan. Of this, the total value of agricultural production was 5,834,000,000 yuan and the total value of industrial production was 8,181,000,000 yuan.

Note (2): The figures for the various categories in the communique do not include Jinmen County and the Mazu Islands of Lianjiang County.

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## ECONOMIC MANAGEMENT

### INDUSTRIAL ENTERPRISES SAID TO REQUIRE DIFFERENT RESPONSIBILITY SYSTEM

Taiyuan JINGJU WENTI [ECONOMIC PROBLEMS] in Chinese No 5, 25 May 82 pp 6-10

[Article by Kong Fangzhu [1313 4907 3796] and Tang Xiaomei [0781 2556 2734]: "On Selecting Forms of the Responsibility System Based on the Characteristics and Differences of Industry and Agriculture"]

[Text] After the 3d Plenary Session of the 11th CCP Central Committee, throughout the rural areas of the country many forms of the production responsibility system, with "contracts" being primary, such as assigning output quotas to individual laborers, assigning output quotas to individual households, contracting work tasks to individual households, and contracting for specialized jobs, were put into widespread practice, which greatly aroused the enthusiasm for production on the part of the broad masses of peasants and caused an unprecedented, profound change in the rural economic situation. In the summer of last year, after the national industry and communications conference proposed the study of the agricultural production responsibility system, there were set up in state-run enterprises, one after another, many forms of the economic responsibility system, which obtained fairly good results. However, many enterprises indiscriminately imitated the rural areas' way of doing things and sweepingly stressed the "contract" method. Particularly within a given enterprise, differences in conditions were not taken into account, overall economic benefits were not stressed, and single-profit contracts or single-output contracts were put into effect, with the enterprise saying that "if there is a contract the work will be changed." The characteristics of the economic responsibility system, with profit gain or loss contracts as the main content, in an industrial enterprise are: the enterprise, according to rule, contracts to turn over to the higher authorities the profit after deducting a proportional percentage. The greater the total profit, the higher is the deducted proportion, and bonuses are also increased accordingly. Practice has proved that this form of the responsibility system plays a definitely positive role in spurring on the enterprise's fulfillment of its financial tasks, but it has many drawbacks. First, it creates contradictions between the enterprise, workshops, and the teams and groups in the factories; creates a wide gap in income between the staff and workers; and adversely affects the unity of the staff and worker force. This is because although profit is an important index for assessing an enterprise it is not the only index. And there are many factors that affect profit, such as natural resources conditions, technological equipment, product structure,

price, tax rate, etc. To assess an enterprise solely by the profit it makes is extremely favorable for an originally backward enterprise, but for an enterprise with a fairly high original level it is unfavorable or only a very little bit in its interest, and in the income of staff and workers of different enterprises there will appear irrational phenomena. Second, it encourages the tendency to blindly expand regulation by market mechanism. In order to fulfill the profit contracted indices and obtain more profit, there is bound to appear the phenomena of working hard when there is a big profit to be made and not working when there is a small profit to be made, which will tend to make tight the supplies of small commodities on which there are tiny profits but which are urgently needed by the market; and the competition for production between products on which there are big profits will create overstocking and they will become "long line" products, even to the extent that there will be unnecessary construction, blind development, small factories crowding out big factories, and the backward crowding out the advanced, all of which will intensify the contradictions between industry and commerce and will adversely affect the socialist planned economy. Third, between the enterprises, in order to contend for profit; there will appear the phenomena of technological blockades, each enterprise doing things in its own way, and the setting up of mutually separated regimes, and some enterprises, in order to get more profit, will not even hesitate to take measures that will lead to the widespread practice of unhealthy tendencies. Fourth, the leaders of some enterprises will not give first consideration to the state's interests, but will try by all means to lower the contract base and raise the proportion of profit retained by the enterprise, thereby contending with the state for profit. Within an enterprise, funds for awards will be raised arbitrarily, various pretexts will be concocted, and there will be a reckless issuing of bonuses, thereby adversely affecting the overall interests of the state. These problems in the economic responsibility system in industrial enterprises where profit is made central cannot but draw our serious attention. Of course, the appearance of these problems is not unrelated to the fact that ideological and political work has not been tightly grasped, but more important is the fact that they have cropped up because of the single-profit contracts or single-output contracts themselves. There are two reasons why some enterprises onesidedly draw up these kinds of contracts: 1) they don't understand the existing differences between industry and agriculture and that each of them has its own characteristics; and 2) they have an inadequate understanding of the essence, role, and great significance of the industrial economic responsibility system. This article is intended to discuss some simple ways of looking at the above-mentioned two problems.

Agriculture and industry are the main components of our country's national economy. The production teams of people's communes and the industrial enterprises (including enterprises owned by all the people and enterprises owned by the collective) of cities and towns were all put into effect under the socialist system and are all independent accounting economic entities. Also, they all engage in production and management activities under the economic guidance of state plans, and they are changed with the economic tasks of accumulating funds for the state and supplying products to society in order to satisfy the people's continually growing demands in their material and cultural life. But, in the final analysis, the two are different economic

trades. In addition to clear differences in production conditions, objects of labor, production cycles, and products, there exist many other differences and each one of the two has its own characteristics. These characteristics make the differences between industry and agriculture, and these differences determine their different management forms, distribution forms, and administrative systems; thus, they should, proceeding from reality, select the production responsibility system that suits their respective characteristics, and they certainly cannot copy each other mechanically and form one pattern. Looking at the present stage, the points of difference between agriculture and industry are mainly shown in the following several aspects.

1. Under the Present Conditions in Our Country, There Is a Big Difference in the Levels of the Production Forces of Industry and Agriculture. That is to say, the level of the productive forces of industry is far higher than that of agriculture.

Since liberation more than 30 years ago, following the raising of the degree of mechanization in agriculture, there has been a corresponding development of the level of agriculture's productive forces. However, compared with industry, there is still a very big gap. Looking at the rural areas of our province, we see that at the end of 1979 the total motive power of agricultural machinery in the province was only 684.73 horsepower, the ratio of agricultural machinery horsepower to draft animal horsepower was 1:433, and the average amount of chemical fertilizer used per mu was only 5 kilograms. That is to say, the vast rural areas are still primarily cultivated by people and draft animals, and primarily with simple hand implements, and the labor productivity rate, to a very great degree, is decided by the physical strength, experience, and skill of the laborers, and mainly depends on the consumption of living labor. Industry is different, particularly the enterprises that are owned by all the people, which for the most part are engaged in mechanized and semimechanized production and some of which employ the newest science and technology, such as electronic computers and remote control, and the production tools and advanced technology that have appeared in the form of machines play an extremely important role in industrial production. The "Resolution on Certain Questions in the History of Our Party Since the Founding of the PRC" pointed out: "The changes in and perfection of socialist production relationships must be suited to the situation in the productive forces," and "Our task is, based on the need to develop our country's productive forces, to create at every stage specific forms suited to them and convenient for the continuing advance of production relationships." The characteristics of the advanced tools and the science and technology applied in industrial production determine that each link in the production process can employ modernized calculation methods coupled with measured decisions, and can fully employ various economic indices to assess product quantity, quality, and consumption, so that the workers' quantity and quality of labor is directly linked to the economic indices used in the assessment. And in agriculture, one is not able to completely do this, so the industrial economic responsibility system, with its administrative assessment system, ought to be different from the agricultural production responsibility system.

## 2. The Degree of Socialized Production Is Different in Agriculture and Industry.

Marx said: "In organizing labor forces, one should look at the tools they possess and at each one's differences." ("Complete Works of Marx and Engels," vol 4, p 63) That is to say, the degree of advancement in labor's tools determines labor's organizational forms. At present, our country's agriculture production and administrative patterns are still basically those of the small production economy in which draft animal cultivation and hand operations are primary. This determines its characteristics of being "small, scattered, and complete," i.e., it is suitable for the labor organization and production scale to be small, not big; it is suitable for the production and management activities to be scattered, not concentrated; and in the entire production process, from beginning to end, it is suitable for fixed personnel to carry it out, not scattered specialized production. Under these circumstances, its products, to a great degree, are determined by the diligent labor of the individual commune member. Owing to the fact that industrial enterprises universally use complex technical equipment and adopt science and technology on a wide scale, their production and administration are highly scientific. With their technical nature and continuity, each link between enterprises and within an enterprise has a careful division of work and there is close coordination, so that a unified organic whole is formed. Under these circumstances, the forms of labor organization and administration can only be concentrated, unified, and coordinated in dividing the work. Assembly and production should not, and cannot, be done by the production process of having an individual or a small number of persons "contract" to make a certain kind of product.

## 3. The Forms of Ownership of Rural Communes, Brigades, and Teams and of State-Run Industrial Enterprises Are Different.

At present, in our country's rural areas there is the three-level collective ownership by the commune, production brigade, and production teams with the latter being the base, and the means of production and the property are collectively owned by laborers within a definite scope and are administered and allocated by the collective. The rural communes, brigades, and teams bear economic responsibility to the state and engage in production activities under the guidance of the state's planned economy, and they turn over to the state, in the form of agricultural tasks, part of the fruits of their management. Most of our country's industrial enterprises are state-run enterprises. The proportion of enterprises of a collective nature is very small, being only about 12 percent of all industrial enterprises in the country and about 18 percent in Shanxi Province. State-run enterprises are owned by all the people, and the fruits of their management are uniformly allocated by the state, as the representative of the interests of the people of the whole country, in line with the requirements of the overall interests of the people. The relationship between the state and the state-run enterprises is that the state makes the investment and pays the workers' wages, and the enterprise, under the guidance of the state's unified planned economy and in accordance with the plans of an instructional nature issued by the state and with market demands, engages in production, and pays taxes to the state and

hands over all its profits to the state's finance. Furthermore, the state's policies for industry and agriculture are different and therefore the industrial economic responsibility system cannot copy indiscriminately the ways of doing things in the rural areas.

#### 4. There Are Big Differences Between Agricultural and Industry in the Patterns of Production, Administration, Purchase, and Distribution.

The restrictions imposed on agriculture in production and management by natural conditions are fairly large. They are carried out in succession seasonally, the production cycle is long, the harvests are not all that stable, and, on top of this, the level of productive forces is low. This determines the unity of production and management, and this unity is imposed on fixed personnel. In industrial enterprises, from raw material to finished product, the cycle is short, production is not affected by the natural conditions of season and weather, there is a division of responsibility for every working procedure and every type of work, the responsibilities are clear, and the management work is specialized and systematized.

Agricultural products are relatively unitary, and many of them fall in the category of materials on which the state has a monopoly to purchase, so that the problem of marketing them is easily solved. Furthermore, agricultural products can be used to pay agricultural taxes in kind to the higher authorities. There are a great variety of industrial projects, among which some come under state plans and for others production arrangements are regulated by the market, and this causes problems in marketing the products. At the same time, factories cannot directly hand over to the higher authorities their products for taxes and profits, but must pay in money after the products are sold.

As for the form of distribution, the seasonal nature of agricultural production determines that accounts be settled on an annual basis and that profits be shared out at yearend, and products can be directly distributed in kind to commune members.

And industrial enterprises are of the product price type and wage form, and wages are calculated monthly and distributed to the laborers. Furthermore, because the rate of agricultural labor productivity is low and the rural economic forces are weak, not all commune members can be included in the forces. To solve the problems of some old, weak, sick, and crippled persons, the method of social relief and living allowances can be adopted. For individuals who have lost their labor power and have no one to support them, the production team provides the "five guarantees." And industrial enterprises implement the state's relevant labor insurance and retirement regulations.

#### 5. The Factors Affecting Management Results Are Different.

Under the circumstances for agriculture in which weather, soil fertility, and water conservancy conditions are roughly the same, the fact that at the present stage the level of agriculture's productive forces is low determines that the results of its management mainly depend on the commune member's own

physical strength, experience, and skill, viz, on people's diligence and on people's subjective dynamic role; between the production team, the work group, and the commune member, and between the various types of work, there are no, or only a very few, relations of interaction and interdependence. And industrial enterprises are very complex. There are fairly big differences in each enterprise and each workshop in equipment, fuel, motive power, transportation, and marketing. Particularly serious now is the situation in which the prices of certain products deviate from their worth, thereby affecting the results of an enterprise's management and creating great disparities between enterprises in profit level and in the economic income of staff and workers.

The many different characteristics of industry and agriculture mentioned above determine that their specific forms of the responsibility system should be different. Based on its own characteristics, agriculture normally practices a production responsibility system with "contracts" as its main content. And as the situation of industrial enterprises becomes more complex, measures must be even more suited to local conditions and to the industry, so that, by proceeding from reality, there is an economic responsibility system suited to the enterprise's own characteristics. The enterprise must make a correct choice, and must also have an overall, correct understanding of the essence, role, and goal of the economic responsibility system.

The industrial economic responsibility system is a system, for the state with regard to the enterprise and the enterprise with regard to its staff and workers, that gives expression to the administration and assessment of the principle of distribution according to work, and is also a specific form of the relations of socialist production. The outstanding characteristics of this economic responsibility system is that it combines rights, responsibilities, and interests. Its role is to overcome the malpractice in industrial enterprises of "eating from one big pot" and to promote the development of productive forces, so that the enterprise and its staff and workers, with regard to material interests, will be concerned with the fruits of the enterprise's management and with the fruits of the individual's labor, and will actively and with initiative tap potential and improve efficiency. The economic responsibility system practiced by an industrial enterprise is a means not a goal; the goal is to make overall improvements in economic benefits through this administrative form. In industrial enterprises, there are many trades and varieties, conditions are complex, and the contents of the economic responsibility system are correspondingly widespread. The contents include production responsibility, technological responsibility, quality responsibility, and profit and loss responsibility, and also include service quality and policy implementation. With regard to state-run enterprises, we must first clarify their economic responsibility toward the state. Compared with the rural communes, brigades, and teams, this responsibility is conditioned to a higher degree of socialist production targets and state plans. Furthermore, the funds needed by our country for construction of the four modernizations mainly come from the profits handed over to higher authorities by the state-run enterprises. Therefore, the economic responsibility system practiced by an industrial enterprise must carry out production and management activities strictly according to the demands of society and to the state's

unified plans, and must with the smallest expenditure provide the most marketable products and the largest net income. That is also to say that the enterprises must always be under the guidance of a plan, try hard to improve their administration, reduce or put an end to waste, tap their potential by all ways and means, and lower costs; and must always increase production and increase income, and accumulate even more funds for the state. On this basis, the enterprise will retain more income and the individual will get more income. Therefore, we say that an enterprise's chief task is to increase output and that dividing up profits must take second position. Of course, responsibilities and rights are united and complement each other. To only stress responsibilities and not stress rights would be detrimental to arousing the enthusiasm for production on the part of an enterprise and its staff and workers, and would make it hard for them to implement and complete the state plans; conversely, to only stress rights and not stress responsibilities would reverse the relationship between increasing output and dividing up profits, and would encourage mistaken ways of doing things on the part of some enterprises such as working hard when there is big profit, working a little when there is little profit, and not working at all when there is no profit; contend for profit with the state by all ways and means; shift the burdens; press down quotas; do shoddy work; and blindly pursue output. This would seriously damage the overall interests of the state and the people. If the industrial economic responsibility system were to adopt mechanically and indiscriminately the "contract" form, then it could not comprehensively and accurately assess the economic results of some enterprises and the fruits of labor of their staff and workers, and this would be detrimental to the realization of the goals of socialist production. At present, some enterprises practice the method of "profit responsibility for a task" and "loss responsibility for a task," and this is an emergency measure adopted in a situation in which our country's financial task is not being fulfilled well. For the fulfillment by certain enterprises of the financial task, this is a positive method, but there are many drawbacks to it and it has not yet been perfected and needs to be further reformed and perfected, or a more effective form should be chosen.

In choosing a specific form of the economic responsibility system, or in further reforming and perfecting a form of the responsibility system, an enterprise must not only give consideration to the correct handling of the relationship between the interests of the state and the enterprise, but also must give consideration to the relationship between the interests of the enterprise and the individual as well as the relationship between the interests of its staff and workers. This is also to say that it must look at which form handles these relationships well. Under socialist conditions the interests of the state, the enterprise, and the individual are consistent. The interests of the state and the enterprise contain the interests of the individual, but this does not negate the existence of the opposite interests of the individual. However, these interests of the individual must be predicated on the enterprise's responsibility for the overall interests of the state and the people, and cannot harm those interests. The specific form and way of carrying out the responsibility system must embody the above-mentioned principles. The bonuses and income of staff and workers can only rise with the enterprise's increase in output and income, and moreover must

have a definite limit. At the same time, the enterprises themselves have the problem of being overcautious and indecisive. Comrade Chen Yun once said: The first thing is to have food to eat, the second thing is to build. If a country eats all its food and uses up all its things, there is no hope for it. An enterprise is also like this. It must give matters further consideration and discuss them later, allow for unforeseen circumstances, and have some surplus, so that it can "make up for a crop failure with a bumper harvest," and thus it will be able to make the growth in income of its staff and workers stable. It cannot "divide up everything and eat up everything," causing the economic income of its staff and workers to suddenly grow and suddenly shrink, as this would dampen the enthusiasm for production on the part of staff and workers and would create fluctuations in production. It must be particularly stressed that the growth in bonuses and incomes of staff and workers must be based on the rate of growth in profit.

Furthermore, it is extremely important to handle well the relations between staff and workers. In our country for a long time the vast rural areas have been relatively poor, and the commune members' income is relatively low and there is no uniform standard for their income. In the present stage it is absolutely necessary to make "contracts" primary in the agricultural responsibility system and to encourage some peasants to become prosperous before others. This is a significant measure for accelerating the rate of agricultural production and for solving the people's food problem. However, in industrial enterprises, the state is now operating under the principle of low wages and wide employment, the individual laborer's income level is conditioned by the whole society's wage level, and there is a fairly small difference between the incomes of staff and workers. Under these circumstances, it is inadvisable to advocate that in industrial enterprises some staff and workers become prosperous ahead of others. If there were an excessively wide gap between the incomes of staff and workers, this would be bound to adversely affect "neighbors on the left and the right," adversely affect the unity of the staff and worker force, and adversely affect production. Of course, in carrying out the economic responsibility system, owing to differences between a laborer's attitude toward labor, his work capacity, and the size of his contribution, there will appear some differences in income level. This is rational, but these differences must be controlled within definite limits. At the same time, the enterprises must also handle well the relations between the interests of the new and old workers, between the interests of the cadres and the workers, and between the interests of the front and rear, so that their enthusiasm will be widely aroused.

In view of industry's more complex characteristics as compared with agriculture, in order to handle well the relationship between the interests of the state, the enterprise, and the staff and workers, the enterprise must look macroscopically at the necessary guidance, control, and supervision of the industrial economic responsibility system. First of all, it must strengthen its planned guidance so that each link in the enterprise's production, control, marketing, and distribution is strictly carried out in line with the state's relevant stipulations. It must correctly adopt the method of administrative intervention in regulating the relations between enterprises, between industry and commerce, as well as between the enterprise and the

various economic departments. Necessary controls must be imposed upon an enterprise's funds utilization, bonus level, and product orientation in order to protect the state's overall interests. The second thing is that there must be strict implementation of the state's economic policies, laws and decrees, and financial and economic discipline; the supervisory role of financial, banking, and labor departments must be brought into play; and supervision and investigation of actions that violate financial and economic discipline or that are criminal must be effected, so as to insure that the state's interests do not sustain losses.

Now, of the over 126,000 accounting units in our province, 85.3 percent practice forms of the responsibility system in which "contracts" are primary, such as assigning output quotas to individual laborers, contracting tasks to households, contracting production to households, contracting for specialized jobs, and contracting a job to be done in a certain period of time. With regard to the distribution of the fruits of their labor, the peasants sum it up as "handing a sufficient amount over to the state, retaining a sufficient amount in the collective, and keeping the surplus ourselves." Practicing this kind of responsibility system conforms to the actual circumstances in the rural areas and makes it comparatively easy to handle the relations between the interests of the various sides. Based on the actual circumstances of industrial enterprises, as well as the requirements of the principle of distribution of interests, the state cannot sweepingly adopt for all the enterprises the method of profit and task responsibility, but must make a comprehensive assessment of many indices including output, output value, quality, expenditure, and cost. Within an enterprise, it is also unsuitable to adopt a single way of contracting for tasks and for output, and a similar comprehensive assessment should be made, and the specific forms of the responsibility system should make "calculation" primary, such as indices dispersion, division of bonuses, piecework wages, and floating wages.

In short, for agriculture, the production responsibility system which makes "contracts" primary is suitable for the actual circumstances at present in our country's vast rural areas, and following the continual development of the productive forces of the rural areas it will also continually develop and change and will be gradually perfected and improved. And the economic responsibility system of an enterprise cannot copy mechanically the way agriculture does things and also cannot be limited to a certain form. Starting from reality and based on the enterprise's own characteristics and on what is advantageous for implementing the principle of distribution according to work and what is advantageous to handling well the relationship between the interests of the state, the enterprise, and the staff and workers, the enterprise should actively select and adopt an effective form and method and should continually sum up experiences, so that the form of the responsibility system will be gradually carried out, perfected, and improved. (Text drafted in December 1981)

(Article writer Kong Fanzhu's work unit: Shanxi Provincial Government Office)

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## ECONOMIC MANAGEMENT

### CORRECT HANDLING OF ECONOMIC CRIMES EMPHASIZED

Guangzhou NANFANG RIBAO in Chinese 29 Jun 82 p 1

[Article by staff correspondent: "Overcome Slack Ideology To Guide the Struggle To Combat Serious Economic Crimes"]

[Text] Recently the provincial CCP committee in Guangzhou convened a provincial conference on work in trying economic cases. At the 7-day conference, a number of guiding cases were discussed and discussions were held on how to further implement the Central Committee and State Council's "Resolution on Combating Major Economic Crimes." Discussions were also held on guidance in the struggle to combat major economic crimes. At the conference, there were over 80 leading comrades from various local and municipal CCP committees, from the Commission for the Inspection of Discipline, the procuratorate, the law courts and concerned departments under direct provincial control.

On the day the conference concluded, Comrade Li Jianzhen [2621 1017 4176] presided over the conference. Comrades Ren Zhongyi [0117 0112 1138] and Liu Tianfu [0491 3944 1133] spoke at the conference. Comrade Kou Qingting [1379 1987 1694] gave a concluding speech. Comrades Wang Ning [3769 1380] and Fan Xixian [5400 1585 6343] were also present.

In his concluding speech, Comrade Kou Qingting first pointed out that the conference was held 5 months after the struggle was launched to combat major economic crimes in our province. A group of serious economic cases in the province have already been cleared up and basically determined. It is now necessary to deal strictly with them in accordance with party discipline and national law. In accordance with the principles for dealing with cases such as "ascertaining the facts, having unimpeachable evidence, determining accurately the nature of the offense and handling it appropriately," comrades at the conference discussed economic cases that were about to be concluded. The conference was conducted solemnly and earnestly. Discussions were held, opinions exchanged, and collective deliberations held. It all played a positive role in unifying understanding, getting participants to understand well the weapon of the law, improving standards for handling cases and insuring the quality of work in handling cases.

Comrade Kou Qingting said that after collective discussions among participants, everyone agreed that among the economic cases reported from various areas, in the vast majority of cases the circumstances had been cleared up, the evidence

was certain and views regarding the nature of the cases and treatment of the cases were more exact. This goes to show that in handling cases, each region did a great deal of penetrating and meticulous work in investigation and study. They were earnest and conscientious and the standards and quality of the judicious handling of cases was excellent. However, there were also particular cases in which the facts of the crime were not sufficiently clear and evidence was insufficient. Thus, the nature of the crime and opinions on handling the cases lacked a foundation. Consequently, in order to handle each economic case in the best way possible and to be able to withstand the test of history, it is most important to do arduous and painstaking work in investigation and study. Above all, it is necessary to ascertain the facts of the crime and obtain clear evidence. On this foundation, it is necessary to differentiate among differing circumstances and to deal with each case with great care in accordance with party discipline, political discipline and national law.

Comrade Kou Qingting discussed problems in getting a better grasp on the struggle. He said that some people believe that at present when we conclude a case it means that "the battle has been called off" and that they "can let up." This is erroneous. The provincial CCP committee is of the opinion that the seriousness of economic crimes against our province must not be underestimated. Although great successes have been achieved during the 5 months of struggle, nevertheless, this is merely a beginning. Only 15 percent of the total number of economic criminal cases in the province that are on file for prosecution have been cleared up and concluded. It is a tremendously difficult task, and ideas of letting up and being weary of the battle are incorrect. In order to get a better grasp on the struggle, party committees at all levels must integrate the experiences of struggle during the past 5 months and organize party members and cadres once again to study the "Resolution" of the Central Committee and the State Council. In particular, leading party and political cadres at all levels must further improve their understanding of the importance of engaging in this struggle. They must fully realize the severity of the corrosive influence of capitalism during the past few years on Guangdong cadres. Only by resolutely attacking serious economic crimes can we insure the smooth implementation of policies to open up foreign trade and revive the national economy.

Comrade Kou Qingting also pointed out that at present we must focus on handling major and important cases successfully. This is the central factor in getting further involved in the struggle. Once cases are successfully dealt with, there will be practical materials for carrying out instruction against corruption and degeneration. While handling cases, it has been discovered that we have loopholes in our ideology, organization and administration. Only by carrying out a reorganization can we get to the heart of things. Of the three factors, that is, handling cases, instruction and reorganization, handling cases is the foundation. In order to get a better grasp on the struggle it is necessary to focus on examining and dealing with major cases. We must concentrate on the struggle and, above all, the leadership must get involved. They must personally handle case and personally deal with one or two major cases. This is a key measure for promoting the development of the struggle. In particular, certain cases implicating leading cadres above the county level must be personally investigated by important leading cadres in local and municipal CCP committees. They must offer guidance. The provincial CCP committees has dealt with things in this way.

Comrade Kou Qingting said that in launching this struggle we must resolutely implement the Central Committee's principles and policies related to the handling of cases. We must resolutely refrain from engaging in mass movements and from letting everyone get by. We must not permit innocent friends and relatives to be implicated in cases, and we must not allow credence to be given to confessions obtained through coercion. It is necessary to follow strictly the principle of considering facts to be the basis and the law to be the criterion. From handling and trying cases to concluding cases and meting out punishment, each link in the process must be strictly observed so that it will withstand the test of history.

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## ECONOMIC MANAGEMENT

### ADHERENCE TO PARTY POLICIES URGED IN ALL ECONOMIC ACTIVITIES

Nanjing XINHUA RIBAO in Chinese 3 Jul 82 p 1

[Article by Yu Feng [5713 1496]: "Draw Distinctions in Accordance With the Party's Policies and Support Proper Economic Activities"]

[Text] Recently at the district conference on work in industry and communications, leading comrades from the Zhenjiang local CCP committee and administrative offices stressed that when combating serious economic crimes, it is necessary to strictly differentiate between two contradictions. It is necessary to resolutely and speedily examine and deal with major cases as well as to prevent the scope of this struggle from being arbitrarily expanded to the broad masses of economic workers. We must protect and encourage the broad masses of economic workers to do more good work and to actively undertake the task of stimulating the urban and rural economy.

While combating serious economic crimes, the Zhenjiang local CCP committee discovered that because some comrades did not clearly understand the distinctions in applying the party's policies, they did not dare to carry out proper economic cooperation nor did they dare to dispatch purchasing agents as they should have. Furthermore, they did not dare to issue rational bonuses and living allowances to personnel in supply and marketing as they should have, nor did they dare to maintain proper cooperative ties between state-run enterprises and production brigade plants. They did not support urban merchants or individual small merchants and peddlers. They failed to justly and loudly praise commune members who attained wealth through hard work. In light of this, the local CCP committee and the administrative offices promptly convened a conference on work in industry and communications. Leading comrades who attended the conference from county and municipal CCP committees as well as leading comrades from the Planning Commission, the Economic Commission and from industrial departments and production brigade enterprises all conscientiously studied related documents from the Central Committee and the State Council. On the basis of improving ideological understanding, the local CCP committee emphasized: (1) It is necessary to continue to implement the policy of giving priority to a planned economy while regarding market readjustment as secondary. Under the guidance of state planning, it is necessary to bravely and actively carry out market readjustment, to open up more channels, to develop various forms of economic and technical cooperation and to strive to carry out work in the circulation of production materials and consumer materials. It is necessary to oppose unsound trends in

economic cooperation. However, they must not be dealt with as economic crimes. (2) It is necessary to strictly distinguish between the legitimate purchasing operations of personnel in supply and marketing, on the one hand, and graft, embezzlement and speculation, on the other. It is necessary to promptly dispatch purchasing agents to other regions and provinces. They must also be encouraged to do positive work, and protected and supported in their legitimate business activities. It is necessary to resolve difficulties in the areas of expenses and standard of living in economic cooperation departments and among field personnel by seeking truth from facts. Subsidies must be given to those that require them, and their enthusiasm to engage in business activities elsewhere must be encouraged and protected. (3) It is necessary to continue to organize commercial, financial, monetary and material resource departments as well as other related economic departments to give aid to production brigade industries and to help them overcome difficulties in supply, production and sales. By gradually increasing planned economic sections, decreasing emphasis on market readjustment, reducing the circulation costs of production materials and products, easing the burden of production brigade enterprises, pooling the wisdom and efforts of everyone and improving the economic benefits of production brigade enterprises, production brigade industries throughout the district will develop steadily and in a healthy manner. (4) Collective urban merchants and individual small merchants and peddlers play a positive role in opening up channels for the circulations of urban and rural commodities and in stimulating the economy. It is necessary to continue to provide support in the area of capital funds. Restrictions must not be allowed, nor is it permitted to suppress their legitimate activities. (5) As for cadres and commune members who have become wealthy through legitimate work in household sideline production, it is necessary to vigorously commend and encourage them. Under no circumstances is it permitted to regard their income gained from work in cultivation, breeding and product processing in production brigade enterprises as illegal income and attack them for this. As for beneficial state, collective and individual rural subsidiary industries, regardless of whether they are run by production brigades, individual commune members or jointly run by several households, not only are no restrictions allowed but they must also be actively protected and supported. (6) During economic activities such as promoting the sale of products and co-operative materials, some areas and units persist in issuing an excessive amount of bonuses based on past regulations. A small minority of people have profited excessively, and the masses object to this. This occurred primarily due to the lack of work experience among our leadership. The responsibility should be assumed by the leadership. It is necessary to sum up our experiences, find out where our faults lie, study the revision of regulations and methods in this area, and strive to be fair and reasonable. This type of problem must not be handled as if it were an economic crime. In particular, the leadership must earnestly examine those past matters that won the go-ahead and approval of the leadership and caused losses to the interest of the state and people. They must assume responsibility willingly.

After holding discussions, each person was able to clear his mind of doubt and misgivings and was inspired with enthusiasm. After leading comrades from various county and municipal CCP committees returned home, they further explained and publicized relevant documents of the Central Committee and the State Council among the vast numbers of cadres, staff and workers, and supply and marketing personnel. They put an end to all sorts of rumors, cleared up confused ideas, reassured the public and stirred up everyone's enthusiasm. A new impetus for development appeared in industry and communications and in production brigade enterprises throughout the district.

## ECONOMIC MANAGEMENT

### COORDINATION OF MACROECONOMIC, MICROECONOMIC BENEFITS URGED

Beijing ZHONGGUO CAIMAO BAO in Chinese 6 Apr 82 p 1

[Article by staff commentator: "Macroeconomic Benefits Must Be Particularly Stressed"]

[Text] It is of extremely important significance that Tianjin Municipality has put forward the question of coordinating relations between industry and commerce, between industry and trade, so as to improve macroeconomic benefits by all means possible.

Macroeconomic benefits are the synthesis of microeconomic benefits, and it must be stressed that microeconomic benefits are the foundation for improving macroeconomic benefits. The relationship between macroeconomic benefits and microeconomic benefits is a relationship between the whole and the part. Our country is a socialist country and, in essence, the interests of macroeconomics and microeconomics are identical. However, under certain conditions, there exist contradictions between the two. At present, in the economic domain, there is a growth of selfish departmentalism, of decentralism, as well as of the tendency toward liberalization. For example, some raw materials producing areas do not vigorously complete state allotment plans, blindly build factory buildings, blindly produce, use the small to squeeze out the big, and contend with the state for raw materials; some commodities are greatly overstocked, but the factories concerned, in pursuit of output, still produce large quantities of them; some factories only emphasize output and seek benefits in form, but do not pay attention to improving the quality and the variety of colors and designs of products, and ignore the value aspect of benefits; some areas set up economic blockades, protect the backward, and adversely affect the flow of goods and materials; some commercial departments are absorbed in their own economic benefits and ignore the protection of the consumer's interests; some areas, in order to increase local revenue, are unwilling to chop off unnecessary circulation links, are unwilling to vigorously circulate commodities, and create a great deal of social waste; etc. This phenomenon of contradictions between macroeconomic benefits and microeconomic benefits seriously affects the improvement of macroeconomic benefits. Following the deepgoing reform of the economic system, some contradictions in this respect will gradually be resolved, but not all of the problems can be solved in this way. Therefore, it is obviously highly necessary to lay particular stress on the improvement of macroeconomic benefits.

Each area, each department, and every enterprise should foster the idea of considering the whole country as a chessboard and not only work hard to improve its own economic benefits but work even harder to create conditions for improving the benefits of the entire national economy; not only balance its own small books but even more balance the country's big books; and not only look at present economic benefits but even more look at long-term economic benefits. When a contradiction arises between microeconomic and macroeconomic benefits, they must consciously subordinate themselves to the whole and vigorously contribute to the improvement of the economic benefits of the whole.

For improving macroeconomic results, they must also really do good work that is comprehensively balanced. Socialism is planned economy, and its national economy is a complex organic whole in which a proportional relationship is both a requirement for developing the economy and a necessary condition for improving macroeconomic benefits. What affects the improvement of economic benefits is not only a question of each other's interests but also a question of understanding. The understanding by area, a department, or an enterprise of the economic activities of the whole society is always limited. And the comprehensive departments of the national economy understand relatively well the economic activities of the whole. Therefore, the comprehensive departments of the national economy must strengthen their coordination, balance, guidance, and necessary intervention in microeconomics, and combine correct macroeconomic policies with scientific microeconomic administration. Industry and commerce are the departments for production and circulation respectively, and they occupy important positions in the national economy. If the relationships between industry and commerce, between industry and trade are well coordinated, and if the products produced meet the demands of society, then economic benefits will be good; conversely, if they are not then the benefits will be poor. The frequently occurring phenomenon of the past in which "industry reported successes, commerce reported successes, warehouses were overstocked, and finance came up emptyhanded" should never be repeated. The existence of contradictions between industry and commerce, between industry and trade is a regular phenomenon, and the key to resolving the contradictions is effecting good coordination. Tianjin Municipality not only has proposed specific measures for close relationships between industry and commerce, between industry and trade, but also has set up an industry-trade coordination leading group, thereby providing additional organizational guarantees. There is a great advantage in doing this. Each area should comprehensively bring under control the processes of production and circulation, so that the comprehensive economic benefits to society will be more effectively improved.

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## ECONOMIC MANAGEMENT

### ECONOMIC EFFECTIVENESS IN FINANCIAL, ACCOUNTING WORK EMPHASIZED

Nanjing XINHUA RIBAO in Chinese 2 Jul 82 p 1

[Article by Yao Guoguang [1202 0948 0342]: "Focus on Improving Economic Effectiveness in Rectifying and Strengthening Financial and Accounting Work"]

[Text] "Financial and accounting work in enterprises centers around the core problem of improving economic effectiveness, that is, how to readjust, strengthen and improve economic effectiveness so that production continues to develop, the exchange of commodities continues to grow and so that it can make a greater contribution to the nation's task of socialist modernization." This is the central topic of the Provincial Experience Exchange Conference on Financial and Accounting Work in Enterprises that began yesterday.

This session of the Provincial Experience Exchange Conference on financial and accounting work in enterprises was jointly convened by the Provincial Economic Commission and the Provincial Financial Department. It is a grand gathering of unprecedented size in the area of financial and accounting work in enterprises in our province. Attending the conference were delegates from advanced units in financial and accounting work in industry, communications, agriculture and commerce. Delegates from pilot units of reorganized enterprises and delegates from enterprises with an annual profit of over 5 million yuan also attended. There were also leading cadres from local and municipal economic commissions and from municipal and county financial departments. In addition, there were nearly 500 leading cadres from concerned departments in provincial level agencies. Deputy Governor Jin Xun [7855 6676] gave a talk at the general meeting yesterday afternoon.

In his talk, Comrade Jin Xun cited a large amount of data. He analyzed this year's economic situation in the province. He integrated theory and practice and explained the importance of strengthening financial and accounting work while improving economic effectiveness. He said that financial and accounting work is a significant part of enterprise management and a significant means for providing an overall reflection of achievements in production and management in enterprises. If financial and accounting work is carried out well, it will promote the development of production and circulation and promote improvement in economic effectiveness. Without it, production and circulation cannot progress smoothly. It may even lead to tremendous waste and losses. Consequently, it is essential to focus on strengthening financial and accounting work as a major part of improving economic effectiveness.

He said that generally speaking, since the Third Plenary Session of the 11th CCP, there has been some improvement in the financial administration of enterprises in the province. However, because of being subjected to many years of destruction by the counterrevolutionary clique of Lin Biao and Jiang Qing and because the pernicious influence of anarchism in the economic sphere has not yet been thoroughly eradicated, leading cadres in certain units are unable to view the situation as a whole. Departmentalism is rampant and they violate financial and economic regulations. They transfer large quantities of financial revenue to local or enterprise ownership rather than turning it over to the state. Financial management in many enterprises is chaotic. They disregard economic accountability and accounts, vouchers and book inventory do not coincide. Procedures, policies and documentation are imperfect and resources, accounts and obligations are not clearly defined. Some enterprises indiscriminately issue bonuses, material goods and subsidies and privately distribute so-called "welfare products." Some have extravagant waste, invite guests, give presents and squander state assets. Some have chaotic financial affairs, lax systems and provide convenient access to those elements involved in graft, embezzlement and speculation. Others discriminate against, squeeze out and attack financial and accounting personnel who support the financial system. All of this directly affects the improvement of economic effectiveness in enterprises and corrupts party style and the practices of plants and stores. Improving economic effectiveness and strengthening financial and accounting work have become a task of top priority for fulfilling the 10 point policy for economic construction proposed by the State Council.

In his talk, Comrade Jin Xun stressed the key points in improving economic effectiveness in financial and accounting work. The first is to focus on ways to make money. The most basic ways are to increase commodity production, expand the circulation of commodities, practice strict economy, eliminate waste, lower the cost of commodities, upgrade product quality, reduce circulation expenses and increase enterprise profits. In our province, if production costs in locally run industrial enterprises were to be reduced by even 1 percent, in 1 year we could increase revenue by 150 million yuan. We must give full play to the function of financial and accounting work, analyze problems and tap potential in this area. The second key point is to strengthen basic financial and accounting work in enterprises. We must have advanced and rational administration of quotas and deal successfully with original records in the production process. We must strictly and carefully check calculations before accepting them. Enterprise units must all possess the necessary requirements for practicing overall economic accountability. Third is to observe strictly law and discipline. While improving economic effectiveness, leading cadres and financial and accounting personnel must have a firmly established overall point of view as well as the concept of observing discipline and the law. They must correctly deal with state, collective and individual interests and be selfless, honest and courageous. They must resolutely overcome regionalism and departmentalism and earnest wage a struggle against unlawful practices in the economic sphere. Leading cadres should set examples by being honest in performing their official duties and observing law and discipline. Financial and accounting cadres must consciously implement regulations and laws, make strict demands on themselves, use their authority well and hold the line. Furthermore, they must also carry out economic democracy and rely on staff and workers to participate in administration and supervision.

Comrade Jin Xun particularly stressed that the leadership at all levels must place emphasis on financial and accounting work in enterprises. They must strengthen their leadership and the financial and accounting structure. They must strengthen financial and accounting personnel and support them in launching their work. Politically, they must be concerned with the progress of financial and accounting personnel and upgrade ideological and political work as well as work in professional training. The leadership must listen attentively to their views and promptly praise good people and good deeds. Moreover, they must conscientiously carry out assessments of technical titles of financial and accounting personnel. They must resolutely check and deal with activities that undermine the financial and economic system and support and protect those who dare to uphold the financial and economic system. No one is permitted to attack in retaliation but if anyone does so, they must be strictly punished.

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## ECONOMIC MANAGEMENT

### THEORETICAL PROBLEMS CONCERNING ECONOMIC BENEFIT DISCUSSED

Tianjin TIANJIN RIBAO in Chinese 29 Jun 82 p 3

[Article by Zheng Ning [6774 1380]: "Some Theoretical Problems Concerning Economic Benefit"]

[Text] During the national working conference on industry and communications, Comrade Zhao Ziyang pointed out: When we talk about economic benefit, we should first clearly understand the principal viewpoint of what it means. This is to produce a larger quantity of products which meet social needs with minimum consumption of the living labor and materials. The clarification of this viewpoint has great significance in leading to a correct understanding of the economic benefit of socialism.

Extensive discussions on economic benefit have been carried out in the past by theoretical circles and economic circles. There are various different opinions and formulations, including some which are not definitive or which are even one-sided. Some strongly advocate the value of utilizations. Others strongly advocate value (or profit). What the two views have in common is their lack of sufficient attention to social needs. After the talk by Comrade Zhao Ziyang was published, TIANJIN RIBAO conducted discussions "concerning economic benefit" and clarified some unclear understandings. This was very necessary.

There is a popular viewpoint in economic circles that the standard for measurement of the economic results of socialism is the ratio between the value of utilization and labor consumption (labor consumption here includes the living labor and physical and chemical labor; also true below). This is also to say that the greatest economic result is the production of the same value of utilization (or products) with minimum labor consumption. To put it in another way, they believe that the greatest economic benefit derives from the production of the most value of utilization (or products) with the same labor consumption. This is talking about the maximum quantity of products without considering social needs, and there is no quantity boundary or other limiting condition placed on the formulation. To put it another way, it is ignoring the ratio relationship between social production and social needs and simply talking about the ratio relationship between the value of utilization (or products) and labor consumption. It therefore cannot accurately reflect economic benefit. Because if the product is not what is needed by the society or if production exceeds the needs of society, the greater the production the greater will be

waste. Furthermore, the needs of society are multifaceted. To talk about quantity alone would mean neglecting quality, design and color and variety. In the past, some of our enterprises one-sidedly chased after production values only. They neglected the quality, design and color and variety of the product and paid no attention to the trends of social needs. And in making macroeconomic decisions, they were concerned only with high targets and high rates, and did not start with the actual needs of society. They did not pay attention to market investigation and forecasting, nor did they advocate comprehensive balance and coordinated development. As a result, although the rates were high, the actual benefit was very little due to these types of problems.

At the same time, there is another viewpoint. This is to one-sidedly advocate that profit be used as the only standard for evaluating economic benefit. Some comrades have said that the production goal of an enterprise should be to gain larger profits. There are also some comrades who believe that "the economic benefit of an enterprise should be measured by its net receipts." Some comrades even believe that profit is the "absolute indicator" for measuring the economic results of all productive activities.

Are these viewpoints appropriate? It is true that under the conditions of socialism, whether from the standpoint of the enterprise or that of the society, it is necessary to create surplus products (their reflected values are profits and taxes) as much as possible. As Lenin pointed out: "Profit also satisfies the needs of 'society'." (Lenin's "Review of 'Transition Period Economy' by Bukharin"). However, what is the purpose of making a profit? It is used directly to raise the consumption level of labor or to expand re-production. In the end, it is also to satisfy the consumption needs of labor. Thus, making profit is not the final goal. It is a way to achieve the final goal. The two should not be confused.

The socialist economic benefit should have concrete form of manifestation. This is the index system that reflects its form in material and its form in value. Profit is an important index for evaluating economic benefit. However, it is not the only index, and certainly not the final standard. We should differentiate conditions and make concrete analyses regarding to what degree the profit index can reflect the economic benefit of an enterprise. When an enterprise gains greater profits under the conditions of persisting with the socialist direction, having its products meet the needs of society, and through using the proper avenues of improving management and administration, improving scientific and technological levels, increasing production, and lowering consumption, the profits themselves represent the development of productive forces and increase of social wealth, and thus reflect good economic benefits. If we ignore the needs of society and blindly seek production value and profit, the increase in profits thus achieved does not reflect the real improvement of economic benefit but carries with it a definite degree of false values. If devious ways are adopted to increase profits, such as lowering quality and practising fraud to the detriment of the interests of users and consumers, the profits not only do not represent real economic benefit but, on the contrary, they represent negative economic benefit and waste of social labor.

Thus, it is also incorrect to limit the substantive requirement of economic benefit to one of its concrete forms of manifestation, such as the profit index, etc. Even if some of the current abnormal factors are resolved, such as prices, taxes, and supply and demand, and keeping the price of products basically in line with their value, contradictions may still exist between gaining the greatest profit and satisfying the needs of society. This is to say that what is most needed by the society is not necessarily what can make the most money. And what can make the most money is not necessarily what is needed by the society. Sometimes it is even detrimental to the society. Thus, if we depart from the needs of society and one-sidedly advocate profit as the "absolute indicator" for measuring economic benefit, the enterprise will be led astray.

With a view to these problems, Comrade Zhao Ziyang has clarified the basic viewpoint of economic benefit and has strongly advocated that products must meet the needs of society. Thus, the nature of socialist economic benefit is better expressed and the one-sidedness discussed above will be overcome. The correct ideology in the leadership of the various economic departments will be vigorously pushed forward, and a new road will be opened for improving economic benefit.

Using a comparison between the degree to which the needs of society are satisfied and the consumption of the living labor and materials as the basic indicator to measure economic benefit is based on the nature of the public ownership of socialism and its production goals. For the same reason, not only is it necessary for individual enterprises to seek economic benefit but also for the entire socialist production as a whole to be able to seek economic benefit. This is the basic point that differentiates the economic benefit of socialism from the economic benefit of capitalism. However, up to now, some differences in understanding still exist in theoretical circles. Some do not see the basic difference between the two and, as discussed above, they consider profit as the "absolute indicator" of economic benefit in socialism. There are others who are not able to give a clear-cut explanation of the difference between the two. A relatively popular view holds that under the capitalist system, the largest economic benefit pursued by the capitalist class means the gaining of maximum surplus values with minimum prepaid capital, and that under the socialist system, paying great attention to economic benefit is to gain the maximum values of utilization with the minimum consumption of labor.

In practice, no matter what form of social production is used as the value of utilization, what is important is how to lower the ratio between labor consumption and the value of utilization gained. This is what all social production has in common. The, what is the difference between them? The difference lies in the final standard of measuring economic benefit, which is decided by the different production goals of different social systems. The private ownership of capital goods of capitalism determines the production goal of capitalism, which is to gain the maximum surplus values with the minimum prepared capital. For this reason, the capitalists have to determine economic benefit on the basis of individual enterprises and, generally speaking, cannot determine economic benefit on the basis of the entire society.

On the other hand, the public ownership of socialism determines the production goal of socialism, which is to satisfy the needs of the people to the maximum extent. If a product does not meet the needs of the society (including where the scale of production exceeds the needs of society), the lowering of unit consumption does not really reflect an improvement of economic benefit. It could even reflect a reduction of economic benefit. This is true whether from the point of view of the individual enterprise or from the point of view of the entire society.

Based on this understanding of economic benefit under socialism, I believe that the evaluation of economic benefit must achieve unification in three areas. First, the unification between the value of utilization and value. This means that we not only require that output, quality, design and color, and variety all meet the needs of society, but we also require that the value meets the needs of those in society with the ability to pay--that is, that it meets the actual level of investment and the level of purchasing power in the society. Second, the unification between the formation process and the realization process of value and value of utilization. This means that we not only must look at the values of utilization and values formed during production, but we must also see if the products meet market requirements--if they go smoothly through the circulation process, reach the consuming territories, and satisfy the needs of society. In other words, we must see if their values and values of utilization are smoothly and fully realized. Third, the unification of macroeconomic benefit and microeconomic benefit. This means that we not only must look at the immediate and local benefit but, even more importantly, we must also look at the long-range and overall benefit. When the local benefit is in contradiction to the overall benefit, the local benefit must give way to and be subservient to the overall benefit.

For this, we must establish a complete set of systems and methods of centralized direction and control for the strengthening of the macroeconomy, while doing a good job with the microeconomy. These include direction of planning, economic measures, and administrative involvement. It is also necessary to make the requirements of improving economic benefit concrete and to quantify them through a definite indicator system. As much as possible, this indicator system should reflect the unification of macroeconomic benefit and microeconomic benefit. At present, when we are implementing the economic responsibility system, we should clearly define the "responsibilities, authorities, and benefit" of enterprises and establish a total examination system and corresponding methods of awards and penalties--all focusing on improving economic benefit. At the same time, based on the principles of socialism, appropriate concrete forms of economic contracts and a chain of responsibility should be adopted to further perfect the mutual relationships between various economic departments and economic units. These must be continuously summarized and gradually perfected in our actual work from now on.

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## ECONOMIC MANAGEMENT

### LEARNING FROM SHOUDU IRON, STEEL COMPANY ENCOURAGED

Guangzhou NANFANG RIBAO in Chinese 9 Jul 82 p 1

[Commentator's article: "What To Learn From Shoudu Iron and Steel Company"]

[Text] While the leading comrades of the State Council are calling on the industry and communications enterprises throughout the country to learn from the Shoudu Iron and Steel Company, this company has accepted our invitation and sent its representatives here to pass on their experiences. People in the province are extending a warm welcome and expressing their heart-felt gratitude to these envoys of goodwill.

The system of economic responsibility adopted in the Shoudu Iron and Steel Company is a system of enterprise management based on the system of socialist public ownership. This is fundamentally different from the capitalist system of enterprise management. The economic responsibility in capitalist enterprises is borne by capitalist individuals or syndicates; in socialist enterprises, it is shared by the entire personnel, since every economic index can be traced, level by level, down to the responsibility of individuals. This is a great encouragement for the broad masses to join their efforts in the enterprise management. The experience of the Shoudu Iron and Steel Company is the outcome of the implementation of the principles and policies of the Third Plenary Session of the 11th Party Central Committee after overcoming the "leftist" ideological influence, and is suitable for conditions in China. At present, we have to assimilate the useful experiences from foreign countries in enterprise management, but it is even more necessary for us to earnestly learn from and popularize this company's experiences in enforcing the system of economic responsibility and improving economic results in order to discover a set of scientific systems of management suitable for our industrial enterprises.

This company has very abundant experiences. In learning from it, where shall we start and what are the important points we have to learn?

First, we have to learn from its concept of the overall situation and from its good ideology and workstyle in placing the state's interests in the primary position and in correctly handling the interests of the state, the enterprise and the individuals. The comrades of the company believe that the economic results of enterprises must be subordinate to the economic results of the society as a whole, and that the enterprises should resolutely abide by the policies and decrees of the state and follow the macroeconomic guidance. They must be

sure to complete all tasks assigned according to state plans, even though such tasks may bring little or no profit. Whatever may have been the objective causes, neither the enterprise nor the individuals can retain any profit or receive any bonus until state plans have been completed and the profits have been handed over to the state. If the state cannot obtain more revenues, the enterprise will not be able to retain more profits and the workers and staff members cannot receive more income. They stressed the use of proper channels and proper means to gain proper benefits, while dishonest practice could never be allowed. Since correct guiding thoughts prompted them to tap the internal resources of the enterprise, they were able to sum up a set of good experiences for an internal system of economic responsibility. In learning from the Shoudu Iron and Steel Company, we must learn from its ideology and their sense of responsibility as masters, devote our efforts to the reorganization of the enterprise and the tapping of internal resources, overcome the departmentalist idea of "more work for more benefits, less work for less benefits, and no work for no benefit," and eliminate the practice of resorting to dishonest tactics for making illegal gains and undermining the state.

In learning from the Shoudu Iron and Steel Company, we must also learn from their good methods of implementing the internal system of economic responsibility for enterprises. The economic responsibility which the company has taken for the state is shared "by all levels" and "in an all-round way." In other words, it is shared not only by a certain level, but also by every production post, every office cadre, every rear-service worker, and every leading cadre; and the responsibility is not only for one output or profit target, but also for various indices--such as output, quality, fixed personnel, consumption, production cost and profit--and the requirements of work and operation. Thus, the system of economic responsibility is firmly built on solid ground. That is why somebody said that this company's system of economic responsibility is a development of the former job responsibility system, and can be called the "system of economic responsibility for every job," which is quite appropriate. Furthermore, we must attach particular importance to two great special features of the implementation of the system of economic responsibility by this company: first, a high standard; and second, strict appraisal. All their targets and quotas are advanced and rational and can be accomplished through great efforts. We can only "jump up to reach for them" instead of "stooping down to pick them up." The company has set up "three 100-percents" according to its strict system of appraisal. They are: 100-percent implementation of rules and regulations; 100-percent record [in personal file] and report [to high levels] of all violations of rules and regulations; and 100-percent abolition of bonuses for violation of rules and regulations no matter whether damage has been caused. This system applies to everyone from the plant director down to the workers, and everyone is equal before the appraisal. These experiences of the company can serve a very specific purpose at present. Now that the "system of responsibility" has been popularized, many enterprises like to have their quotas as low as possible. Discipline is lax and management is slopy. Even though the state cannot have more revenues, the enterprises retain their profits and the individuals receive their income just the same. This is not the way to run enterprises or to train people; it can only make people lazy, and brings no benefits to either the state, the enterprises, or the individuals. We must overcome such laxity through the reorganization of enterprises, and persist in setting a high standard and a strict system of appraisal. If the appraisal is not strict, even

good systems are of no avail. To accomplish our task, we must overcome the idea of "good guyism" among some leaders and step up ideological and political work. Implementation of the system of economic responsibility is not only economic work, but also a unity of political and economic work. Ideology must take the lead before the success of the responsibility system can be assured.

"If we want to make superhuman achievement, we must make strict, superhuman demands." This is what the comrades of the Shoudu Iron and Steel Company have learned through personal experiences. Let us make difficult and strict demands on ourselves and truly master the experiences of the Shoudu Iron and Steel Company.

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## FINANCE AND BANKING

### IMPROVEMENT OF BENEFITS OF MEDIUM, SHORT-TERM LOANS STRESSED

Guangzhou GUANGZHOU RIBAO in Chinese 16 Jun 82 p 4

[Article by Zhang Yaoshu [1728 1031 2873]: "Attention Should be Given to the Need To Increase the Economic Benefits of Special Medium- and Short-Term Loans"]

[Text] To make it possible for the industrial sector to bring technical renovations to old enterprises and to enable them to expand reproduction by using intensive mechanisms, in the last 2 years the Municipal People's Bank has offered the additional service of extending medium- and short-term loans. According to an analysis of the usage of the 288 million yuan in loans extended to 373 enterprises which are in the production or semiproduction stage, the loans have generated an additional 465 million yuan in terms of productive value, 126 million yuan in additional taxes and \$11 million in foreign exchange.

The practice of extending medium- and short-term loans during the past 2 years shows that loans extended for the purpose of renewing or installing productive technical equipment have resulted in economic benefits by enabling the enterprises to reach the production stage in a shorter time, and that when special loans are extended to civil construction projects, the rate of progress is slow and the majority of the projects have failed to be completed on schedule. The 63 special medium- and short-term loans extended in the past 2 years are, characterized by the variety of key projects such as bicycles, textiles, paper and canned goods, all of which are key items promoted by the consumer goods production industries in our city. There is, however, a preponderance of civil construction projects, which make up 82 percent of the total number of projects and which use up half of the loan funds in the form of investments. The rate of progress in civil construction projects is slow. In 1980, out of the 116,000 square meters of civil construction work undertaken with the help of loans, only 62,000 square meters was completed by the end of 1981. In 1981, of the 65,000 square meters of civil construction work undertaken with the help of loans, only 6,000 square meters was completed by the end of the year. From the 2 years, a total of 112,000 square meters of incompleting work had to be carried over to 1982. The slow progress of civil construction work may be attributed to two factors. First, most of the loan applications merely require a statement on the scale of the development projects and the estimated value of their production. Such important questions as the selection of a site, planning, acquisition of land, the filing of a report on the progress of construction, and the procurement of materials are tackled only after the applications have been approved and in the absence of any assurance that they

can be resolved. Second, there is a lack of overall balance, with the consequence that the building capability and the need for material supplies often exceed the limits of possibility.

We must have a correct understanding of the problem posed by the slow progress of civil construction work undertaken with special medium- and short-term loans. First, we must satisfy ourselves whether the projects for which loans have been earmarked in the past 2 years would serve to promote the production of consumer goods in our city. We must, without delay, strengthen our leadership, marshal our resources and renovate our technical equipment. Some comrades hold the view that the extension of medium- and short-term loans would stretch out the basic construction battle line. If by that is meant that adequate consideration has not been given to the achievement of an overall balance in the projects for which loans have been earmarked, then we should seek to make improvements on the basis of the experience we have gained. We must on no account countenance the replacement of interestbearing loans by interest-free allocations and we must not abandon the correct method of bringing about reforms by using economic measures to deal with economic problems. Second, in using bank loans to promote technical improvements in the national economy, we must limit ourselves to what we are capable of accomplishing. Because large projects require large investments and because the period of construction is extended, they must be financed by the national and local financial departments. Bank loans should be extended only to medium- and small-scale technical renovation projects which require small investments and which yield rapid results. Approval for these projects should be given only if the construction materials are available, the building capability is equal to the task and the projects are found to be acceptable by the planning commission on an overall basis. If the banks were to extend large numbers of sizable loans for technical renovation projects just because they have the financial means to do so, without giving adequate consideration to the achievement or overall balance, they would inevitably be compelled to make readjustments and retrenchments later.

To make better use of special medium- and short-term loans so that they may yield rapid economic benefits, it is suggested that:

1. We should strictly adhere to the principal of doing only what is within our means and carefully evaluate and determine the loan projects for this year. Adding to the projects which remain incompleted over the last 2 years the 128,000 square meters of civil construction work slated for this year, the total area comes to as much as 241,000 square meters. Although such projects slated for this year as bicycles, sewing machines and watches are a continuation of the incompleted projects during the past 2 years, they should be re-evaluated on the basis of the actual circumstances as regards to availability of manpower and spareparts in order to obviate the snowballing of losses.
2. We should marshal our resources, complete the projects one by one, and strive to complete the loan projects for this year. Under the united leadership of the municipal government in general and the economic commission in particular and in conjunction with the responsible parties in the planning, basic construction, materials, water and electricity, communications and finance departments, the banks and the enterprises, we should study each and every project, complete our designated tasks, and coordinate our efforts to

insure the successful completion of the projects. At the same time, the economic commission must have a special organization with the power to engage in the work of investigation and supervision.

3. We should formulate an overall plan for making industrial and technical renovations in our city. We should, on the basis of the need to upgrade our industrial products and with due regard for the weak links in the chain, formulate a plan for making technical renovations on a relatively long-term and stage-by-stage basis. We should ascertain the technical renovation projects to be completed for each year, with due regard for the achievement of an overall balance. The various production, circulation, scientific research and coordination departments should establish a close rapport in directing their efforts toward the realization of the plan for technical renovations in our city.

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## FINANCE AND BANKING

### JIANGSU'S SEMIANNUAL REVENUE PLAN OVERFULFILLED

Nanjing XINHUA RIBAO in Chinese 6 Jul 82 p 1

[Article by Yao Guoguang [1202 0948 0342]: "Fifty-One Percent of Annual Revenue Plan for the Province Fulfilled in First Half Year"]

[Text] According to statistics released by the provincial finance department, 51 percent of the annual revenue plan, an 11 percent increase over the same period last year, was fulfilled in the first half year in our province.

The situation of revenues in our province during the first half year was fine, mainly because the guiding thought of economic work in various localities had been set right. Instead of one-sidedly striving for output value, they began to pay attention to economic results and thus brought about a steady development in production. In the case of the machinery trade in the province, for example, adjusting the product mix and the orientation of service, organizing production according to social needs, and formulating production plan on the basis of objective requirements have greatly reduced blindness in action. According to an analysis of the financial indices of the state-run machinery industry enterprises in the first 5 months of this year and last year, the total output value increased by 26.5 percent; the proceeds from sales increased by 23.9; the profits realized increased by 21.9; the profits paid into the treasury increased by 14.7; the production costs of comparable products dropped by 23.4; the turnover of funds was 61 days faster; and the amount of circulating funds used was reduced by 7 percent. These figures show the beginning of an upswing in our province's machinery industry, a fairly steady rate of increase and good economic results. In Nanjing Municipality, a "100 percent emulation" was launched and a system of evaluation of 10 main economic indices was enforced this year, with the improvement of economic results as the central task. These activities speeded up the increase of both revenues and industrial output every month. In the municipality, 51.84 percent of the annual revenue plan--an increase of 10.4 percent over the same period last year--was fulfilled in the first half year. (The industrial output in the municipality increased by 11 percent.) This was the best record in the past 3 years.

Another factor in the increased revenues this year was that the province tried out the new financial system of "proportional sharing of total revenues" among various prefectures, municipalities and counties. This system changed the mentality of "eating from the same pot" and the habit of paying no attention to revenues and relying on the state's hand-out, and encouraged the localities to be concerned with revenues and economic results.

Furthermore, since the end of last year, a large-scale financial inspection was carried out among the enterprises throughout the province, and measures were taken to combat economic crimes. These activities played an active role in reorganizing the enterprises, enforcing financial laws, encouraging the enterprises to improve their economic results, reducing tax evasions in various forms and increasing revenues. According to incomplete statistics, investigations throughout the province have brought to light violations of financial law involving approximately 300 million yuan, of which approximately 200 million can be considered as state revenues. More than 110 million yuan have been paid into the treasury. At the same time, strengthening and perfecting the taxation organs at various levels and revision of some tax policies have brought about large increases in industrial and commercial taxes and insured a steady increase of state revenues. In the first half of this year, revenues in the province showed an increase of more than 330 million yuan over the same period last year. Of this amount, 97 percent came from the increase of industrial and commercial taxes.

A responsible comrade in the provincial finance department said: Although the province had good revenues in the first half year, fulfillment of the annual revenue plan is still a very arduous task, and we cannot afford to be blindly optimistic. At present, the stockpiles of some industrial and commercial enterprises continue to increase, and the excessive amount of funds being tied up should deserve the great attention of the economic departments in charge. According to the statistics of local state-run industry enterprises compiled at the end of May, the funds used in the production of finished products increased by 16 percent over last year, and excessive stocking increased three-fold. The goods in stock of the commercial departments also increased by 24 percent over the same period last year. Therefore, further improvement of economic results is still the focus of financial and economic work at present.

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## FINANCE AND BANKING

### BRIEFS

NINGXIA INVESTMENTS IN CAPITAL CONSTRUCTION--When discussing last year's fulfillment of conditions for investments in basic construction during his report on Ningxia government work, Chairman Ma Xin [7456 0207] said that in accordance with the demands for contracting the front, they reduced the scale of construction, revised the direction of investments, and stressed maintaining key points and maintaining investments in production. Thus, the benefits of investments were enhanced. In the report he said that in 1981 investments in basic construction amounted to 201,430,000 yuan, a decrease of 33.8 percent from the preceding year. Investments in heavy industries were reduced by 4.6 percent, while investments in light and textile industries increased by 2.1 percent. Investments in communications, posts and telecommunications increased by 1.9 percent, in finance and trade increased by 2.2 percent, in science, education, culture and hygiene increased by 2.5 percent, and in housing and urban construction increased by 3.5 percent. Throughout the district, newly added fixed assets amounted to 186,830,000 yuan, which constitutes 92.7 percent of the year's invested capital. The major newly acquired productive capacities or benefits are as follows: 3,500 spindles of refined woolen textiles, 30,000 tons of cement, a grain storage capacity of 40 million jin, 520 hospital beds and 370,000 square meters of housing area for staff and workers. At the same time, there has been improvement in the maintenance and management of building projects that have been suspended or delayed and in preparatory construction work prior to the building of large construction projects. [Text] [Yinchuan NINGXIA RIBAO in Chinese 27 Jun 82 p 1] 9864

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## MINERAL RESOURCES

### BRIEFS

GUANGDONG COAL PRODUCTION TARGET--Our province fulfilled its raw coal production plan for the first half of the year 11 days ahead of schedule. By 27 June, the total coal production in the province had exceeded 3,536,000 tons, an increase of 10 percent over the same period a year ago, or 320,000 more tons of coal produced. The conditions of production safety and surplus profits were all relatively good. The accident rate dropped by 24.4 percent, and the damaging situation in coal mine production for many years has begun to be turned around. Since the beginning of the year, the various leading cadres in our province's coal mines have traveled the base levels to conduct investigations and studies. They have implemented the economic responsibility systems in the coal mines, brining along the enterprise reorganization work and achieving good results. Currently, the economic responsibility system is being widely practised by the more than 300 mining and development teams in the provincial coal mines. Experiemental location work has also been carried out by the local and county coal mines. In practising the economic responsibility system, the various coal mines have placed, level by level, the responsibilities for meeting such economic and technical indicators as output, quality, safety, cost, and consumption solidly on the teams, groups, and individuals, and carried out the unification of authority, responsibility, and benefit. As a result, the labor discipline of the staff members and workers and the management work of the enterprises have been strengthened and the development of coal production has been pushed forward. [By Han Shengzhun [7281 0524 0402] and Lu Jiduan [0712 4949 4551]] [Text] [Guangzhou NANFANG RIBAO in Chinese 30 Jun 82 p 1] 5974

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## CONSTRUCTION

### MEASURES TO SOLVE URBAN HOUSING PROBLEMS SUGGESTED

Fuzhou FUJIAN RIBAO in Chinese 2 Jul 82 p 3

[Article by Qiu Renhe [6726 0088 0735]: "Several Views on the Solution of Urban Housing Problems"]

[Text] Urban housing has been much improved since liberation, but the building and control of residential houses cannot keep pace with the gradual increase of population every year. Soon after liberation, the population of Zhangzhou Municipality was 61,000 with an average of 5.6 square meters of living space for each person. Now, the population is more than 140,000 and the average living space for each person is 3.2 square meters. Over-crowded houses have often been the cause of feuds among the residents, and the problem of housing has now become a "long-standing, big and difficult" problem in urgent need of solution.

Houses, as a means of subsistence, are also commodities even in a socialist society. In handling the housing problem, while considering its relation with social welfare for which certain state subsidy is necessary, we must also observe the principle behind the exchange of commodities and, under the guidance of unified state planning, gradually include residential houses among commodities on the market. We should also regulate the building and distribution of houses according to the law of value in order to quickly solve the urban housing problem and to meet the requirements of the four modernizations.

Here are several tentative views on the way to solve the housing problem in light of the conditions in Zhangzhou Municipality.

I. Speed up housing construction. The main way to solve the urban housing problem is to build more houses by expanding the urban housing areas after bringing into full play the initiative of the state, the localities, the enterprise and the individuals for building public and private houses simultaneously.

Funds for housing construction can be raised from several sources: allocations from annual state budgets to be used as subsidy; part of the revenues retained by the localities; the circulating funds allocated from the provincial revenues; the funds to be used in housing construction by various departments and units as planned in the state budget; low interest loans from the Construction Bank, that is, loans for building commodity houses; funds raised by various trades

and undertakings, such as those from welfare funds and retention of above-quota profits; overseas Chinese investments; and funds raised by individuals.

In line with the state's ruling that "in cities with favorable conditions, building and rebuilding of houses can be carried out by streets or areas," the choice of land for new buildings should be determined in light of the city's layout. Generally, the main job is to tear down the old and dangerous buildings. The layout of the old city area is disorderly, with narrow streets, congested traffic and a high proportion of low-lying houses in disrepair. The transformation and clean-up of old city areas will help improve production, daily living and the city appearance. If the farmland for growing vegetables in the suburbs is taken over for building houses, it will not only upset the plans for the minimal use of land, but also aggravate the problem of employment in cities. Transformation of old city areas will be costly in view of the need to relocate the households, to pay compensation and to build tall houses with many storeys; but in the long run, this is a practical idea.

In building new houses, three methods can be used simultaneously.

1. Building under the unified arrangement of housing departments. Investments in housing from state and local revenues can be pooled for housing construction under a unified arrangement, and the houses can be distributed among those who have no or insufficient housing accommodation. As an alternative, loans can be obtained from the Construction Bank for building commodity houses by areas to be sold to enterprises, public agencies or individuals. Some better houses can be built to be sold to returned overseas Chinese or their dependents.

2. Enterprises and public agencies to build their own houses. Factories and enterprises can use their self-raised funds and their available land or work-site to build dormitories for their workers and staff members, provided they are in a position to do so, and the auxiliary welfare measures can be gradually carried out later. The neighborhood offices can also raise their own funds out of the accumulated funds of collective enterprises, or organize the residents to invest in building or rebuilding "dual purposes houses" (that is, the first floor to be used as stores or factories, and the upper floors to be used for residence) provided this does not impair the appearance of the neighborhood.

3. Individuals encouraged to build their own houses. Under the unified planning of the city, private individuals can build or renovate their own houses in places designated by the state or in the vacant lots before or behind the original houses.

II. Active measures to repair old and dangerous houses. While speeding up housing construction, tapping potential to transform or repair old houses is also a good way to alleviate the pressure of the urban housing problem. Those who live in publicly-owned houses and are short of living space can repair or expand their present homes with their own money, materials or labor, and what they have invested can be recovered through the deduction of rents according to government rates each year, so that the houses will remain as public property. If the residents repair or expand their own private houses, such houses will remain as their private property. The housing department can use the rents collected each year to repair or expand the houses of those who are short of living space or are in difficulty, so as to improve the housing conditions of the residents.

According to our calculations, a newly built house costs 10,000 yuan, while a repaired or remodeled house with more storeys added costs only approximately 1,500 yuan. If 10,000 yuan is spent on repairing old houses, we can solve the housing problem of seven households that are in difficulty. In this way, we can save money, reduce the construction period, and show quick results. The masses will like it.

III. Rational adjustment of rents. Generally, standard rents are made up of depreciation, maintenance and management expenses (including taxes and interests). At present, the rental system is mainly used for the residential houses in our cities, so that the rents can be used for the upkeep of the houses. For a long time, the rents have been too low, and since the price does not correspond with the value, the rents collected are not enough for the upkeep of the houses. That is why people prefer renting to building or buying houses. At present, a new house of 70 square meters in Zhangzhou costs 12,950 yuan, at the rate of 185 yuan per square meter. With the addition of maintenance and management charges, the total cost of the house will be 15,000 yuan, or 214 yuan per square meter. The rents collected from a similar new house each year are only 1.44 yuan per square meter, and it will take 149 years to fully recover the investment in the house. Since houses generally have to be renovated after being used for approximately 70 years, or nearly 80 years short of the 149 years, it will mean that the total rents collected can compensate only nearly one half of the house value. That is why the rental system must be revised and the standards for charging rents must be readjusted. To encourage the frugal use of residential houses, there should be a rule for people to "pay heavier rents for more living space."

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## CONSTRUCTION

### MORE BUILDING MATERIALS FOR RURAL AREAS URGED

Tianjin TIANJIN RIBAO in Chinese 1 Jun 82 p 3

[Article by Liu Shiqi [0491 0013 3825]: "Do a Good Job of Producing and Supplying Building Materials for the Rural Areas"]

[Text] The craze for housing construction in the rural areas of our city is in the ascendant at present. The year before last, 210,000 houses were built in the outlying counties of the city, while an additional 230,000 houses were completed last year. The number of houses built and the rate of increase are unprecedented in history.

There are certain notable features in the ongoing housing construction boom in the rural areas. First is the duration of the period. There are now 800,000 farm families and 2.5 million houses in the outlying counties of the city. Half of the houses are built of bricks or partially built of bricks. Not counting expansion, and taking only into account the conversion of 250,000 dilapidated houses into brick houses every year, the present housing construction boom may be expected to continue for more than 5 years. Second is the number of new houses. Since the promulgation of the new marriage law, more young people of marriageable age in the rural areas are getting married. Generally speaking, three brick houses must be built by each young man contemplating marriage. Third is the increase in the collective wealth of the large production brigades which would construct new houses collectively and make plans for the establishment of new villages. Marshaling their human resources, they have built rows and rows of houses, giving a new look to the villages. Nevertheless, there exists an acute shortage of building materials and steel products needed for the construction of houses for civilian use in the rural areas. Although building materials made of steel instead of wood are favored by the peasants because they are cheaper and offer greater value for the money, they are difficult to provide. According to an estimate, although 1 million cross beams of reinforced steel and concrete are required for the construction of farmhouses in the city every year, only 100,000 pieces were made available last year. Although 12,000 tons of steel was required for the construction of farmhouses last year, only 8,000 tons of second-rate scrap was made available to the rural areas in the outlying counties. The lion's share of this was allocated to the commune and production brigade enterprises, and hardly any for the construction of farmhouses.

What is it that has brought the situation to such a pass? First, there is a lag in the production of reinforced steel and concrete crossbeams and a shortage in the supply of raw materials because they have not been incorporated into the national plan. Since 1970, the East Tianjin Structural Cement Plant under the Building Materials Bureau of the city has been turning out crossbeams at the annual rate of 110,000, all of which are sold the moment they come off the production line. However, because these products have not been included in the plan and because of the urgent need in recent years for reinforced steel and concrete poles for power lines which are included in the plan, the production of reinforced steel and concrete crossbeams has been relegated to the back burner. While no provision was made for the production of crossbeams last year, only 2,000 pieces have been targeted for production this year. Because there is no guaranteed supply of cement, the 22 commune and production brigade enterprises of the city engaged in the production of structural cement have been reduced to a state of idleness or semi-idleness. Some plants have been compelled to buy cement at negotiated prices so that the cost is up, the profit is down and a positive attitude has been dealt a serious blow. Although such steel products as steel tubing, angle iron and cables required for the construction of houses for peasants are now available, the cost is so high that the peasants can ill afford to buy and use them. Whereas each ton of 6.5-millimeter steel coils costs 670 yuan, similar products made of second-rate scrap, which costs only 200 to 300 yuan per ton, serve the purpose just as well. Second-rate scrap steel materials are what the peasants urgently need.

It is my opinion that in order to make building materials available for the construction of houses for the peasants, it is necessary to incorporate the production of building materials into the national plan and to get the structural cement plants and the commune and production brigade enterprises to produce the materials in large quantities to meet the needs of the villages. The advantages are many. Technically, the production of reinforced steel and concrete structural materials is simple. While it does not require large investments, it yields high profits. It is estimated that, by using 60,000 yuan's worth of mixers, wiredrawing machines, rebar ramming machines and some 100,000 yuan in working capital, the East Tianjin Structural Cement Plant can produce an annual amount of 110,000 crossbeams, make a profit of 1 yuan per beam, and recoup its investment within 2 years. It would also provide employment to young job seekers, stabilize the market, facilitate the return of currency to the banks and increase financial income. Furthermore, at a time when the metallurgical enterprises are operating undercapacity and there is an overstock of steel, it would serve to reduce the stockpile. Aside from increasing production, it is also necessary to improve the supply system. It is time to consider allowing the supplies and sales cooperatives at various levels to engage in the production of building materials for the rural areas so that the procedure may be simplified, the cost may be reduced, the process of purchasing may be made less cumbersome, a large amount may be sold at a smaller profit margin and the economy may be further stimulated.

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## DOMESTIC TRADE

### IMPORTANCE OF PLANNING IN ECONOMIC CONTRACT LAW STRESSED

Beijing ZHONGGUO CAIMAO BAO [CHINA FINANCE AND TRADE] in Chinese 6 Jul 82 p 3

[Article by Li Rucan [2621 0320 3503]: "The Principle of Planning in China's Economic Contract Law"]

[Text] China's economic contract law which was signed and implemented by judicial persons is the basic guiding principle for economic contracts. It is also the primary legal standard for implementing state planning. The principle of planning runs throughout the general principles of the economic contract law and its various clauses. It is clearly stipulated that contracts that violate the law, state policies and plans are invalid. This means that the signing and implementing of economic contracts as well as meeting the demands of state planning are the main criteria for affirming the validity of the law.

The principle of planning in China's economic contract law clearly incorporates the socialist nature of China's economic and legal system. It is the most intrinsic feature of China's economic contract law. Economic contracts are the result of the development of a commodity economy. Essentially, they always reflect the relationship between the distribution of products of society and the exchange of commodities. A socialist economy is a planned commodity economy. All social and economic activities are conducted under the guidance of state planning. With the implementation of a planned economy, we must enhance the supplementary role of market readjustment. However, market readjustment can only proceed under the guidance of state planning. Under no circumstances is it permitted to assail state planning. Enterprises in industry, agriculture, commerce and other areas must fulfill state plans and organize production and management according to plans. In particular, the operations of state run enterprises must ensure the implementation of state plans. Under these conditions, the signing, implementation, modification and termination of economic contracts cannot help but be restricted by state planning.

Under the socialist system, economic planning. Overall national economic plans which are implemented are comprised of national, regional, trade and enterprise plans that have been integrated at each level to form long-term, medium-term and short-term plans. Social and economic activities are very extensive and complex. Planning can not and must not be summed up in exhaustive detail. When organizing production and circulation, it is necessary to hold

thorough consultations to work out design, variety, standards, quality, delivery and payment times and other details in all regions, departments and enterprises. Furthermore, in making use of the legal structure of contracts, the rights and duties of both parties must be spelled out so that planning will be consistent. Obviously, contracts are an indispensable means for putting plans into effect. They are a supplement to planning and make planning more concrete and accurate.

Secondly, contracts are the basis for formulating and revising plans. The formulation of plans for the national economy must be strictly handled according to objective economic laws. It is necessary to start from practical reality, act according to our capability and strive for economic benefits. In formulating plans, it is necessary to incorporate current state policies and principles. It is also necessary to gain a clear idea of the real needs of social production and social life as well as to understand fully our economic capability. Only in this way can we draw up scientific plans based on objective needs. The implementation of economic contracts is a true reflection of economic needs. It represents the extent of our needs and the amount of supplies in society. By implementing contracts we can gain various experiences in seeing that plans coincide with reality and that they are correct and complete. Thus, contracts provide the foundation for formulating and revising plans.

In this way, contracts are the foundation and basis for planning and they are an essential means for enacting plans. By carrying out contracts we are implementing plans. Without contracts, planning will come to nothing.

China's economic and legal system is still not very strong. Therefore, currently in the economic sphere trends of departmentalism and decentralism are becoming more prevalent in certain economic units. They encourage weak guidance and disregard for planning and for the interests of the overall situation. Consequently, certain economic contracts have become divorced from state planning. Some enterprises put undue emphasis on market readjustment and on extending the rights of enterprises to self-determination. They do not follow state planning and blindly sign contracts. They also tear up contracts whenever they please. For example, some plants demand more independent marketing of hot-selling products and independently seek ways to conclude contracts with the result that they undermine carefully coordinated production and marketing plans. Certain production brigades ignore plans and contracts and sell subsidiary agricultural products to the commercial sector. Some personnel in enterprises make deals by regarding products included in state plans as being excluded from plans. Some purchase privately and traffic in essential state materials and engage in speculation, smuggling and other criminal activities. It is necessary resolutely to resist these unsound practices and illegal activities that violate and undermine state planning. Furthermore, it is necessary to mete out strict punishment according to the law and the circumstances of each case. At the same time, it is necessary earnestly to implement the economic contract law, to guide and control the economy by using economic laws, to see that laws are followed and violations investigated so as to ensure the implementation of state plans and to safeguard national interests and the public interests of society.

During national economic readjustment, we have given priority to a planned economy and have sought centralized unity of the macrocosmic economy. At the same time, we have fully stressed the initiative of enterprises in the microcosmic economy so that enterprises can revive the economy under the guidance of state policies and plans. The economic contract law correctly reflects this objective requirement for the development of the national economy. Relevant clauses in the economic contract law stipulate: Financial deals involving state ordered planned products and projects must sign economic contracts in accordance with state directives. When signing the contracts, if the parties are unable to reach an agreement, it must be dealt with by the higher agency which is responsible for planning. Financial deals involving state ordered planned products and projects must refer to state directives and integrate the actual conditions of the given unit in signing economic contracts. As for modifying and terminating contracts, countries involved with ordered planned products and projects must submit plans to the department in charge for approval. These stipulations further legalize the close relationship between economic contracts and state planning. They also possess legal force and must be carried out to the letter in order to ensure the implementation of state plans. They possess legal flexibility and they protect the right to self-determination of enterprises. Among those who have economic contracts, they ensure the implementation of the principles of equality, mutual benefit, unanimity through consultation and other valuable principles. They develop fully enterprises initiative in production and management to improve their economic benefits.

9864

CSO: 4006/539

## DOMESTIC TRADE

### EXCELLENT SALES OF COMMERCIAL GOODS REPORTED IN NINGXIA

Yingchuan NINGXIA RIBAO in Chinese 22 May 82 p 1

[Article by Xue Panting [5641 4149 1694] and Zhu Lijun [4281 0500 6511]:  
"Sales Situation of Commercial Goods is Excellent for the Commercial System  
of Our Region"]

[Text] During the first quarter of this year, an excellent situation appeared in the sales of goods by the commercial system of our region. According to statistics, domestic sales in the region reached 102.79 million yuan by the end of March, and increase of 11.2 percent over the same period a year ago. Included were increases of 7.5 percent in sales of consumer goods and 6.5 percent in sales of capital goods. Wholesaling of goods to collective groups and individual businesses increased by 1.18 times over the same period a year ago.

For a number of reasons, last year's procurement in the region, transfers into the region, and sales by the region's commercial system all decreased from the previous year. During this year, the various business departments in our region have conscientiously summarized their experiences and lessons. They have actively organized to provide goods which meet the market demand, vigorously improved the attitude of service, improved service quality, and adopted numerous flexible methods to expand sales. During the first quarter, relatively large-scale increases in sales over the same period a year ago have occurred for most of the major edible, earing, and utility goods handled by the business departments, except for vegetables and mutton. This was particularly true for several durable consumer goods which again showed large-scale increases in sales on the foundation of last year's big increases. Compared to the same period a year ago, sales of fresh eggs increased by 76.3 percent, sugar by 9.5 percent, table salt by 20.0 percent, soda by more than 100 percent, and cigarettes by 33.6 percent. Sales of wook, terry cloth, cotton and woolen shirts and trousers, and underwear increased by 18 to 40 percent. Utility goods with sales increases of about 10 percent were wrist watches and thin machine-made paper. Those with sales increases of over 20 percent included matches, soap, laundry powder, thermos bottles, and ordinary light bulbs. Among durable consumer goods, sales of televisions increased by 86.9 percent, bicycles by 16 percent, and sewing machines by over 100 percent. The increase in sales of commercial goods has effectively promoted the withdrawal of currency from circulation. Based on statistics of the banking departments, the cash received from sales of goods in the region during the first quarter increased by 18.13 percent over the same period a year ago.

5974  
CSO: 4006/538

## DOMESTIC TRADE

### NUMBER OF COMMERCIAL NETWORK OUTLETS IN FUJIAN INCREASES

Fuzhou FUJIAN RIBAO in Chinese 30 May 82 p 1

[Article: "The Number of Commercial Network Outlets in Cities and Towns in Throughout the Province Increases by Almost Five Times in 3 Years"]

[Text] The number of commercial network outlets in the province has been increasing at a rapid pace since the Third Plenary Session of the 11th Party Central Committee. According to statistics, by the end of 1981, the number of business, food and service network outlets of a commercial nature had reached 41,770, or 4.72 times the number in 1978. The number of people engaged in the network outlets had reached 142,500, or 1.56 times the number in 1978. This increase has served greatly to develop the economy, to stimulate the market and to make things more convenient for the masses.

The past few years have witnessed the emergence of a variety of economic elements, channels, modes of operation and systems for the interchange of commercial commodities of various types and price ranges. The development of commercial network outlets has speeded up the development of the entire people, of collectives and individuals, and especially of collective and individual businesses and food and service trades. Between 1978 and the end of 1981, the number of public network outlets has increased by 43 percent, the number of collective network outlets by 3.16 times and the number of individual network outlets by 8.76 times. The increase in the number of collective and individual network outlets has greatly served to make up for the shortage in the number of government commercial network outlets.

The rapid increase in the number of business, food and service network outlets has greatly eased the difficulties on the part of many residents in various areas of "buying things, finding a place to eat, getting a haircut and obtaining lodgings for the night." In 1981, each retail store in the network served an average of 129 people or 62 percent fewer than the 343 in 1980. In 1981, each eating place in the network served an average of 507 people, or 61 percent fewer than the 1,306 in 1980. In 1981, each service trade in the network served an average of 550 people, or 56 percent fewer than the 1,239 in 1980.

Despite the big increase in the number of outlets in the business, food and service networks in cities and towns in recent years, it has not kept pace with

the population growth in the cities and towns, the development of the national economy and the increase in the purchasing power of the general public. It has not even reached the level prevailing prior to 1959. A number of "difficulties" have yet to be basically resolved. For this reason, it is necessary that we continue to develop, to establish and to organize the various types of commercial network outlets to better satisfy the needs of the people.

9621

CSO: 4006/513

## DOMESTIC TRADE

### PROBLEMS OF INDIVIDUAL BUSINESSES IN GUANGZHOU DESCRIBED

Guangzhou YANGCHENG WANBAO in Chinese 8 Jun 82 p 1

[Article: "A Variety of Problems Cause 30 Percent of Individual Businesses in Guangzhou To Suspend Operations"]

[Text] Reporter Yang Guoyan [2799 0948 1750] has disclosed that, according to the findings of the industrial and commercial sectors in Guangzhou, 30 percent of the 18,500 individual industrial and commercial businesses in the city have suspended operations at various times. A survey made in North Chaoyang, Hungchiao and Beijing Streets has 216 have closed down and 27 have suspended operations, making some 32 percent of the total. According to the individual businesses, one major factor accounting for the failure of the businesses is the difficulty of finding suitable locations for their operations. It is no longer permissible to set up stands along the sidewalks of first, second and third class streets. The original stands are being readjusted and relocated. However, many of the relocated individual businesses have, for lack of better alternatives, moved into side streets and alleys and been forced to pull up stakes because of the lack of business. Another factor contributing to the failure of individual businesses is the high payments they have to make and the heavy fines levied against them. An individual business has to make six or seven kinds of payment. Taking Wang Chunjia [3768 6855 5478], who operates a food store as an individual business on North Liberation Street as an example, his monthly volume of business has been assessed at 800 yuan. Aside from taxes amounting to over 40 yuan per month, he has to pay 24 yuan for street maintenance, 7.5 yuan for street usage, 15 yuan for street cleaning and 10 yuan for validation of the contract of hired help, as well as sanitation service fees and fuel costs totaling 90 to 100 yuan a month. He explained that, with all those payments to make, it would be most difficult to continue operations. The heavy fines imposed also present a serious problem. Because a person names Chen, who operates a food store on People's Street was 7 days late in paying the street usage fee in May, he was assessed a fine of 525 yuan. He stated that since he would not be able to pay the fine even if he sold all his assets, he had no choice but to suspend operations. Then, too, certain units other than the industrial and commercial administration departments would often compel individual businesses to suspend operations, impose fines and revoke licenses at will.

In addition, some individual businessmen have quilt or suspended operations because of their failure to obtain fuel, materials, and water and electricity

installations. Although food stores were originally allocated 120 jin of coal a month, only 20 to 25 jin is actually made available. As a consequence, many of the stalls are in a state of semisuspension.

It is obvious that unless a solution is found to these problems, individual businesses will continue on their downward trend. In the first quarter of this year, only 1,838 persons in the city applied for business licenses, a drop of over 30 percent compared to the same period last year.

It is the hope of the individual businesses that the concerned departments will unify their thinking, coordinate their planning and action, and take positive steps to resolve the difficulties. For instance, space may be set aside for putting up booths along the wide sidewalks on first, second and third class streets to serve breakfast in the morning and snacks in the evening. As for such matters as the payment of fees and fines and the supply of materials and fuel, they should be handled according to the "Temporary Provisions for the Control of Individual Industrial and Commercial Businesses" issued by the municipal government so that the legitimate rights of individual businesses may be protected. The suggestion has also been made by the individual businessmen that an overall administrative office should be set up by the concerned departments of the city to deal with these problems and that the street maintenance fee should be used for the benefit of the individual businesses and not in large part be spent on projects which have nothing to do with the individual businesses.

9621

CSO: 4006/513

## FOREIGN TRADE

### GUANGDONG PROVINCE HOLDS FORUM ON FOREIGN ECONOMIC RELATIONS

Guangzhou NANFANG RIBAO in Chinese 19 Jun 82 pp 1, 3

[Article: "Summing Up Experiences in Foreign Economic Work and Continuing To Advance"]

[Text] "We must conscientiously sum up experiences in foreign economic work, strengthen our confidence, overcome difficulties in our advance, and continue to advance." This is the demand made by a forum on foreign economic work recently held in our province with regard to foreign economic work throughout the province.

This forum was held in Guangzhou from 10 to 17 June. Everybody held that big results had been achieved in foreign economic work as shown by: In 1981 as compared to 1980, foreign trade purchases increased by 98.5 percent; export increased by 1.16 times; and export ports, places of loading and unloading, and places of dispatch increased from 55 to 117. The export commodity structure began to change: agricultural and subsidiary products and their processed products fell from 52 percent of export total to 42.7 percent; and light industry products and industrial and mining products rose from 48 percent of export total to 57.3 percent. There was a new development of foreign economic and technical cooperation: by the end of last year, the province had signed over 13,000 "three intakes and one supplement" and other contracts of various forms for the utilization of foreign funds.

The contracts provide for the utilization of foreign funds totalling over \$2.62 billion (of this amount over \$1.7 billion were set aside for the Shenzhen and Zhuhai special economic zones), and over \$550 million have already been utilized. Excluding important equipment, \$250 million have already been received for processing and assembling imported materials. The adoption of the "three intakes and one supplement" and the launching of cooperative management and joint-capital management are advantageous for promoting the readjustment of the national economy and for technologically transforming industry. The processing and assembling of incoming materials alone has given employment to an additional 260,000 people, has promoted the development of production and foreign trade, and has improved the economic life of the masses.

The conference held that new progress in foreign economic work was made after the launching of a crackdown on serious criminal activities in the economic domain. The crackdown on the small number of elements engaged in serious criminal activities in the economic domain, and the relieving of a batch of cadres and the education of the majority of them, have caused the vast number of cadres, staff and workers engaged in foreign economic work to have a clear-headed ideological understanding of foreign economic work in the new era and have raised their consciousness of maintaining discipline with regard to foreign things. Taking preliminary steps to correct the error in foreign economic trade of excessively importing consumer goods, many areas and cities have begun to pay attention to introducing from abroad advanced technology and equipment and to using them to develop industrial production and to effect technological transformation of old enterprises. For example, in the first quarter of this year, Guangzhou Municipality, in utilizing the foreign exchange it had saved, used 65 percent of the total foreign exchange on importing technology, equipment, and raw materials, and in the same period of last year it used only 5 percent. With regard to foreign trade, the policy of integrating and combining with foreign things and of making planning primary and regulation by market mechanism supplementary has been further strengthened; the purchase of agricultural and subsidiary products has taken a turn for the better; and foreign economic work has been invigorated. From January to May of this year, Guangzhou Municipality's import increased 13.61 percent over that of the same period of last year, and the actual foreign exchange received by Foshan and other prefectures from the "three intakes and one supplement" increased over that of the same period of last year. Many prefectures are gradually strengthening their administration and laying a good foundation for the healthier development of foreign economic trade work.

The meeting pointed out that although in our province's foreign economic work there have been successes, there also exist many problems, e.g., the struggle to crack down on serious criminal activities in the economic domain awaits a deeper involvement, the fulfillment of the tasks in the foreign trade plan is still arduous, and the cost of gaining foreign exchange from export is rising. All this involves each aspect of our province's economy and the national economy. Of course, it will be fairly difficult to solve these problems, but we should, from our subjective standpoint, investigate causes, think of methods, and look for ways out of our difficulties. Provided we persist in developing production, in giving life to economic policies, in introducing from abroad more technology, in working to effect technological transformation of existing enterprises, and in improving the competitive ability of our products, we can overcome the difficulties appearing in our advance. We certainly much heighten our confidence, and then through hard work by all possible means the prospects will be bright.

The meeting discussed and made arrangements for foreign economic work in the second half of the year. It held that we must continue to get a tight grip on the struggle to crack down on serious criminal activities in the economic domain,

continue to uphold the open door policy and to give life to internal economic policies. Our ideas must go in front and our administration must keep abreast. We must improve economic benefits by all possible means, and work hard to fulfill the foreign trade export plan. We must conscientiously sum up experiences in the "three intakes and one supplement" and in the utilization of foreign funds, and vigorously consolidate and develop them. We must utilize the existing industrial base in our province in doing good work in the business of processing imported materials and then exporting them. We must develop the export to foreign countries of contracted building projects and labor services. We must continue to reorganize the ranks, improve work style, raise efficiency, and conscientiously solve a batch of problems encountered in actual work.

9727

CSO: 4005/522

## LABOR AND WAGES

### CASES OF LAX LABOR DISCIPLINE DISCUSSED

Shanghai JIEFANG RIBAO in Chinese 7 Jul 82 p 2

[Article by Xu Li [1776 0500] and Wang Linsen [3769 2651 2773]: "To Consolidate Labor Discipline, We Must Coordinate Management"]

[Excerpts] Why is it that no matter how hard we try to improve labor discipline, old ways are soon resumed and regression occurs? In addition to reasons such as the fact that leaders are not strict with themselves and work is rapid at the beginning and slackens off at the end, there are also major causes in several other areas. First, a large group of new workers have entered plants, and work on their ideological instruction cannot keep up. In the past several years, groups of veteran workers in enterprises have retired so that the proportion of youths on the front lines of production has increased. In general, they constitute over half the total number of staff and workers, and at most they constitute about 90 percent. The majority of young workers are fine, their ideological activity is full of vigor, and they are willing to study intensively. However, there is also a group of young workers who lack a sense of responsibility of being their own masters due to the fact that they were subject to the poisonous influence of the ultra-Left during the decade of internal unrest and due to weak ideological and political work in enterprises. Their concept of complying with rules and observing discipline is hazy. Among them is a handful who frequently violate discipline. They have been seriously affected by the pernicious influence of Lin Biao and the ultra-individualism and anarchism of the "gang of four." Helping them to change requires long-term work. If we fail to do so and just hand the problem over to operational departments to deal with, it will be very difficult for them to be successful.

Second, insufficient attention has been given to the establishment of key front-line ranks. After a large group of veteran workers retired, key frontline strength became weaker than it had been during the past several years. The establishment of teams and groups could not keep up, and among the masses there was little supervision. This exerted a bad influence on implementing plant rules and discipline. Furthermore, at present quite a few groups and team leaders are young workers who have just entered the plants. The leadership makes many demands on them and frequently puts them to work with little training and assistance. Some group and team leaders willingly bear the burdens of their position, but because they encounter difficulties in their work they do not dare to speak up or tackle the phenomenon of violations of discipline.

"They only try to do their own work well and don't care whether or not others do good work." Some intend to do a good job but because the level of their understanding of policies is low and their methods of work are simple, they cannot perform ideological work. They rely purely on measures of reward and punishment. There are also a few group and team leaders who do things for the sake of friendship and loyalty and even wink at and shield violations of discipline. There is the case of the production team leader in a plant who saw that there were certain workers in the team who gambled in the locker room when they were at work. At first he tolerated and winked at this behavior. He concealed what he knew and then he joined in, so that those involved in gambling increased from 3 or 4 to 12 people. It continued for as long as 2 months. The whole team was besmirched.

Third, the weak state of work in enterprise management still has not basically changed. In some units institutional methods are not rigorous and things are not implemented effectively. Many loopholes still exist. In some units the phenomena of chaotic labor organization and confusion over fixed numbers of staff and quotas, as well as overstaffing and uneven employment, are all rampant. In particular, there are some business and work categories in which quotas are difficult to implement down to the individual. They also lack an effective sense of economic responsibility so they rely on eating "in the same canteen as everyone else" to get by. Even with the "Regulations on Reward and Punishment for Staff and Workers in Enterprises," if the situation does not change there is no way to deal with those who commit petty mistakes rather than major ones, or with laxity, the lack of effort in work, insufficient conditions for punishment and the effect of no punishment on production.

From this it can be seen that lax labor discipline is a composite disease. Consolidating labor discipline, getting the leadership to be strict with themselves and setting examples are all indispensable methods. However, the basic solution consists of improving the quality of the ranks of staff and workers, combining work in rectifying labor discipline with strengthening political and ideological work in enterprises, and coordinating the filling out of frontline key forces, improving economic management and establishing the system of economic responsibility so as to carry out integrated management. Only in this way can we achieve remarkable, enduring and stable results.

9864

CSO: 4006/537

## TRANSPORTATION

### CHINESE-MADE BULK CARRIER 'GREAT WALL' DESCRIBED

Beijing JIANCHUAN ZHISHI [NAVAL AND MERCHANT SHIPS] in Chinese No 5, May 82  
pp 12-13

[Article by Luo Kehong [5012 4430 1347]: "Brief Introduction to the 27,000-dwt Bulk Carrier 'Great Wall'"]

[Text] In building any kind of oceangoing cargo ship, the specific flow of commodities must be taken into account. Grain and timber, with which North America abounds, are shipped through the Great Lakes (Lake Ontario, Lake Erie, Lake Huron, Lake Michigan, and Lake Superior) on the U.S.-Canadian border to various parts of the world; ore, coal, rolled steel plates, and other heavy commodities are brought back on the ships. For this reason, Hong Kong's United Steamship Co. Ltd, Huide Co., Qingzhou Co., and Huanqiu Co have ordered a number of 27,000-dwt bulk carriers from China's shipbuilding companies. The Dalian Shipyard undertook to build eight of these ships.

The "Great Wall" is the first of these ships ordered by the United Steamship Co Ltd. In 1980, a contract was signed and, after the technical and construction designs were completed, work on the ship began in November. On 14 September 1981 it was launched, and on 15 December it conducted its shakedown cruise. On 4 January of this year, the final signing ceremony was held and the ship formally began operating at sea.

#### General Picture

The "Great Wall" is a bulk carrier built according to the standards of Lloyd's Register of Shipping in England. The ship is 197.5 meters long, 23 meters in beam, and 14.30 meters in depth. Its maximum draft is 10.22 meters, and its deadweight capacity at its maximum draft is 28,076 dwt. It has a round prow, a square stern, and a streamlined rudder. It has 1 longitudinal deck and 7 watertight transverse bulkheads, and is divided into 5 cargo holds, 1 engine room, 1 forepeak, and 1 aftpeak. The superstructure has a forecastle and a poop; the engine room, crew's quarters, and pilothouse are in the quarter. The five cargo holds are arranged in a continuous row from the forepeak, comprising 70 percent of the ship's total length. Four 25-ton power-driven hydraulic pressure booms are lined up perpendicularly in a row between the 5 cargo holds; each boom has a maximum working radius of 22 meters and a minimum working radius of 4.5 meters; each boom's maximum

lifting height is 35 meters and its rotational speed is 0.75 rpm. All these features make the booms flexible in use.

The "Great Wall" has a single propellor, and its engine is a B&W 8L55 GFC low-speed marine diesel engine, which is double sequence and single drive and which is reversible; the engine has a maximum capacity of 10,700 hp and 150 rpm. The diesel engine directly drives the screw propellor. When the engine is operating at its peak load with 20 percent deadweight, the ship's maximum speed is 16.74 knots. The ship has three 400-kw diesel generators, one fueled boiler, one waste-gas boiler, and one freshwater-making device. It also has a grease separator and a human waste disposal device, as well as their corresponding auxiliary engines. Inside the engine room is the central control room from which remote control is effected on the main engine, the generators, and the auxiliary engines. The engine room also contains various monitoring devices and a warning and signal system for operation of the equipment.

On the forecastle are two unconnected power-drive windlasses to which are attached two 70-mm-diameter and 300-meter-long cast steel cables and two 6,450-kg (?huo'er) [7202 1422] anchors.

On the poopdeck are 2 winch mechanisms and 2 rudder mechanisms, both of which are power-driven hydraulic pressure mechanisms. In addition there are two 2-ton power-driven feeder cranes, a boat lifter, a power-driven gangway lifter, and other deck machinery.

The ship is fully fitted out with communications and navigation equipment, transreceiver, radar, gyrocompass, log, fathometer, (?Raoran C [0525 5695 C], and (?aomijia) [1159 4717].

### Structure

Of the five cargo holds arranged in a continuous row in the "Great Wall," the No 2 and No 4 holds can remain empty when cargo is loaded. They will create a very big longitudinal moment for force. Therefore, the ship has a longitudinal structure, and the necessary strengthening measures were taken in its construction.

A longitudinal structure was used for its deck and its double bottom. The double bottom extends continuously from the forepeak wall to the aftpeak wall. The ship's longitudinal deck is 30 mm thick; the two sides enclosing the cargo hold hatches are 850 mm in height.

Located below the upper deck of the gunwales in the cargo hold area are the ballast tanks. The walls of the ballast tanks have an inclination of 30 degrees and run lengthwise from the forepeak to the engine room--70 percent of the ship's length and 138.68 meters long--thereby greatly increasing the ship's longitudinal strength.

The ship's structure is effectively arranged so as to reduce to a minimum the vibrations easily produced on the engine room and the poopdeck room.

## Furnishings

The furnishings of a crew's quarters are obviously more important for export ships. Suitable furnishings in the rooms make the crew feel warm and comfortable, relaxed and cheerful, thereby lessening fatigue and benefiting work.

The ship's crew numbers 34 men: 4 senior ratings, 9 subsenior ratings, 5 middle ratings, and 16 ordinary ratings. Each senior and subsenior rating has a cabin furnished with an office, bedroom, and bathroom; each middle rating and ordinary rating has a cabin furnished with an office and bedroom. Public places: in two areas there are separate messrooms, lounges, and laundry rooms, and between them is an area with a shower room, clothes drying room, and toilets.

The cabin furnishings of the "Great Wall" are: the cabins are standard and complete, with unified and elegant color tones, with compact furnishings in good taste, and with soft lighting. The furniture is in the squareboard style. The walls and furniture of the living quarters are painted in warm color tones: the ceiling is white; the floor is gray and light green; and the sofa, chairs, and porthold curtains are ochre. At the same time, there are cool color tones, like milky white for the wall lamps and silver gray for metal strips and metal fittings, which enliven the spatial atmosphere. In the public places cool and semicool color tones are used in the main, alternating with in-between and warm color tones. The quiet elegance of the decorative patterns on the appointments in the messrooms and lounges make people feel full of vitality. In the living quarters and washrooms, the ship's furnishing materials are clear plastic-covered surface boards; all of the furniture is wood surface board covered on the outside by clear plastic. The living quarters area is tidy and bright, pleasing to the eye, and in good taste.

## Use

Grain, logs, timber, ore in sand form, steel products, coal, rolled tube steel plates, scrap iron and steel, and other heavy cargo or bulk cargo can be loaded on the "Great Wall." The ship's primary mission is to transport barley, corn, oats, linseed, rapeseed, soybeans, and other oil-bearing seeds and grain and to various places in the world and then return with rolled steel plates, ore in sand form, and coal.

Therefore, in designing the structure of the "Great Wall's" cargo holds, consideration was given to their special feature of being used for multiple purposes. Grain is loaded through the hatches of the five continuous cargo holds, each hatch cover of which is 450 mm in diameter; on the port and starboard sides of the ship are the 30-degree inclined longitudinal ballast tanks, which greatly reduce by neutralization the side force exerted by the bulk of the cargo when the holds are fully loaded with grain. Because the ballast tanks are underneath the upper deck on the two sides of the cargo holds and form a transverse framework, the strength of the upper deck is enhanced and the ship can be loaded with lumber weighing 2.75 tons per square

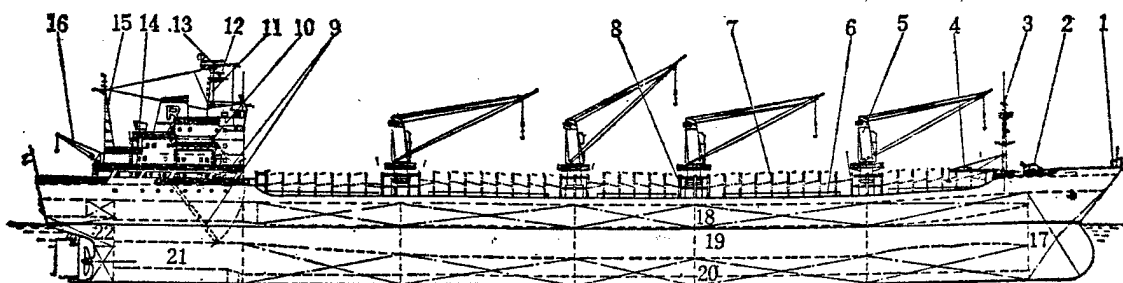
meter. The hatch covers are able to bear a load of logs weighing 2.2 tons per square meter. On the upper deck and in the cargo holds, there are installations that make it convenient to load tied-up bundles of logs and stationary equipment.

In the cargo hold space the double-bottom structure is quite strong, being able to bear a load of rolled tube steel plates arranged in two vertical layers, each rolled tube with a diameter of 1.5 meters, a length of 1.5 meters, and a weight of 15 tons. The standards for the interior bottoms in the cargo hold spaces require that the bottom have an additional thickness of 2 mm, and by being fitted together they provide advantageous conditions for loading bulk cargo like ore in sand form and coal.

#### Navigation Area

The bulk carrier "Great Wall" possesses a multiple-use characteristic and is quite adaptable to the various navigation areas and ports in the world. It is suitable for sailing in the Great Lakes of North America and is able to pass through the St Lawrence Waterway. The St Lawrence Waterway is a deep-water lane on the U.S.-Canadian border that extends from Montreal to Lake Erie. This waterway is about 377 nautical miles in total length and has a total of 8 traffic control stations. These traffic control stations impose strict limits on the measurements of ships: the overall length of a ship cannot be greater than 222.5 meters and its beam cannot be wider than 23.16 meters, and no structure on the ship can exceed a vertical height of 35.5 meters above sea level. All the measurements of the "Great Wall" fall within the range required by the waterway's regulations. In addition, the "Great Wall" satisfied all the requirements of the waterway's regulations with regard to draft markings, protective materials for the ship's sides, radiotelephone units, mooring cables, alarm devices, liquid and bulk sewage treatment systems, appropriate pressure load and correct longitudinal inclination, as well as navigation signal light system.

In the course of the design and building of the "Great Wall," the international pacts, accords, standards, and regulations were followed. Besides strictly complying with the norms of Lloyd's Register of Shipping, the ship's design and building conformed to the requirements of the 1974 international treaty on human safety, the 1973 international treaty on prevention of sea pollution, the regulations of the St Lawrence Seaway, the standards of the Great Lakes waterways, the regulations of the U.S. Coast Guard, the relevant resolutions of the marine agreement concerning the loading of grain, as well as the regulations concerning the docking and cargo lifting equipment of India, Pakistan, Canada, Australia, and other countries. In this way the "Great Wall" is quite suitable for the various navigations areas and docks in the world (especially the St Lawrence Waterway).



Schematic Diagram of the "Great Wall" Bulk Carrier

- KEY:
1. Suez Canal searchlight pole
  2. anchor mechanism
  3. foremast
  4. boom for putting ashore pilots on the installations of the St Lawrence Waterway
  5. 25-ton power-driven hydraulic pressure cargo-lifting booms (straddle distance: two booms 22 meters each, 2 booms 20 meters each)
  6. cargo hold hatch
  7. reverse lift-type mainstay installed on the deck for fastening lumber
  8. stationary mainstay installed on the deck to fasten lumber
  9. gangway (stationary or mobile)
  10. 36-man motor-driven lifeboat
  11. radar mast
  12. X-wave band radar
  13. S-wave band radar
  14. 10-man inflatable liferaft
  15. antenna mast
  16. 2-ton feeder crane
  17. forepeak
  18. ballast tank
  19. cargo hold
  20. pressure load tank
  21. engine room
  22. afterpeak.

9727

CSO: 4006/494

## GENERAL

### DETAILS OF 3-YEAR IMPROVEMENT IN PEOPLE'S LIFE GIVEN

Taiyuan JINGJI WENTI [ECONOMIC PROBLEMS] in Chinese No 5, 25 May 82 pp 35-38

[Article by the Finance and Trade Office, Statistical Bureau, Shanxi Province:  
"By All Calculations and Operations, the People's Life in Our Province Has  
Greatly Improved"]

[Text] Since the 3d Plenary Session of the 11th CCP Central Committee, the party and government have been extremely concerned with and paid attention to the improvement of the people's life and have made the greatest effort in this respect. Under relatively difficult circumstances for the state's finance and economics, they have formulated many policies, taken a series of measures, and attained distinct results. In our province, the improvement in the life of urban and rural people is mainly shown in the following 10 aspects.

#### I. Persisting in implementation of Rural Economic Policies Has Promoted the Development of Agricultural Production and Markedly Increased the Peasants' Income

Over the past 3 years, in the rural areas the party's various economic policies have been thoroughly implemented, various forms of the production responsibility system have been practiced, the diversified economy has been developed, the purchasing prices of some agricultural and subsidiary products have been raised, and some of the tax burden on peasants has been reduced, so that there has been a marked increase in the peasants' income. In 1981, the total cash income of commune members in rural areas throughout the province was 2.44 billion yuan, an increase over that of 1978 of 1.07 billion yuan, or 78.3 percent. Specifically, the main reason for this increase in the rural commune members' income were:

1. The peasants increased the amount of agricultural and subsidiary products that they sold, so that the provincewide income of peasants rose by 220,000 yuan, a per capital rise of 10.73 yuan.
2. The state increased the scope of list prices and overpurchase added prices for agricultural and subsidiary goods, and expanded the range of negotiated purchases, causing the provincewide income of peasants to rise by over 310,000 yuan, a per capita rise of 15.12 yuan.

3. The labor service income derived by peasants from taking part in state construction, engaging in transportation and processing, as well as from organizations, groups, and enterprise units, rose by 200 million yuan, a per capita rise of 9.76 yuan.

Based on a survey of 600 commune member families throughout the province, in 1981 the peasants in our province had an average net income of 180 yuan, an increase over that of 1978 of 78 yuan, or 76.5 percent, or at an average annual growth rate of 20.9 percent. Following the increase in the peasants' income, the proportion of poor families fell. Of the total number of families surveyed, the proportion of prosperous families--those with a per capita net income of 300 or more yuan--rose from 6 percent in 1980 to 12 percent in 1981; the proportion of poor families--those with a per capita net income of 100 yuan or less--fell from 19.8 percent in 1980 to 15 percent in 1981. Now, some areas which in the past "for eating depended on grain resold by the state, for production depended on loans, and for living depended on relief" are becoming fewer and fewer, and many for many poor "mountain homes and cave beds," which for a long time have been fairly poor, over the past 3 years the "spring breeze has blown warm and the atmosphere has changed" and there have been gratifying changes in production and in the life of commune members.

## II. By Raising Wages, Expanding Employment, Issuing Bonuses, and Giving Subsidies, the Income of Staff and Workers Has Increased on a Large Scale

Over the past 3 years, in order to raise the income of staff and workers and to improve their life, the party and government have increased wages, arranged jobs for youths awaiting employment, and put into practice a system of material subsidies, piecework wages, and bonuses, causing the income of staff and workers to increase on a large scale. In 1981, the total cash income of residents of cities and towns throughout the province was over 3.19 billion yuan, a rise of more than 970 million yuan over that of 1978, a 52.6 percent rise, or a per capita 15.1 percent rise. Of this amount, the income of staff and workers in the form of wages was 2.9 billion yuan, 92 percent of the total income. The main reasons for the increase in the income of staff and workers were:

1. There were 582,000 new staff and workers throughout the province. Owing to the increase in the number of employed people, the average income of a resident of a city or town increased by 18.6 yuan.
2. The readjustment of wages for some staff and workers and the different classification by area for wage rises, and the issuance of nonstaple food subsidies and labor insurance and welfare payments, increased income by 580 million yuan, causing the average income of a resident of a city or town to rise by 93.7 yuan.
3. The issuance of bonuses increased the income of staff and workers by 188 million yuan, causing the average income of a resident of a city or town to rise by 30.4 yuan.

Based on a survey of the life of 380 families of staff and workers in Taiyuan, Datong, Yangquan, and Linfen cities, employment has expanded for them, income for living expenses has increased, and the number of them in difficulties has decreased. In 1981, the average family had 2.29 employed persons, an increase of 5.5 percent over the figure for 1978. Owing to the increase in the number of people employed, the average number of people dependent on each employed person (including the employed person) has been reduced from 2.16 persons in 1978 to 2.06 persons in 1981, or an alleviation of 4.6 percent. Following the expansion of employment and the increase in the income of staff and workers, the average monthly living expenses of a staff or worker family was 30.9 yuan in 1981, a 42 percent rise over the 21.7 yuan in 1978. Discounting the factor of price rises in the living expenses of staff and workers, the actual rise was 29.2 percent. At the same time as income has increased, there has been a distinct reduction in the number of low income families with material difficulties. The proportion of families with material difficulties--monthly living expenses of 20 yuan or below per person--has been reduced from 46.9 percent in 1978 to 7.9 percent in 1981. There are now over 92 percent of the worker and staff families in which the monthly living expenses exceed 20 yuan, and among them there are 29.5 percent fairly prosperous families in which this figure is 35 yuan or higher.

### III. The Market's Goods Supply Has Expanded and the Consumption Level of Urban and Rural Residents Has Risen

Over the past 3 years, owing to the increased output of consumer goods and the increased amount of agricultural and subsidiary products purchased, the amount of goods provided by the market and their variety in color and design have expanded, increasing by 34.2 percent over the figure for 1978 (discounting the factor of the rise in the prices of retail goods, this increase is 26.1 percent). Looking at the urban and rural areas separately, with regard to the per capita purchasing power for consumer goods, that of a resident of a city or town is 458 yuan, an increase of 95 yuan over the 1978 figure; and that of a rural commune member is 102 yuan, an increase of 40 yuan over the 1978 figure. Comparing 1978 with 1981, the per capital consumption of the main consumer goods for living of urban and rural residents throughout the province increased.

With regard to other consumer goods for living--such as fresh vegetables, beef and lamb, poultry, fish and shrimp, spirits, candy, pastry, melons and fruits, fresh milk, clothing, shoes, and hats--there was a certain increase in consumption as compared with 1978.

For urban and rural residents, there was not only an increase in the amount of consumer goods for living but also a big improvement in their quality, and the pattern of consumption is gradually developing from low- or medium-grade goods to medium- or high-grade goods. In the eating aspect, there is more fine grain and less coarse grain, and not only do people want to eat to satiety but they also want to eat well, and they pay attention to nutritional quality; in the clothes wearing aspect, the amount of woolen fabrics, woolen cloth, and leather shoes purchased is becoming bigger and bigger; and in the using aspect, now that the people have sufficient daily necessities, they are

universally turning toward materials for enjoyment. Just as some comrades summed it up: In rural consumption there is a trend to "eat fine grain, take a bride, buy big things, and build a new house," and in cities and towns, "in eating, food that is nutritious is stressed; in wearing, clothes that are good-looking are stressed; in using, things that are grand are stressed; and in dwelling, houses that are spacious are stressed."

|                                          | Consumption Per Person<br>in 1981 |                        | 1981 Compared<br>With 1978  |                        |
|------------------------------------------|-----------------------------------|------------------------|-----------------------------|------------------------|
|                                          | <u>Cities and<br/>Towns</u>       | <u>Rural<br/>Areas</u> | <u>Cities and<br/>Towns</u> | <u>Rural<br/>Areas</u> |
| Grain (jin per person)                   | 519.0                             | 506                    | + 9.6                       | +48                    |
| Edible Oil (jin per person)              | 13.42                             | 2.59                   | + 6.56                      | + 1.35                 |
| Pork (jin per person)                    | 32.36                             | 5.44                   | + 1.22                      | + 1.70                 |
| Sugar (jin per person)                   | 13.80                             | 3.46                   | + 1.90                      | + 0.33                 |
| Fresh Eggs (jin per person)              | 7.04                              | 2.00                   | + 2.37                      | + 0.38                 |
| Cotton Cloth (chi per person)            | 23.15                             | 21.78                  | + 2.09                      | + 3.59                 |
| Chemical Fiber Cloth (chi per<br>person) | 17.56                             | 6.08                   | +12.79                      | + 2.48                 |
| Matches (ge per person)                  | 20.29                             | 19.55                  | + 4.58                      | + 6.17                 |
| Soap (cakes per person)                  | 12.18                             | 1.82                   | + 0.60                      | + 0.23                 |
| Coal (jin per person)                    | 616                               | 505                    | + 7                         | +57                    |

IV. There Has Been a Rise in the Degree of Prosperity in the Lives of Urban and Rural Residents, and a Sharp Increase in the Amount of High-Grade Durable Consumer Goods They Possess.

Over the past 3 years, for the worker and rural residents in our province, not only has there been an increase in consumption of the principal consumer goods for living, but also they have acquired many high-grade durable consumer goods, thus causing a distinct increase at present in the amount of high-grade durable consumer goods possessed by the urban and rural households. From a survey of the life of urban and rural residential families, the situation with respect to the increased amount of high-grade durable consumer goods is:

|                 | Number Possessed by Every<br>100 Families in 1981 |                        | 1981 Compared<br>With 1978  |                        |
|-----------------|---------------------------------------------------|------------------------|-----------------------------|------------------------|
|                 | <u>Cities and<br/>Towns</u>                       | <u>Rural<br/>Areas</u> | <u>Cities and<br/>Towns</u> | <u>Rural<br/>Areas</u> |
| Bicycles        | 194                                               | 67                     | +63                         | +20                    |
| Sewing Machines | 77                                                | 45                     | +26                         | +21                    |
| Watches         | 231                                               | 54                     | +62                         | +32                    |
| Radios          | 99                                                | 34                     | +42                         | +23                    |

At present, of the amount of these "four big" high-grade durable consumer goods possessed, over 30 percent were purchased in the urban and rural areas over the last 3 years. And of this amount, over the last 3 years the rural commune members have purchased 47 percent of the sewing machines, 59 percent of the watches, and 68 percent of the radios. Of the amount of durable consumer goods possessed by residential households in urban and rural areas throughout the province, over 80 percent of the television sets, tape recorders, washing machines, record players, electric fans, wardrobes, sofas, and desks were purchased over the last 3 years.

#### V. Building Construction Floorspace Has Increased and Housing Conditions Have Improved

In the past 3 years, the province's total investment in residential construction was over 920 million yuan, and completed floorspace of newly built residences was 6.49 million square meters, or a yearly average of 2.16 million square meters, 3 times higher than the 530,000 square meters, which was the yearly average of completed residential floorspace during the 10 years of the "Great Cultural Revolution."

Based on a survey of the life of urban and rural residential families, there has been a definite increase in the housing floorspace of the urban and rural people. For the staff and worker families in cities, the per capita housing floorspace has increased from 4.5 square meters in 1978 to 4.61 square meters in 1981, or by 2.4 percent; for rural commune members, the per capital housing floorspace has increased from 10.2 square meters in 1978 to 12 square meters in 1981, or by 17.6 percent.

#### VI. The Reputation of Renminbi Has Heightened the Public Feeling of Stability, and the Savings Deposits of Urban and Rural Residents Have Increased on a Big Scale.

In the past 3 years, while the renminbi income of urban and rural areas has increased by a big amount, the state several times raised the rate of interest on savings deposits. Following this, the banking departments also got a grip on savings deposits work, extended their hours of operation, changed their attitude toward service, increased the types of savings, launched part or whole collective household savings, and set up more savings network outlets, so that there was a marked increase in savings deposits. In 1981, the sum remaining in the savings deposits of urban and rural residents throughout the province was over 1.669 billion yuan, 1.3 times higher than that of 1978. Of this, the savings of residents of cities and towns increased by 1.1 times and the savings of rural commune members by 1.6 times.

According to calculations based on population average, at the end of 1981 the per capita savings deposit throughout the province was 66.5 yuan, an increase of 36.8 yuan over the 29.7 yuan in 1978. Of this amount, the per capita savings deposit of residents of cities and towns was 206.8 yuan, a rise of 94.3 yuan over the 112.5 yuan in 1978, and that of rural commune members was 35.1 yuan, a rise of 21.5 yuan over the 13.7 yuan in 1978. Since the founding of the state, there has been such a large and such a rapid increase in the savings deposits of urban and rural residents.

Because of the fairly large increase in savings deposits, the rates of withdrawal of currency from circulation, of collection of reserve currency, and consolidation of currency all rose. In 1981, for every 100 yuan of currency put into circulation by people's banks throughout the province, 16.6 yuan were withdrawn from circulation through the medium of savings deposits, a rise of 36 percent over the 12.2 yuan in 1978; for every 100 yuan of wages put into circulation, 34 yuan were collected as reserves through the medium of savings deposits, a 58 percent rise over the 22.1 yuan in 1978; and for every 100 yuan collected as reserves through the medium of savings deposits, the consolidation rate was 18.2 percent, a rise of 5.3 percent over the 12.9 percent in 1978.

The large increase in savings deposits fully shows that the reputation of renminbi has risen, the value of this currency is stable, and society is settled. At the same time, it also reflects the fact that the income of the masses of people has really grown and the level of prosperity in their life has risen.

#### VII. The Market Economy Has Become More and More Lively, and the Commercial Service Network Outlets Have Increased Greatly

In the past 3 years, in order to invigorate markets, satisfactorily support goods, and provide conveniences for the masses, besides strengthening state-run commercial, food preparation, and service network outlets, there has been a rapid restoration and development of collective and individual economy network outlets. At the end of 1981, there were over 75,600 commercial, food preparation, and service network outlets in the province, an increase of more than 26,600 over the figure for 1978, or a growth of 54.5 percent; 380,000 personnel were engaged in these trades, an increase of more than 116,000 people over the figure for 1978, or a growth of 44 percent. In general, there were two characteristics in the development and changes in the commercial, food preparation, and service network outlets:

1. The development of collective and individual economy network outlets was faster than that of the economy owned by all the people. In 1981, in the province there were over 21,000 more collective and individual economy network outlets than in 1978, a growth of 1.1 times; and there were over 4,800 more network outlets of the economy owned by all the people than in 1978, a growth of 16.3 percent.
2. The growth of food preparation and service network outlets was faster than that of commerce. In 1981, in the province there were over 12,400 more food preparation and service network outlets than in 1978, a growth of 3.6 times; and there were over 14,200 more commercial network outlets than in 1978, a growth of 31.4 percent.

Owing to the increase in commercial and service network outlets, there was in the province in 1981 on average for every 1,000 people 3 commercial, food preparation, and service network outlets as opposed to 2 in 1978; and on average for every 1,000 people, there were 15.2 persons engaged in these trades in 1981 as opposed to 10.9 persons in 1978.

At the same time, in the province 95 markets for agricultural and subsidiary products were restored or opened in cities, and 573 country fair centers were restored or opened, and they play a very good role in making up for the inadequacies of state-run commerce. Now, throughout the province, the contradictions that for many years in cities and towns have caused difficulties in eating, buying food, getting repairs done, getting haircuts, taking baths, and obtaining housing have been alleviated.

#### VIII. There Have Been Improvements in Medical Treatment Conditions for Residents, and Labor Insurance and Welfare Have Been Further Developed

In the past 3 years, while the party and government have been engaged in economic construction, they have paid full attention to hygiene and health care for the masses of people. At the end of 1981, there was a total of over 5,500 hospitals in the province, 570 more than in 1978; the hospitals had over 74,000 beds, over 8,800 more than in 1978; on average for every 1,000 people there were 2.96 sickbeds as opposed to 2.7 in 1978; and on average for every 1,000 people there were 3.81 medical workers as opposed to 3.16 in 1978. The increase in the medical treatment structure and sickbeds as well as in medical workers means convenient medical treatment for urban and rural residents.

At the same time there have been improvements in medical treatment work for the masses of people, there has been a rise in labor insurance and social welfare for staff and workers. In 1981, the state disbursed in the province over 300 million yuan in labor insurance and social welfare payments to staff and workers in the system of ownership by all the people, 67.4 percent more than in 1978. On average, every staff member or workers received 130 yuan in labor insurance or welfare payments as opposed to 87 yuan in 1978. Beginning in 1981, the state added home leave to its benefits for staff and workers, and clearly stipulated that for staff and workers marriage leave would be increased to 7 days as opposed to the original 3 days and that maternity leave for a female staff member or worker who gives birth to only one child would be increased to 71 days as opposed to the original 56 days. Many industrial and nursing enterprises have continually improved the quality of meals for staff and workers while on duty and the measures for labor insurance. All these things fully embody the state's concern and consideration for the life of staff and workers.

#### IX. Cultural and Service Facilities Have Been Continually Developed, and There Is a Lively Trend in Cultural Life

In the past 3 years, people have universally reported that both cultural life and service facilities have become much livelier than in the past and that cultural life is becoming richer and richer. According to statistics, over 125 million books were sold in the province in 1981, over 33 million more than in 1978, or an increase of 36 percent. On average each person in the province bought 5 books as opposed to 3.8 books in 1978; more than 23 million yuan worth of newspapers and periodicals were sold in the province, an increase of more than 7 million over the figure for 1978, or a 46.7 percent growth, and on average each person spent 0.94 yuan on newspapers and magazines as opposed to 0.66 yuan in 1978.

At the end of 1981, there were over 4,700 film projection units in the province, an increase of 580 units over the figure for 1978; there had been more than 889,000 film showings, an increase of over 136,000 showings; and on average each person attended 26 film showings as opposed to 21 showings in 1978.

There was also a big development in radio and television facilities. At present the rural areas in the province are basically able to receive radio broadcasts, and in the cities all homes basically have radios and over 50 percent of the homes have television sets. A small number of prosperous families in the rural areas also have television sets.

In order to make communication convenient for the urban and rural people, various places have added many new bus lines and runs, and some remote mountain homes are now open to motor vehicles. In 1981, there were more than 11,000 passenger-carrying motor vehicles in the province, 3,000 more than in 1978, or an increase of 36.6 percent.

#### X. There Has Been a Big Increase in Intellectual Investment, and Education Has Been Flourishing

Since the 3d Plenary Session of the 11th CCP Central Committee, the party and government have paid extreme attention to investment in the intellectual field. Within the state's financial budget, for the province in 1981 over 85 million more yuan were spent on education than in 1978, or an increase of 51.6 percent. In 1981, there were over 31,000 students in institutions of higher learning, over 10,000 more than in 1978, or an increase of 50 percent. There were over 43,000 students in technical secondary schools or technical and industrial secondary schools, over 2,000 more than in 1978, or an increase of 5.5 percent. Over the past few years, the number of students enrolled in radio or television university courses has reached 5,900. Since the smashing of the "gang of four" and the restoration of the examination system, there has been a marked improvement in the quantity and quality of students at every level of school, there has been a fairly rapid development in many sparetime educational undertakings in industry and agriculture, and more and more comrades are studying on their own in order to become useful persons.

The changing circumstances in the above-mentioned 10 aspects fully show that since the 3d Plenary Session of the 11th CCP Central Committee, there has really been distinct improvements in the life of urban and rural people in our province, and this is an indisputable fact. But we also should see that at present in the rural areas there is still a small number of peasants who have not completely solved the problem of having enough clothes to wear and enough food to eat, and that in some places where production is lagging behind the living standard of commune members is still fairly low. In the cities, owing to rising prices, the family life of some staff and workers whose income level is fairly low has been adversely affected to a certain extent; the problem of tight housing for staff and workers has not been completely solved; the supply of some goods with tight marketability still

does not satisfy market requirements; and urban public facilities, culture, education, and hygiene still do not conform to objective demands. Therefore, while fully recognizing that there have been marked improvements in the people's life, we must also see that problems still exist.

In order to further improve the people's life, we think the most fundamental thing is to develop production. The reason is simple: among the four links in reproduction, production plays a decisive role; it determines distribution, exchange, and consumption. If we are to raise the people's actual level of consumption, there must first be a growth in the material quantity of production. Of course, we must thoroughly correct the longstanding tendency in the past to give more weight to production and less weight to life, but we must also prevent the occurrence of a tendency to give more weight to life and less weight to production. Both production and life are important, and one cannot be stressed more than the other. We must, on the basis of developing production, gradually improve the people's life, and therefore, when making arrangements and plans, we must first consider the development of production; at the same time, we must also consider the improvement of the people's life. "First, eat; second, build"--both aspects must be taken into consideration and neither should be over-emphasized at the expense of the other.

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## GENERAL

### NEW SCIENCE OF URBAN ECONOMICS DESCRIBED

Guangzhou GUANGZHOU RIBAO in Chinese 24 Jun 82 p 4

[Article by Cao Xiaoyuan [2580 1420 0337]: "Attention Must Be Paid to Study of the Science of Urban Economics"]

[Text] Urban economics is a new and developing discipline in the social sciences and is the science of applying economic theories to the study of the laws of urban development. Its study content consists of the following several principal aspects:

First, urban economics should study the phenomena of urbanization. Urbanization refers to the increasing trend, during the process of a high degree of development of the productive forces of society and of science and education, for industrial and commercial enterprises, scientific, technological, and educational undertakings, and the population to concentrate in cities. Cities are the products of the development of society's productive forces, and the ultimate disappearance of cities is also predicted on a high degree of development of the productive forces. Therefore, the economic phenomena and economic process of urbanization are bound to be governed by objective economic laws. Since the founding of our state over 30 years ago, following the growth of the economy there has been a distinct development in the process of urbanization. There are already 16 big cities of over 1 million in population each, the highest number of such cities for any country in the world. Under the conditions of socialism, the process of our country's urbanization exhibits unique laws different from those of urbanization in other countries. Within our country, the various different cities exhibit very big differences in their own development. For example, Shanghai has developed into the economic center of the entire country, and Guangzhou has become the economic center of South China and the most important port for foreign trade in the entire country. Urban economics must study the conditions and development of the urbanization process as well as the special laws exhibited by cities with various different characteristics.

Next, urban economics must study the position and role of cities in the national economic system. Following industrialization and the development of modern science and technology and following the development of society, cities not only garner the most modern, most important departments of the national economy, but

also guide the entire national economy and play an important role in organizing and coordinating national economic activities. According to statistics for 1979, the 200 cities throughout the country accounted for 74 percent of the country's total industrial output value and 55.4 percent of its revenue. A city also plays the role of economic center for certain vast areas that are adjacent to each other. Take Guangzhou for example: it is now the industrial production, commodity circulation, communications and transportation, scientific and technological, and cultural and educational center for the whole province [Guangdong] as well as the South China area. Following the exploitation of South Sea petroleum, the construction of expressways, as well as the development of foreign contracts, Guangzhou's pivotal economic role will become even more prominent. To inquire into the conditions formed by the trends in development of these roles is another important task of urban economics.

In addition, urban economics also must apply economic principles in studying the laws of urban construction and urban administration. In the past, people only considered the question of urban construction from the angles of national utilization of land and architectural engineering, but they gradually came to realize that urban production, development, and administration were, first of all, conditioned by the laws of economic development. For example, the plans for and construction of Guangzhou Municipality must be centered on the characteristic that it is the economic center of South China. On average, for every motor vehicle in Guangzhou Municipality there are now only 16 square meters of road surface, far below the average figure for Tianjin, Shanghai, and Beijing; and the road surface per capita of the city's population is 1.2 square meters, far below the level of 3 square meters per capita for the entire country. In the future, following the laying of the southern multiple-track section of the Beijing-Guangzhou railway line and the opening of the Guangzhou-Shenzhen-Zhuhai-Aomen Expressway, as well as the building of the railway from Sanshui to Maoming, the pressure on Guangzhou's communications will be even greater. Coupled with the fact that there are now in Guangzhou Municipality over 1.2 million bicycles, the problem of urban traffic congestion has become more prominent, and this seriously hinders Guangzhou's role as the economic center of South China. Therefore, proceeding from Guangzhou's economic position and role, the problem of studying, solving, and improving urban communications facilities and administration is pending. There is also the question of the alignment and structural shape of the city's development. In line with historical and geological natural conditions, should the city proper of Guangzhou expand to the southeast, stressing development along the highway in Huangpu and Guangpu districts, or should it break through the limits drawn by administrative districts and expand to the west? Should satellite towns be formed, or should an "urban belt," an urban corridor be formed from Guangzhou to Shenzhen? These things can only be correctly decided by, proceeding from the economic angle, making deep inquiries. It is obvious from the study content of urban economics that it has the effect of stressing urban development. As one of our country's big cities, there have emerged in Guangzhou Municipality's development such problems as traffic congestion, environmental pollution, and slowness of urban renewal. If we are to accelerate the pace of Guangzhou's urban development, we must first of all scientifically observe and study the reasons and laws behind the emergence of these problems and explore scientific ways to solve them. To this end, it is extremely necessary to integrate with the reality of Guangzhou Municipality and launch study in the science of urban economics.

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CSO: 4011/208

Cement

AUTHOR: LYU Jianxing [0712 0256 5887]

ORG: Beiliu County Cement Plant, Guangxi

TITLE: "Strengthening Technical Management for the Stable Production of Superior Quality Cement"

SOURCE: Beijing SHUINI [CEMENT] in Chinese No 8, 10 Aug 82 pp 6-11

ABSTRACT: The Beiliu County Cement Plant has 2  $\phi$  1.83 x 6.4 open flow grinders and one  $\phi$  2.4 x 6.5 mechanical upright kiln; the production scale is 44 thousand tons. Since 1978, the technical management of the plant has been gradually strengthened. In 1981 the average rating of the clinker reached 704, with 1.68 percent free lime. All products leaving the plant made the grade and the year's profit reached 1.17 million yuan. The work of improving the technical management had been concentrated on reducing the free lime content of the clinker. The quality of the coal used in the plant had fluctuated a great deal, with the ash content varying at 38-55 percent. The CaO content of the limestone mined from 9 different locations varied in the 53-55.00 percent range. Measures were adopted at the plant to equalize the quality of the raw materials and the fuel, to establish a reasonable formula of raw material mixture, and to control and improve the calcining process and the grinding process so as to guarantee the quality of the cement products. The work of the chemical analysis laboratory of the plant has also been strictly controlled to make certain that all analysis data are accurate. A system of awards and penalties is enforced to encourage all workers.

AUTHOR: QIAO Tongzhu [0829 6894 2691]

ORG: Jiaozuo Cement Plant, Henan Province

TITLE: "Understandings in Improving the Production and Product Quality of Cement Grinders"

SOURCE: Beijing SHUINI [CEMENT] in Chinese No 8, 10 Aug 82 pp 15-17

ABSTRACT: The Jiaozuo Cement Plant has 4 grinders. Since the year before last, a quality movement has been launched to strengthen the management of the work process, to carry out labor competition in terms of superior product quality, high production, and low consumption, to develop technical reforms, and to tap all the production potential. The production quota has been exceeded every month since then. More than 90 percent of the products have qualified for fineness and more than 80 percent of the products are qualified for the sulfur trioxide rate, every month. The daily cement production reached about 800 tons. The concrete measures adopted at the grinding machine shop are reported.

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CSO: 4011/212

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TITLE: "Investment Policy Decision and Macroeconomic Benefit"

SOURCE: Taiyuan JINGJI WENTI [ECONOMIC PROBLEMS] in Chinese No 7, 25 Jul 82  
pp 12-16

ABSTRACT: The paper seeks to explain that investment policy decision making involves the determination of the scale of total investment for social economic construction and the determination of the distribution ratio of the various socioeconomic sectors in the total investment. The determination of the total investment scale is influenced to a very large extent by the macroeconomic benefit. The total investment capable of being mobilized = the national income - the consumption fund - liquid capital and the amount to be increased in the reserve fund. There is a second source of investment capital, namely the depreciation fund. Finally, the total investment capital capable of being mobilized during a planning period = the national income - consumption fund - liquid capital and the amount to be increased in the social reserve capital + depreciation fund available for investment (depreciation fund - needs for renovating and repair of existing fixed assets) + foreign capital capable of being used. In reviewing the past, the paper states that during the 5 5-year plan periods, the percentage of investment in the financial income is 34, 46.2, 30.1, 38.7, and 40.2 percent, while the percentage of growth of the national income averages 8.9, -3.9, 14.5, 8.4, and 5.7 percent respectively. It may be observed during some pe-

[continuation of JINGJI WENTI No 7, 1982 pp 12-16]

riods, such as the second 5-year plan period, the total percentage of investment in the financial income was too high and the investment did not bring about the increase in the national income. This type of investment policy decision does not produce the macroeconomic benefit as capital investment should. Compared with the year 1957, China's industrial fixed asset has increased nearly 10-fold. There is now a relatively complete industrial foundation of not very small a scale, yet there are, in a large portion of China's industrial fixed assets, the following major problems: (1) The plant equipment is old; (2) the equipment productive efficiency is low; (3) the equipment utilization rate is low. In view of the above condition, the paper concludes that the industrial investment capital should be used primarily for the technical reconstruction of existing industries to promote continuous renewal of the fixed assets. The foolish way of ignoring technical reconstruction of existing industries must never be repeated again.

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ORG: None

TITLE: "Suggestions on the Problem of Improving the Economic Benefit of Industries"

SOURCE: Taiyuan JINGJI WENTI [ECONOMIC PROBLEMS] in Chinese No 7, 25 Jul 82 pp 26-30

ABSTRACT: At the time of the liberation in 1949, the total value of industrial products of the year in Taiyuan was 41.71 million yuan. On that foundation, by 1981, the industrial production of the city has been increasing at an average annual rate of growth of 16 percent. Yet, compared with the best year of 1966, the net profit of 8.05 yuan / 100 yuan of fixed assets only amounts to 70 percent of the profit of 1966, while in Shanghai the profit is 21 yuan/100 yuan of fixed assets (1980 data in all cases.) Moreover, the percentage of liquid capital needed for production is 39.84 yuan/100 yuan of products in Taiyuan and only 15.03 yuan/100 yuan of products in Shanghai. The paper supplies these data briefly to show the problem of low economic benefit from industries of Taiyuan and of course, the considerable potential for improvement at the same time. The reasons for this low benefit are believed to be: (1) The effect of prolonged leftist influence causes an overemphasis on the speed of growth at the expense of product quality and its market outlet; (2) The heavy industry structure of the city requires high capital investment and consumes a great deal of energy; (3) The large proportion of rough products means a small ratio of end products ready for consumption to constitute an unreasonable product structure; (4) Serious phenomena of aging equipment, outmoded work procedures, and out-of-date products. (5) Low business management level. On the basis of the above facts and

[continuation of JINGJI WENTI No 7, 1982 pp 26-30]

problems, the paper suggests the following: (1) Readjusting the product structure by developing new products saleable in the marketplace to replace the old products that are accumulating in the warehouses in increasing quantities; (2) Increasing the amount of tooling and machining to increase the quantity of end products ready for the market; (3) Urgently carrying out technical reform.

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TITLE: "Carry out Market Forecasting Well to Improve the Economic Benefit"

SOURCE: Taiyuan JINGJI WENTI [ECONOMIC PROBLEMS] in Chinese No 7, 25 Jul 82 pp 44, 42

ABSTRACT: In order to have economic benefit, it is necessary to consume as little labor and materials as possible and to produce more products corresponding to the needs of the society. The story of Changzhi Forge Press Machinery Plant is given as an example. After the economic readjustment got underway, the sale of pneumatic hammers, which had been the major products of the plant for 20 years, dropped extensively. In early 1979, it owed the banks more than 500 thousand yuan, there were not enough items to produce, and the plant was facing a large operating loss. Under this condition, the plant dispatched many persons to visit scientific research, information, colleges and special schools, and more than 400 boiler, shipbuilding, petroleum, chemical, mining, transportation, machine-manufacturing etc. factories to carry out surveys and to gather data. Following repeated research, the foreign and domestic market needs were grasped. The plant changed its production of pneumatic hammers to a line of machines for bending and shaping; at the same time also started to produce some tools for the textile industry. Some of these products help to fill China's blank areas and some have been approved by the Ministry of Machines No 1 as export products. The profit of the plant increases to 437 thousand yuan in 1981 while the cost of production has dropped year after year. According to the statistics of 1980,

[continuation of JINGJI WENTI No 7, 1982 pp 44, 42]

the province of Shanxi had a total of unused fixed assets worth 440 million yuan, a total unsold products worth 1,100 million yuan. The sales departments had on hand problematic merchandise worth 150 million yuan and suffered a loss of liquid capital totaling 170 million yuan. These figures should serve to teach a very profound lesson, to stop producing blindly and to pay attention to market forecasting.

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CSO: 4011/209

## HIGHWAYS

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TITLE: "Introducing the Scientific Research and Design Condition of the Highway in the Multi-year Frozen Earth Region of Qinghai-Xizang Plateau"

SOURCE: Beijing GONGLU [HIGHWAYS] in Chinese No 7, 25 Jul 82 pp 27-30

ABSTRACT: The reconstruction project of the Qinghai-Xizang Highway from Germu to Lasa, a total of 1,157 km, began in 1974. At that time, there was no sufficient understanding of the special characteristic of the multi-year frozen earth of that region and no experience of constructing a black-top highway in such a region. It was; therefore, a matter of research study and revising the design while carrying on the construction in all of the past 9 years. Since 1982, the technique of excavating the high ice-content sections was changed to blasting so that the construction process may be faster and the foundation melt may be reduced to improve the quality of construction of the retaining cavern. The weather characteristic of that region of the Qinghai-Xizang Plateau, the distribution characteristic of the multi-year frozen earth, the principle of line selection in that region, the

[continuation of GONGLU No 7, 1982 pp 27-30]

design of the roadbed, the design of the retaining cavern, and the design of the black-top road surface are reported. Under the modern climatic condition, signs of deterioration of the multi-year frozen earth are not observed, but it is difficult to be certain of the tendency of its future development. With the support of the leaders and the related organizations, the authors pledge to continue to experiment, to gather data, and to accumulate experience in order to provide more reliable bases for road construction in this type of region.

AUTHOR: None

ORG: Xuchang Prefecture Highway System, Henan Province

TITLE: "How do we Carry out the Work of Collecting Road Maintenance Fees Successfully"

SOURCE: Beijing GONGLU [HIGHWAYS] in Chinese No 7, 25 Jul 82 pp 39-40

ABSTRACT: The Prefecture had had some problems in the maintenance fee collection work. In 1979, the problems culminated into a deficit of 390 thousand yuan and everyone in the highway system was shaken up by the financial disaster, which taught all a lesson. The leaders called meetings to criticize themselves and to look for causes. Measures were adopted as follows: (1) Each collector is given definite tonnages of specified counties to collect fees; (2) Through regular analyses, a collector knows what the total receipts of every month must be; (3) The collector must board the vehicles to inspect the ticket to prevent it from being passed on to another vehicle and to make certain the vehicle tonnage is correctly specified; (4) Collectors are rewarded for satisfactory performance of the fee-collection work. With the adoption of these measures, in 1980, the total receipts of road maintenance fees of the prefecture amounted to 11,500 thousand yuan while the quota assigned by the Provincial Department was only 10,700 thousand yuan.

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CSO: 4011/207

## Railroad Construction

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ORG: None

TITLE: "A Discussion of China's Electrified Railroads"

SOURCE: Beijing TIEDAO ZHIXHI [RAILWAY KNOWLEDGE] in Chinese No 4, 28 Jul 82  
pp 2-3, 6

ABSTRACT: In China, railroad electrification began in the late 50's, and the first electrified railway, the Baoji to Fengzhou Section of the Baoji-Chengdu Line was operative on 15 Aug 61. Further development was on and off several times and the entire line of Bao-Cheng was not completed until 1980. To date, a total of 1,678 km of electrified lines are in operation and additional 1,248 km are under intense construction. Operational experiences of these 20 years have fully demonstrated that electrified railways have the advantages of large transport capacity, low energy consumption, low operation cost, high economic benefit, and free of environmental pollution. Being a country of 9.60 million km<sup>2</sup> of territory and one billion population, as well as the second highest rail transport density of the world, there is certainly not enough mileage of electrified railroads. Efforts are being made to establish several design organizations to provide material bases for expansion. For example, repeated experiments have resulted in the adoption of steel-aluminum cable instead copper cable to save copper and to reduce the cost, etc. Electrical locomotives having semiconductor rectification and silicon controlled instrument have been produced. At present, China is entirely capable of designing and constructing electrified railways and all the required equipment.

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TITLE: "The Currently Being Constructed Jing-Qin Railway"

SOURCE: Beijing TIEDAO ZHISHI [RAILWAY KNOWLEDGE] in Chinese No 4, 28 Jul 82  
pp 8-10

ABSTRACT: At the foot of Yanshan mountain range of the northern edge of Hebei plain, a trunk line is under construction, the Beijing to Qinhuangdao Line, which will be a major dual-track electrified railroad in China. At present, moving coal out of Shanxi Province is very important for the national economy. The Datong-Shacheng-Beijing line is currently being electrified. From Beijing to the port of Qinhuangdao, there are now 2 lines; One is carrying 49 million tons a year, with little potential for improvement; the other is designed to deliver 12 million tons a year, far from sufficient to meet the coal transportation needs in Qinhuangdao. The Jing-Qin Line will shorten the distance between Beijing and Qinhuangdao 110 km for passenger cars and 70 km for cargo. The topographical characteristics and the important cities along the new line are described. There is also a brief report of the advanced electrification engineering designs, such as BT and AT power supply, the corrosion-resistant copper cable for the coastal region, etc. The traction capacity of the Shaoshan-3 electrical locomotive is to be 4,000 tons and the annual transport capacity of the line will reach 50 million tons.

AUTHOR: None

ORG: None

TITLE: "China's Multiple-Track Railways and Electrified Railways"

SOURCE: Beijing TIEDAO ZHISHI [RAILWAY KNOWLEDGE] in Chinese No 4, 28 Jul 82 p 10

ABSTRACT: According the statistics of 1980, China has 8,118 km of multi-track railways, not including those of Taiwan. At present, the completed and operative electrified railways include the Baocheng Line, the Yangan Line, the Baotian Line, the Shiyang Section of the Shitai Line, and the Xiangnan Section of the Xiangyu Line, a total of 1,678 km, not including those of Taiwan. These lines are briefly described.

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TITLE: "On the Models and Names of Locomotives in China"

SOURCE: Beijing TIEDAO ZHISHI [RAILWAY KNOWLEDGE] in Chinese No 4, 28 Jul 82 pp 20-22

ABSTRACT: There are 3 types of locomotives currently in use in China: the steam, the internal combustion [diesel] engine, and the electric locomotives; and there are many models in each type. In the world, there are all kinds of ways of naming a locomotive but there are 2 common international systems: the wheel arrangement or the axle arrangement. In China, steam locomotives are traditionally named according to the wheel arrangement, Diesel and electrical locomotives are named according to the axle arrangement. 0 is added to the right side of each of the two axle numbers to designate electric drive; the sign "" is added to the right side of each axle number to indicate hydraulic drive. Two axles will be called 2 or B; three axles 3 or C. The names of all major steam, diesel, and electrical locomotives in China and several changes in the systems of naming locomotives since 1958 are explained.

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CSO: 4011/210

END